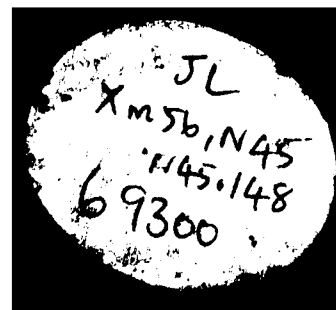




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Deadlock in Europe

THE year 1945 is opening gloomily for the Allies. Fighting still goes on in Athens. The Lublin Committee has added another twist to the tangled knot of Polish politics by declaring itself the provisional Government of Poland. Across the Atlantic, American criticism of Britain and distrust of Russia show but little sign of abating. Militarily, too, the outlook is disappointing. The Rundstedt offensive has been checked, but that it should have succeeded at all grievously contradicts the high hopes of last summer. The Russians' encirclement of Budapest and advance on Austria are bright lights in an otherwise sombre picture, but they are at a standstill in Poland and in East Prussia.

The two chief factors in the Allied crisis—military deadlock and political disunity—naturally interact on each other. Now, as always, political differences are accentuated by military frustration. In turn, the political differences have helped to create the military situation by giving the Nazis a hope to fight for—the hope that the coalition against them will, after all, collapse. It is therefore rather arbitrary to try to disentangle the two problems. Nevertheless there is no doubt which at this moment is the more pressing. Political failure on the Allies' part would frustrate their victory. But military failure would prevent that victory from ever being won.

Of the military coalition, it can be said first of all that

it is intact and strong. There is no sign of slackening on any front. There is no damaging war weariness, certainly not in bombed and war-scarred Britain. The aim of defeating Germany has in no way been modified, and so vast are the material resources marshalled behind the armies that there can be no question of losing the war. On the other hand, it is obvious that an enormous military opportunity has been lost. The German press now openly admits—and probably exaggerates—the crisis into which Germany was plunged after the break through at Avranches. They admit that their armies were routed and that the way to Germany was wide open. To-day, a firm front has been established along the Siegfried Line in the West and the Vistula in the East. In the West, the Germans have even launched a strong counter-attack. The reasons why they have been able to achieve so remarkable and unwelcome a degree of stabilisation ought to throw some light on the Allies' military deadlock.

It is always easy for the armchair strategist to look back over past campaigning and to point out that here the cardinal error was made or there the real opportunity lost. In detail such criticisms cannot be made without expert knowledge. But it requires no expert military knowledge to see that the opportunity of last autumn was missed either because there were insufficient military reserves in France to turn the German rout into a final

defeat or because the available forces were wrongly used. Equally it does not require expert knowledge to realise that since the summer, with its great defeats and the Generals' conspiracy, the Nazi rulers have discovered some method of rallying an army and a nation which were beginning to crumble to defeat.

There is some evidence to suggest that the opportunity after Avranches was lost primarily because reserves were lacking. It is equally true that the strategy pursued by the High Command since the Normandy battle has not been apparently designed to compensate for lack of weight and numbers by an audacious use of existing resources. The strategy of equal pressure along a very extended front—the strategy of an elephant leaning on an obstacle to crush it—requires the strength of an elephant. Yet Rundstedt's offensive has shown that the Allied front is not being held in massive strength. And if the reserves were insufficient to follow up that first advantage, is it not possible that now, with the Germans reorganised and defending the prepared Siegfried Line, the necessary weight for a new Allied break-through has still to be mustered?

★

The reasons for the stiffening of German resistance are not even a matter of query. Goebbels has persuaded enough Germans that the Grand Alliance will collapse, and that in any case a fight to the finish is better than the kind of peace the Allies will impose. Responsibility for the success of this propaganda rests with the Allies themselves. Their demonstration of disunity this autumn has been sufficient to make the best friends of the Grand Alliance wonder if it can be maintained. At the same time, their policy for Germany has combined an official refusal to state terms with a number of semi-official statements on what the terms will be. The most serious of these is clearly the decision announced, in Paris after General de Gaulle's visit to Moscow that Germany will be stripped of its greatest industrial areas—the Rhineland in the West and Silesia in the East. It requires very little elaboration by Goebbels to convince most Germans that there can be no future for Germany "between Rhine and Oder." Thus the Allies have succeeded at the eleventh hour in giving the Germans a compelling reason for fighting on—the desire to survive. Against such a background, psychological warfare loses all meaning. Indeed, at the moment when, at last, it might have been effective, it serves to strengthen, and not weaken, the enemy's resistance.

One may ask how the Allies have come upon military and political policies which are so painfully frustrating their victory. The most obvious reason for insufficient resources on the Western front can be found in the two Conferences at Quebec. In 1943 President Roosevelt and Mr. Churchill decided to put increased emphasis on the war with Japan, and in 1944 the decision appears to have been taken to wage the two wars simultaneously with equal energy.

Yet the lesson of Hitler's war is surely that in military strategy "one at a time" is the most certain way to success. This diversion of massive forces to the Far East may well have made the difference this autumn between complete victory and the long-drawn-out fighting which seems to threaten now. No amount of remobilisation or reorganisation on the Germans' side could have saved them in the panic days of August. It was the slackening of the Allied blow that gave them their opportunity.

The Allies' responsibility for the restoration of German morale is even more direct. It is now quite obvious that the policy of dismembering Germany has not been reached as a result of sober examination and careful decision. It has arisen as a by-product of the Russo-Polish dispute. If the Russians had displayed less intransigence in their claims on Poland, the folly of "compensation" for Poland in the West up to the line of the Oder would not have been even considered. Yet once dismemberment was put forward for the East, it was inevitable that France should return to the Rhineland project, rejected in 1919. Thus haphazardly, almost by default, terms have been laid down for Germany which will probably leave the Germans fighting to the bloody and bitter end.

There is only one consolation in the reflection that the Allies are largely responsible for their present discomforts. They have at least a chance of repairing them. Here a special obligation rests on Great Britain; for although the responsibility for decisions taken is fully shared, and all three of the major Allies are equally responsible, it is nevertheless true to say that the British Government would not have taken the initiative in committing either of the two cardinal errors. It would not have abandoned the policy of "Germany first" in the order of military priority; and whether or not it would have evolved an effective form of political warfare, it would not have evolved a policy for Germany based on forcible dismemberment. Equally, however, the two policies illustrate the basic weakness of British policy—the negative, or at least concessive, rôle it has played in the working of the Grand Alliance. It is no secret that British participation in the Far East has been vastly increased very largely because of American criticism of the British war effort in the Pacific. It is also obvious that the Russian view of a settlement in Eastern Europe has been accepted in order to preserve good relations with the Soviets; in short, Mr. Churchill's government has conceived its rôle to be that of the honest broker. Its concern has been to see whether proposals and policies are acceptable to its Allies, rather than whether they are suitable and effective in themselves. The desire springs from a very laudable ambition to hold the Alliance together. The present state of the Alliance suggests, however, that the policy has been rewarded with very little success. The present deadlock is a suitable time for considering whether new methods might not now be used.

On the military side, the British Government could suggest a revision of the Quebec priorities and an allotment of greater resources to the Western front. The conjunction of the Rundstedt offensive with Mr. Richard Law's visit to Washington offers a happy opportunity for doing so. If the United States authorities proved unwilling to alter existing programmes, the British Government would at least be justified in redirecting all the resources at its own disposal to the task of defeating Germany.

The political problem is more intractable, for Mr. Churchill appears to have committed himself to the senseless policy of dismemberment evolved in Moscow and Paris. Yet it is an open secret that such a policy runs counter to the most expert thought and advice of the Foreign Office and that—a far more fatal objection—there is no chance of the British people being ready after the immediate passions of wartime have died down, to bear the very heavy burdens of continuing to enforce provisions which deprived—or appeared to deprive—the German people in the long run of the power to live and work. Since this is so, there is a strong case for a public declaration from the British Government, stating that it does not intend to pursue or support a policy which permanently deprives the German people of the possibility of leading a normal political and economic existence. Such a statement would create an entirely new situation in the propaganda war against Germany and would at the same time end the anomalous position whereby the policy of the Alliance is worked out in Moscow and Paris with the British feebly or apologetically confirming decisions in whose making they have had little or no part.

Both policies—the reconcentration on the war with Germany and a statement of British policy towards Germany—demand an unwonted initiative from London. Since the statement on Germany could only be the product of forethought and detailed consideration, it would entail uncustomed and possibly unwelcome thought on first principles in the highest quarters. Yet the gains to be set against this grave disadvantage are great indeed. London would recover a freedom of movement so far observable only in Washington, Moscow and even Paris. Mr. Churchill would be relieved of the rôle of perpetual mediator, go-between and universal aunt. The new method would give some hope of the emergence of a genuine British foreign policy as opposed to the passive and partial acceptance of other people's policies. Finally—and this is the most compelling argument of all—it might, by ending the military and psychological deadlock on the Western front, help decisively to win the war.

Local Government Reform

THE latest in the flow of Reconstruction White Papers is one entitled "Local Government in England and Wales during the Period of Reconstruction" (Cmd. 6579). The subject is not perhaps one to stir the popular imagination. But it is none the less fundamental to very large parts of the programme of reconstruction. Health, Education, Housing, Town Planning are generally regarded as the concerns of national politics. The initiative is taken by the Government and the issues are debated in Parliament. But none of them is in fact executed by the Government; in all of them, the local authorities are the operative bodies. They act within the framework of statute law and subject to more or less tight administrative control by Whitehall, which also provides an annually mounting proportion of the cost of the services. But the local authorities are, nevertheless, by law and even more by custom, independent bodies with powers of discretion. When Parliament has had its say, the difference between success and failure in the reconstruction programme may well turn on the efficiency of the system of local government. And there is reason to doubt whether the system as it now stands is capable of carrying the burdens that are being put upon it. The main subjects of doubt are two. First, for an increasing number of purposes the representative local authority is alleged to be too small in size. And second, the system of local authority finance, based upon property rates, is neither buoyant nor productive enough to give the local authorities the resources they need if they are to maintain their independence.

This is the importance of local government reform. But it does not follow that the subject is an easy or a rewarding one for a Minister to tackle. The pressure for reform is almost entirely confined to a very tiny minority of persons interested in public administration; there are no votes in reform. And on the other hand, there is the most powerful confederacy of interested parties, the local authorities themselves, in the other camp. The county councils, the county boroughs, the municipal boroughs, the urban and rural districts have their interminable differences. But they combine most easily in the negative attitude of resisting change in the *status quo*; and when they combine, they are, as a matter of practical politics, fully as powerful as the usual Minister of Health. It would take the combination of unusual authority and unusual courage to carry through any drastic reform of local government.

It must be said that the combination is not to be found in the present White Paper. It is designedly temporary and while admitting, in the most general terms, the case for a complete review, takes refuge behind the conclusion that it is "not opportune" in the reconstruction period. Indeed, the White Paper makes but a single proposal,

important in its way, but quite minor in the context of the whole system of local administration. For the rest, it is apparently content with the structure of things as they are. It is most emphatic that nothing in the nature of regional organisation is contemplated, and the Regional Commissioners, those *bêtes noires* of all classes of local authority, are to go beyond recall. It does not rule out altogether the transfer of functions from the local authorities to the state—which might be called Local Authority Fear Number Two—but "the Government are opposed to any general policy of centralising services hitherto regarded as essentially local" (a sentence which may turn out to have some hidden ambiguities). These two principles between them mean that, where larger areas are needed for any purpose, Joint Boards and Joint Committees alone remain and the White Paper makes a not very convincing attempt to establish that this expedient may not be so bad as is generally held. Finally, on finance, the White Paper is confident that rates, swollen by rising incomes, and assisted by percentage grants and the Block Grant to provide "a very flexible instrument, capable of adjustment to meet new conditions." The only amendments suggested are the promise of (unspecified) assistance to areas adversely affected by the war, and to poor authorities generally.

The single proposal is for a consolidation and extension of the process of revising the boundaries and status of local authorities. At present, each administrative county carries through a decennial "county review," the results of which are confirmed by an Order of the Minister, while county boroughs extend their areas by Private Bill. The two procedures are quite independent and uncorrelated, and as there are large arrears under either head, there would certainly be confusion in the years after the war if nothing were done. The White Paper proposes to place the whole matter in the hands of a Local Government Boundary Commission, which would have powers—subject to the general instructions and confirmation of the Minister and, in some cases, to the consent of Parliament—to upgrade and downgrade authorities, to amalgamate them and to alter their boundaries. Within the limits set for it, this is a bold proposal, which is not likely to be very popular, especially with the county boroughs, which would lose their present right to approach Parliament direct. But it clearly does not do more than touch the fringe of the main problem. The only changes that are contemplated in the structure of local authorities are a proposal to give the Commission power to amalgamate some of the smaller counties and an interesting suggestion that some of the smaller boroughs of the market-town type might be extended to embrace their surrounding rural districts. There is nothing in either that effectively touches

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the two main problems of local government—the size of the average area (for the amalgamation of such counties as Rutland and the Soke of Peterborough would hardly affect the average) and the financial basis of the system. Moreover, the Commission's writ is not to run either in London or in Middlesex, both of which are reserved for separate treatment at a date that is left indefinite (except in the matter of the division of functions between the London County Council and the Metropolitan Borough Councils, which is to be made the subject of an immediate inquiry).

The political realism that has led to this unambitious White Paper can hardly be questioned. But that does not alter the fact that something much more far-reaching is needed if the system of local government is not to act as a brake on the execution of the plans of social progress now maturing. It must perhaps be accepted, though with regret, that nothing can be done about the size of local authorities, since the only practical suggestion—the creation of regional governments—would arouse such a fury of opposition. But something could be done, and should be done, to improve the financial system which, if not reformed, may lead straight to a painful dilemma. Local authorities' expenditure is rising very rapidly, under the double pressure of rising prices and growing statutory obligations. But the rating system could, at the best of times, respond but slowly and inelastically, and at present it is almost immobilised by the virtual breakdown of the system of valuation. The Report of the FitzGerald Com-

mittee, which has recently been published and—more effectively—the work of Professor and Mrs Hicks have shown the tangle that will have to be unravelled before the system can be brought back to life and the independent income of local authorities can be substantially increased. Not only should the methods of valuation be uniform throughout the country, but a considerable part of the rates themselves should be levied at a uniform rate and redistributed among the areas in proportion to their needs. It will take a long time to get into this position, which in many ways will be merely the starting point for the reform of local government. It will be a very great pity if the start of the start is to be indefinitely delayed.

There is one further measure which could be taken at once, and which would considerably relieve the financial crisis of the local authorities. This would be to create the new Medical Service on a national basis, wholly financed from national sources and embracing part or all of the health services which form so large a part of the local authorities' total expenditure. This would have the additional and important merit of meeting the strongest objection that the medical profession has to the Government's proposals.

Even on the unambitious level of a minimum programme, there are thus a number of ways by which progress in local government reform could well be begun almost at once. The Minister of Health might well be asked to revise upwards his estimate of what Parliament and public opinion will accept.

Patent Medicines

THE annual representative meeting of the British Medical Association last month passed unanimously a resolution declaring that

the education of the public on the meretricious claims of patent foods, drinks, medicines, etc., should be intensified immediately.

It is certainly time, now that a national health service is to be established, to consider the place that patent medicines should take in it, for it has been estimated, from an admittedly small survey of civil defence workers in Bristol, the results of which appeared in the *British Medical Journal* of July 17, 1944, that three out of four people in this country are taking drugs without medical advice. If the new medical service is to be really comprehensive, there should, in theory, be no need for self-medication—though it will not be practicable to stop it altogether. Not only will people be able to seek free medical advice whenever they want, but the free supply of drugs will presumably be part of the service, though it is true that the White Paper on the health services dealt with the matter somewhat cursorily. The medical profession is therefore raising the question whether the time has not come to remove the sale of drugs altogether from private enterprise. As a recent leading article in the *British Medical Journal* stated,

It is a little difficult to see how doctors are "to encourage a new attitude to health" if the patent medicine industry continues to spend £3 million a year on advertisements suggesting to people that they are ill and that they can only be cured by proprietary remedies.

And another resolution passed unanimously at the BMA meeting declared that any medical service should include control of the sale of patent medicines.

It is perfectly true that there are sound medical reasons for prohibiting the sale of medicines except against a medical prescription. On the other hand, doctors are, at present, interested parties; so long as they receive fees for medical attendance it is clearly in their business interests that self-medication should cease. If they are agreeable that panel patients should come to them for medical prescriptions in every case where they otherwise would have dosed themselves, doctors are clearly acting from the best of professional motives; but it is a little unfortunate that they should ask for the abolition of the

private trade in patent medicines at the very moment when they are pressing for the retention of private practice in medicine itself.

The chemist's attitude is similarly equivocal. Professionally, he is as interested as the doctor in the abolition of high-cost proprietary remedies and in replacing them by equally effective non-proprietary remedies dispensed according to a doctor's prescription. But the chemist's business interests do not allow him to be entirely disinterested. As a business man, he likes the price-fixed branded article because it yields the highest gross discount. He dislikes it only when it is sold by a retailer other than a chemist. On the initiative of the National Pharmaceutical Union, chemists have formed a friendly scheme which, by agreements with manufacturers, aims at preventing shops other than chemists from trading in proprietary medicines. They thus appear more interested in their own livelihood than in protecting the consumer against worthless but expensive remedies.

What is the attitude of the consumer? He has expressed a wish for a national health service which is to aim, not only at the treatment and cure of disease and at the rehabilitation of the diseased, but at the promotion of "positive health." If this phrase means anything at all, it means that there is a recognisable difference between the absence of illness and good health, and it might be argued that the lack of a proper medical service has encouraged people to swallow patent medicines in order to obtain the good health they cannot seek from their own doctors. This, unfortunately, is very far from the case. If a comprehensive and free medical service were established, would people in pursuit of positive health stop taking patent medicines and visit their doctors instead? If they did and the doctor was a good doctor, he would tell his patient that there was nothing whatsoever the matter with him. If he was also a kind doctor, he might prescribe a bottle which under a national pharmacological service would cost the country a penny or two and would have the same properties as the proprietary medicine costing several shillings. But if he was also a conscientious doctor who thought he ought not to waste even a penny of the taxpayer's money, he would tell his patient to go

away and eat more cabbage à la Ministry. And the patient would be outraged.

The truth is that people do not want to be positively healthy. The suggestion exercised by the patent medicine advertisers falls on receptive ground. People take patent medicines not because they are fatigued, anemic, nervous, overworked and suffering from sleeplessness and headaches, but because they like to think they are. Even when they do not positively enjoy poor health, there is still a superstitious belief that good can be made better by regular doses of medicine. The Ministry of Health has stated that large-scale tests have shown that no advantage is to be obtained by the addition of vitamin concentrates to the normal—wartime—diet of schoolchildren and factory workers. Yet there is more faith in a vitamin tablet than in a Brussels sprout.

Nevertheless, the sale of patent medicines is clearly incompatible with the aims of a comprehensive medical service, and if one of them has to give way it will have to be the former. Probably the most effective method of curtailing the trade would be through the control of advertisements. It is already illegal to advertise alleged remedies for certain specified serious illnesses. There seems no reason why the list should not be extended to cover all complaints including influenza and the common cold, and advertisements for laxatives, which provide the most abused, and probably the most common, form of self-medication, should be prohibited absolutely. The second big group of medicines which can be bought without a medical prescription includes the pain relievers and the cough mixtures. Provided they are not abused and provided they do not remove symptoms of an unsuspected disease—two large provisos—there are not the same objections to them as to the first group. Nor is there any strictly medical objection to the third group—the tonics. Advertisements for these two groups, therefore, need not be prohibited. But they, in common with all proprietary medicines and patent foods, should be submitted to a cost analysis, not only on medical grounds but also because their prices are controlled by very powerful trade associations. It has been authoritatively stated that the true value of the average 1s. 5d. patent medicine is between a penny and twopence, and there is no doubt that advertising is a principal item of cost, amounting to as much as 20 per cent of the retail price. Another expensive item is the wrappings. It is sheer waste to create consumer's demand by such an enormous outlay and then to make him pay for it in the price of the drug; it is equally wasteful to make a drug appear more effective than its properties warrant. Such waste is inconsistent with the principles of one hundred per cent social insurance.

The control of advertisements and a cost analysis would be to the advantage of the better sections of manu-

facturing chemists whose products have a recognised medical value. So far as these are concerned, there is no reason at present why they should only be sold by chemists when other retail distributors might be willing to sell them at a lower price. There will be even less reason when anyone will be entitled to a free medical consultation before he doses himself with a patent medicine, and will be given, if necessary, a prescription for a free drug to be dispensed only at a chemist's shop. Pharmacists will then no longer be able to claim that their expert knowledge is necessary to protect the consumer. On the other hand, these recognised products should not be unduly favoured, and doctors, who at present tend to prescribe them too often, should only do so when cheaper non-proprietary remedies of the same value are not available. The direction laid down in the national formulary of the Panel Committee that

proprietary preparations should not be prescribed unless the practitioner has satisfied himself that the therapeutic object aimed at cannot be obtained by the use of non-proprietary remedies

should be incorporated into any national medical service.

If control of this sort is undertaken, the result will be that any person who is considered by his doctor to be in need of a drug will be given a prescription for a non-proprietary product which will be dispensed by a chemist at the expense of the state or the social insurance fund. In the rare cases where a suitable non-proprietary remedy does not exist, the doctor will give a prescription for a proprietary remedy which again will be dispensed free by a chemist. If a non-proprietary remedy is available but the patient insists on having the proprietary brand, there seems no reason why he should not be given a prescription accordingly, but he would have to pay the chemist for the drug. If the patient does not believe the doctor when he is told that there is nothing the matter with him, or if he does not want to consult a doctor at all, he will be able to buy medicines that do not require a medical prescription at the chemist's or the grocer's or at any other shop. But at least he will be protected against fraud and at least he will not be subjected to constant external pressure to make him into a constipated hypochondriac. Moreover, legal restrictions should be accompanied, as the BMA urged, by the education of the public which the Central Council for Health Education could undertake by more direct methods than it uses at present. There is no doubt that any attempt to control the trade in patent medicines will meet with organised opposition, which will be particularly strong because they figure so largely in the advertising revenue of the daily press. But it is a task that the Ministry of Health, now that it has embarked on a scheme for a national medical service, simply cannot ignore.

NOTES OF THE WEEK

Three-Power Talks Ahead?

A glimmer of hope for better Allied understanding may be found in President Roosevelt's first press conference of 1945, in which he said that he expected to meet Mr Churchill and Marshal Stalin "very soon." This is a considerable improvement on his reply a week or so ago, when he termed the meeting "hypothetical." The urgency of the problems dividing the Coalition has apparently led the statesmen to revise their timetables.

First on the agenda of any conference is, of course, the problem of Poland. Mr Churchill and President Roosevelt need not take too tragically the decision of the Lublin Committee to promote itself to the rank of Provisional Government. Other provisional governments have in their time been launched with a fine parade of democracy only to slip into the limbo of forgotten causes once the need for them had passed. The short-lived regime of Kuusinen in Finland is a fairly recent example. The Lublin decision merely marks another turn of the Russian screw on the Poles, and indirectly on the Western Powers. Significantly, Marshal Stalin has not himself recognised the new Govern-

ment yet, and, even if he did, the matter could probably still be arranged.

Everything will depend on the outcome of the coming Three Power talks. If the British and American leaders go to them with a clear idea of what their own policy ought to be, the unsatisfactory ambiguities of Teheran may be avoided. There is no doubt about the rightness of their decision to continue to support the Polish leaders in London, and the Polish Underground, with its Home Army. They have borne the brunt of resistance in large parts of Poland, and any provisional administration which ignores them cannot fail to betray the independence of Poland. The weakness in the Russians' position is precisely the unrepresentative character of the Committee they have set up.

Unfortunately, neither British nor American statesmanship can do much for Poland so long as the senseless division between the London Poles continues. A pre-condition of a successful settlement of the Polish question is the return of Mr Mikolajczyk to office with a restored coalition of the Peasants and Socialists. Unless this is achieved, neither Mr Churchill nor Mr Roosevelt is likely to make much

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four main tasks: the reconversion of industry, with special reference to engineering; the derequisitioning of factory space (a total of 220 million square feet has been requisitioned by the Government during the war) and the allocation of surplus Government factories; the distribution and location of industry and the preparation of continuous factual surveys of their areas' needs and resources; and the deconcentration of industry. Obviously so long as war production continues to have first priority, and there is still an overall shortage of workers for munitions, the supplies of material, and labour available for peacetime production will be very limited. The Board of Trade has, however, made a start by issuing some 600 licences for the production of prototypes to engineering firms, though it does not appear that so far any definite schedule of priorities for civilian production has been drawn up or that firms are being given directives about what they should produce.

Mr Dalton is hoping to introduce legislation this session to give effect to the policy outlined in the Employment White Paper for the location of industry, and the Regional Controllers will play an important part in securing a better distribution of industry in the Development Areas. This will be done mainly by the issue of building permits and the provision of financial and other inducements. It seems that there are plenty of industrialists anxious and willing to set up factories in Development Areas, and that there would be still more if Development Areas were the only places where they could quickly obtain factory space. But the former Depressed Areas lack modern factory buildings, and contain a relatively small proportion of new Government factories, while building materials and labour for building new factories are in very short supply and the demand for surplus Government factories exceeds the supply. Spadework can be done, and is being done, by the Board of Trade, but it is essential that it should have the necessary statutory powers as soon as possible to carry out a location policy.

Nine Months' Revenue and Expenditure

With three months more of the financial year to come—and in spite of pay-as-you-earn it is the crucial three months—the total tax revenue of the country has reached almost two-thirds of the total estimated for the whole of the year. In peacetime, this buoyancy of the revenue would be cause for rejoicing. Now, however, it probably means that inflation is increasing. The increase in income tax receipts over those for the first nine months of 1943-44 amounts to £81.3 million, so that the estimated increase for the whole year of £116.4 million will be far exceeded. Under pay-as-you-earn, this means a considerable rise in wages and other incomes, which in its turn is reflected in the customs and excise receipts. Over the whole year, excise duties were estimated to show a decline of £9.3 million, whereas at present they show an increase of as much as £17.4 million over the corresponding period of 1943-44.

The expenditure side of the accounts tells the same story. A year ago, it looked as if expenditure on the war had stopped rising. But, as the table of Supply expenditure shows, it has resumed its upward trend, and though part of the renewed rise may be due to the removal of goods

from the Lend-Lease list, a much more important factor must be the increased pay for the armed forces and higher wages in general.

Higher Appointments

The Ministry of Labour is proposing to extend its machinery for the placing of administrative, technical, supervisory and professional workers after the war. The report of Lord Hankey's Committee on Higher Appointments, which was set up in July, 1943, has now been published and many of its recommendations have already been put into operation by the Ministry. The report proposes that the scope of the Ministry's Appointments Officers should be widened, but that there should be fewer of them. The Ministry has agreed to reduce the number from 31 to 13. In addition to the placing of applicants, it is recommended that the officers should give general and specific advice on careers and training, with special reference to the needs of ex-Service men and women. There are to be National Standing Advisory Committees representing the principal professions and occupations, and the offices will maintain close co-operation with industry and with other job-finding organisations. The demarcation line between Appointments Offices and Employment Exchanges will be drawn roughly just above the level of foreman and clerk. The service will, it is estimated, place between 200,000 and 300,000 applicants each year, and will cost about £986,000 to operate.

The new organisation, as Lord Hankey had previously stipulated, will not have any monopoly over jobs, and there is no question of its use being compulsory on employers. But the Ministry of Labour hopes that it will provide such satisfactory and efficient service that employers of labour will make full use of it. The success of the scheme will thus depend very largely on the people who are to run it, and on the degree of co-operation that can be reached with university and other appointments organisations. It will certainly have to prove itself a great deal more efficient than the old Central Register. If properly staffed and equipped, an Appointments Department for professional and technical workers might make a very real contribution to the provision of well-qualified technical staffs, who are so vital to the efficiency of British industry. It should be of especial advantage in the resettlement in civil life of demobilised Service men and women whose careers have been interrupted by the war.

Whiter Bread

The Minister of Food's announcement that bread is to become whiter as a result of lowering the degree of wheat extraction to 80 per cent will probably please the general public, which has never taken very kindly to the National Loaf. It will certainly please the millers, who in the past have always opposed a high rate of extraction. Colonel Llewellyn said that this step would not involve any "appreciable" loss of nutriment, while it would make available increased quantities of bran for animal feeding stuffs. Presumably the chief reason for the present decision is the easing of the shipping situation, since it was the need to

restrict bulky imports of wheat that dictated the original decision to raise the extraction rate.

It is true that a lowering of the extraction rate by 2½ per cent does not represent a very big change, but it will be recalled that in October a similar reduction of 2½ per cent was made from the rate of 85 per cent which had been in force since 1941. It is only natural to ask whether the Government intends to do gently, and by stages, what was done with a leap at the end of the last war, when the extraction rate was reduced overnight from about 90 per cent to 76 per cent. The 85 per cent rate was recommended by the Medical Research Council on nutrition grounds. It retains the Vitamin B₁ element which may be deficient in wartime diet.

As soon as food restrictions can be relaxed and alternative foods which are equally nutritious become available, it would be impossible, even if it were desirable, to make the sale of wholemeal flour compulsory to the exclusion of white flour, since this would be regarded as an unwarrantable interference with consumers' choice. There are, however, strong arguments in favour of encouraging by every possible means the maximum consumption of wholemeal flour. Since bread is the largest element in working-class diet, it is desirable that it should be of the highest possible nutritional content. For the time being the Ministry of Food should say, "Thus far and no farther," to any pressure for a further reduction of the extraction rate.

Hitler in Retirement

None of Germany's various leaders—propagandists, generals, gauleiters—seems to have missed the opportunity of making a New Year address to the German people. Year by year, these effusions have grown in length and lost in substance. They offer little guide to the actual state of mind of the German people (which is discussed at length in an article on page 13). This year, however, the addresses have two points of interest. The first is the frankness with which the German leaders admit that they were within a hair's breadth of defeat. Such an admission is, of course, good propaganda, for it underlines the "miracle" of restored resistance and, more, of the return to the offensive.

The other point is the light thrown on Hitler's position. So much talk has gone on during the year about his death or lunacy or even confinement at the orders of Himmler. However, the Fuehrer, after months of silence, actually came to the microphone. He is alive, no more insane than usual, and not dramatically imprisoned. But his message, together with the propaganda barrage thrown up by Goebbels beforehand, explains why the Fuehrer is not in custody. There is no need for it. His talk was full of the German myth, the rebuilding of bigger and better German towns, the failure of the bourgeois world and the new dawn of National Socialist principles. That he must talk about such things at a time of supreme military crisis shows that he is no danger to anyone, least of all to Himmler. He appears to have passed beyond even a remote interference in the strategy of the war and to be now little beyond the focus for the despairing nationalism of the German people.

Re-education in Germany

So far the Allies occupy only a war-devastated fringe of Germany. In dealing with the few small towns and villages—many of them evacuated—which lie behind the firing line, the military authorities have needed to make only local arrangements—the appointment of a mayor, the introduction of a curfew, the definition of military offences and the setting up of military courts to deal with the offenders. It would be impossible from this small local experience to generalise about the Allies' policy for Germany as a whole. Recently, however, representatives of the "Military Government of the Supreme Allied Commander, General Eisenhower" have issued some general directives which have been broadcast over the BBC German News Service. One decree lays it down that the German Labour Front will be dissolved and free trade unions encouraged in its place. This, clearly, is a big step forward out of the official obscurity covering the Allies' intentions for Germany.

A second decree, covering the field of education, is not so satisfactory. True, its negatives are unexceptionable. All

special Nazi schools—for example, the Adolf Hitler Schools and the *Ordensburgen* or Junker Schools where Nazi and Army leaders are trained—will be abolished and for a short time all schools will be closed, to be reopened later with, as it must be presumed, a reorganised teaching staff. The first schools to reopen will be the elementary schools, and teachers must refrain, under heavy penalties, from teaching military science and geography, national socialist philosophy, racialism and criticism of the Allies. Unfortunately, the decree gives no idea how teachers are to be tested and recruited, nor of the positive curriculum they will be allowed to teach. Education cannot be achieved on the basis of negations. In fact, apart from an important undertaking to support religious (confessional) education, the content for the re-education of a new German youth is simply lacking. This fact springs from a deeper uncertainty. No content can be given to German education until the Allies have agreed upon the nature of the future German political regime. In 1944 there is none of the 1918 faith in democratic government. Yet Weimar, for all its weaknesses, was preferable to any other system adopted by the Germans in modern times.

Books Received

- The Politics of Plenty.* By H. Norman Smith. Allen and Unwin. 88 pages. 6s.
World Co-operation, 1844-1944. By Dr Barou. Fabian Publications Research Series, No. 87. 52 pages. 2s.
A Miniature History of the War. By R. C. K. Ensor. Oxford University Press. 88 pages. 2s. 6d.
Powers and Duties attributed to the League of Nations by International Treaties. League of Nations Publications Department. (London) Allen and Unwin. 48 pages. 2s. 6d.
Country Planning. A Study of Rural Problems. By the Agricultural Research Institute, Oxford. Oxford University Press, 1944. 288 pages. 7s. 6d.
Inter-American Affairs, 1943. Edited by Arthur P. Whitaker. An Annual Survey, No. 3. (London). Oxford University Press. 277 pages. 20s.

MILK CHOCOLATE & the Nation's Milk Supply

THE contribution of the Milk Chocolate Industry in ensuring Britain's milk supply during these critical war years is not generally realised.

Before the war this industry was using 40 million gallons of milk a year. Cadburys took more than half of this vast quantity. It came from the counties of Hereford, Gloucester, Salop, Stafford, Flint and Denbigh where Cadburys have consistently encouraged dairy farming over a number of years. In these areas they have established four Milk Factories which have greatly assisted in developing milk production. Today these four factories alone collect and distribute sufficient fresh milk for well over a million people.

Cadbury means Quality

REVENUE (£ Millions)						
	Year's Receipts			Nine Months' Receipts		
	Actual 1943-44	Estimated 1944-45	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1943	To Dec. 31, 1944	Inc. (+) or Dec. (-)
Income Tax	1,183.6	1,300.0	+ 116.4	514.2	595.5	+ 81.3
Surtax	76.0	80.0	+ 4.0	20.4	18.1	- 2.3
Estate, etc., Duties	99.5	100.0	+ 0.5	71.9	79.3	+ 7.4
Stamps	17.7	19.0	+ 1.3	13.7	11.1	- 2.6
Nat. Defence Contr.	33.4	500.0	- 0.1	23.0	24.6	+ 1.6
Excess Profits Tax	466.7	564.9	+ 4.1	355.8	372.7	+ 16.9
Customs	560.8	472.9	- 9.3	407.3	434.2	+ 26.9
Excise	482.2	27.3	- 0.3	358.4	375.8	+ 17.4
Motor Duties	27.3	27.0	- 0.3	5.5	5.8	+ 0.3
Wireless Licences	4.79	4.8	+ 0.1	3.2	3.3	+ 0.1
Other Inland Revenue	1.0	1.0	-	0.2	0.2	-
Total Tax Revenue	2,952.9	3,069.6	+ 116.7	1,773.6	1,920.6	+ 147.0
Other Non-Tax Rev.	85.6	32.2	- 53.4	63.8	69.9	+ 6.1
Total Ord. Revenue	3,038.5	3,101.8	+ 63.3	1,837.4	1,990.5	+ 153.1

QUARTERLY SUPPLY EXPENDITURE SINCE 1942-43						
Quarter	1942-43		1943-44		1944-45	
	Actual	Estimated	Actual	Estimated	Actual	Estimated
I	1,198	1,307	1,307	(+ 109)	1,315	(+ 8)
II	1,229	1,305	1,305	(+ 76)	1,404	(+ 103)
III	1,364	1,324	1,324	(- 40)	1,403	(+ 79)
IV	1,505	1,474	1,474	(- 29)		
EXPENDITURE (£ Millions)						
	Year's Issues			Nine Months' Issues		
	Actual 1943-44	Estimated 1944-45	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1943	To Dec. 31, 1944	Inc. (+) or Dec. (-)
National Debt	364.7	420.0	+ 55.3	283.4	310.9	+ 27.5
N. Ireland	9.0	9.0	-	5.3	6.1	+ 0.8
Other Cons. Fund.	7.2	7.0	- 0.2	4.3	4.4	+ 0.1
Supply Services	5,407.5	5,504.4	+ 96.9	3,933.1	4,125.9	+ 192.8
Total Ord. Expend.	5,788.4	5,940.4	+ 152.0	4,226.1	4,447.3	+ 221.2
Sinking Funds	10.3	-	-	-	-	-
Self-Balancing Rev. and Expenditure	110.6	112.4	+ 1.8	82.3	87.5	+ 5.2

AMERICAN SURVEY

The Deep South in Wartime

(From a Correspondent in Georgia)

IN common with other regions of the United States, but in many respects with a greater degree of urgency, the Deep South is seriously disturbed about its economic future. Wartime spending has swept the region into high income and high employment. Shipyards, aircraft plants and munition factories have brought industrial employment to heights never reached before. Receipts from farm marketings have increased about 50 per cent each year since 1940, and the farmers are rolling in wealth, compared with their pre-war situation. Retail stores are finding that they can sell almost anything to the long lines of customers passing their counters day after day, lines whose numbers are swelled by the location of many training camps in the area. Remembering the many years of poverty and despair, the Deep South is keenly conscious of the need to retain some measure of this prosperity.

For convenience in discussion, the Deep South may be regarded as consisting of the south-eastern coastal states of Georgia, Florida, Alabama, Mississippi and Louisiana, with Tennessee, which adjoins Alabama and Georgia on the north, thrown in for good measure. This six-state area covers 300,000 square miles and contains 15 million inhabitants. In spite of its size and population, the Deep South in pre-war years had all the characteristics of an economically depressed area. Its people were leaving the region to find employment and opportunity elsewhere, leaving in numbers that constituted, in some places, mass migration. Its chief industries and utilities were more often than not owned by outside capital. It depended for its livelihood largely upon agriculture, but on an agriculture that was concerned primarily with the soil-destroying crops of cotton and tobacco. Its industries were of the low-wage type, largely producing semi-finished manufactures. Illiteracy, disease, malnutrition and high infant mortality were all too prevalent.

In view of the South's depressed pre-war economy, the agricultural and industrial revival that came with the war years was more than welcome. The rise in farm income has, in particular, meant a new lease of life for the Southern farmer. Receipts from farm marketings for the six states of the Deep South were \$675 million for 1940 and \$1,770 million for 1943, a rise of 162 per cent. The corresponding rise for the United States was 131 per cent. In Mississippi alone (perhaps the poorest of the six) receipts from farm marketings rose by 230 per cent. The next highest percentage rise in the group was that of 185 per cent in Alabama.

Gains in industrial employment have been even more striking than have been the gains in agricultural income. The shipping emergency brought an almost entirely new industry to the Deep South. As late as 1939, the six states employed only 5,028 people in the shipbuilding and ship-repairing industry. With the entrance of the United States into the war, shipyards sprang up or expanded at New Orleans, Pascagoula, Mobile, Panama City, Tampa, Miami, Jacksonville, Brunswick and Savannah. By mid-1944, these yards were employing more than 175,000 workers.

Huge plants for the manufacture, assembly and repair of aircraft likewise came into existence with the war. By mid-1944, they were employing some 70,000 workers. Another 70,000 workers were employed by new munition, ordnance and special-purpose war plants. All told, therefore, some 315,000 workers are now employed in the Deep South's shipyards, aircraft plants and munition factories.

The heavy concentration of industrial employment in the shipbuilding, aircraft and munition industries is chiefly responsible for the apprehension with which the Deep South looks upon the approaching end of the war; the fact that the high-income years have not been used to diversify agriculture is much less keenly felt. In the pre-war year of 1939, the entire manufacturing industry of the area employed only 668,689 people. This peace-time employment, more-

over, was provided by hundreds of small plants engaged primarily in light manufacturing. When it is considered that these peace-time employments have themselves expanded in employment during the war years, the prospect of having to deal with more than 300,000 displaced war workers is sobering indeed.

The search for a solution is taking many forms. Business leaders in Louisiana have drafted extraordinarily complete plans for facilitating the reconversion process. Mississippi has revived its Balance-Agriculture-With-Industry plan, whereby, under state supervision, counties and municipalities are permitted to incur bonded indebtedness in order to provide funds for the erection of factory buildings, which in turn are leased to selected operators. A number of state agencies in Alabama are outlining post-war plans that are designed to maintain employment within the state, and in Georgia the State Agricultural and Industrial Board is planning for post-war construction of 743 projects to cost more than \$65 million. State and municipal projects in Florida, according to announcements of the State Planning Board, call for the expenditure of more than \$100 million. In Tennessee, too, the State Planning Commission is engaged in advertising the industrial advantages of the state and in planning public works projects, and further developments are envisaged by the TVA, whose area covers part or all of four out of the six states.

Private agencies are also at work to facilitate the economic upbuilding of the region. Each state within the area has its Committee for Economic Development. These committees are organised primarily to survey post-war needs and to recommend procedures for meeting these needs. Moreover, in several cities in the area, business-promotion corporations are being organised for the purpose of offering subsidy aids of one kind or another to new industrial enterprises. In Birmingham, Alabama, for example, an attempt is being made to set up the Birmingham Industrial Development Corporation. It would be a non-profit organisation, designed to solicit new industries and, if need be, to assist in their financing. The organisation plan involves the accumulation of a promotion fund to be contributed by 1,500 citizens who will subscribe \$100 each.

In Georgia, optimistic hopes for the rebuilding of the state's agriculture are placed in the Calloway Farm Plan. Under this plan, 100 farm corporations will be organised. Each corporation is to have seven stockholders, each of whom will invest \$1,000. From its paid-in capital of \$7,000, a corporation will purchase 100 acres of land at a price not to exceed \$30 an acre; the remaining \$4,000 of the corporation's capital fund is to be spent in building up the land under the direction of an employed farm manager. After the land has been built up, the corporation will borrow from a bank an additional \$3,000 for the purpose of providing machinery and livestock. By the end of October, 1944, 78 of these corporations had been organised and nine of them had purchased farms.

All of this development work is indicative of the Deep South's concern with its post-war future. Underneath this spate of optimistic planning, however, is the deep-founded fear that the region's industrial future is anything but optimistic. By pursuing subsidy ventures, some observers believe the various groups within a community may succeed only in diverting funds and effort into ventures that can exist solely at the expense of already established local enterprises. National policy still is the chief economic determinant of the region's future, they say, and will remain so.

Prodigious governmental spending means high times for the Deep South, but the fear is that, lacking inherent strength of its own, the region will continue to trouble not only itself but the nation with its post-war economic and social problems.

American Notes

Motes and Beams

The leading article in *The Economist* last week appears to have caused quite a stir in the American Press. After so many bitter American attacks on British policy have been so gently received in this country, it is strange to observe the emotions aroused on the other side of the Atlantic by a single attempt to state the British side of the argument. Nevertheless, it is all to the good that the British case is being heard, even if heat is engendered in the first stages of the process. Most of the American comments on the article have, unfortunately, misconstrued its purpose as being to attack American policy. They have missed its real point, which was to enquire to what extent British policy required to be adjusted in the light of the evident trends of American policy. It is also necessary to deny the connection that some American commentators have drawn between the views of *The Economist* and those of the Ministry of Information. Mr Bracken ceased to sit on the Board of the Economist Newspaper, Ltd., on taking office three years ago. And, in any event, by the constitution of the paper, the directors are entirely relieved of any responsibility for the policy of the paper. The Minister (it should be unnecessary to say) had no knowledge of *The Economist's* views before their publication; and *The Economist* has no idea of what the Minister's views may be.

Greek Gift

The demand for a policy of wholehearted responsibility and detailed participation in foreign affairs has been answered from an unexpected quarter. Senator Wheeler has celebrated the New Year with a six-point resolution demanding

the immediate creation of a United Nations' political council to provide for the democratic settlement, in harmony with the principles of the Atlantic Charter, of territorial questions that have arisen in Europe and may arise elsewhere.

Like a bear from his native North West, Senator Wheeler embraces the ideal of collaboration the better to smother it. If there were any doubt about his intentions, it would be dispersed by other points demanding the sovereign equality of all European nations, and, significantly, one providing for a universal Bill of Rights to guarantee, even to individuals living under friendly dictatorships, those freedoms of press, religion, assembly, and speech, guaranteed to Americans in the first ten amendments to the Constitution.

These are counsels of perfection. Senator Wheeler, tongue in cheek, demands all or nothing, in the hope that it will be nothing. To talk of a change of that hardened heart is ludicrous. This is the new isolationist strategy, modelled on the fatal conditions of Senator Lodge. There are more ways of killing a cat than by choking it with cream, but this is the method the isolationists have chosen to adopt. Senator Wheeler's resolution may do something to clarify the issue. Those earnest American internationalists who have allowed the desire for a flawless settlement to become the enemy of any settlement at all may well be shaken by this new recruit, whose adherence makes it abundantly clear that perfectionism points straight to isolation.

Post-Mortem on Dr Gallup

Dr George Gallup, the poll-taker and public opinion analyst, was, in his turn, subjected to examination last week by an unfriendly House Committee investigating aspects of the election campaign. In final pre-election diagnoses of the patient's state of mind, Dr Gallup's poll was the least accurate of the three main polls, giving Mr Roosevelt 51.5 per cent of the popular vote, as opposed to the 53.6 per cent predicted by the *Fortune* poll, and the 52 per cent prophesied by the Crossley poll. The President actually received 53.3 per cent of the total vote, and won 432 electoral votes, instead of the 292 awarded him by Dr Gallup. These divergences are not very great, and all the pollsters may be satisfied with the success of their prophecies. Nor is the right to innocent error in question. It was, rather, the poll-side manner of the doctor that was under review.

What prompted the investigation was the allegation, now conceded by Dr Gallup, that early in the campaign he

knocked 2 per cent off the reports of his investigators, which gave Mr Roosevelt a 53 per cent majority, before publishing the results; and that he failed to make this adjustment public. This liberty with impartial reporting Dr Gallup defends on the ground that he had to make allowance for the likelihood of a light turn-out. But although the 2 per cent subsequently was restored, the Gallup poll continued to predict a very close election until the eve of the poll. In the investigation it was also brought out that the Gallup poll underestimated the President's strength in every state but one of those that polled over a million votes. This miscalculation is attributed by Dr Gallup to the weight of the migrant vote, and to the work of the Political Action Committee; and in his defence it should be noted that none of the polls was nearly as successful in predicting state results as they were in assessing the national trend.

The taking of the national pulse evidently is not quite the exact science Dr Gallup has suggested in the past; like medicine itself, it is as much an art as a science. The Democrats on the Committee also appeared to think that in political, as in medical, diagnosis, the power of suggestion is not to be underrated. There can be no certainty, of course, that the exaggeration of Governor Dewey's chances induced many voters to climb on to a non-existent bandwagon; it might equally have had the opposite effect by alarming many complacent Democrats. But allegations that the Gallup poll served Republican interests might have been avoided if Dr Gallup, in his dilemma, had taken the public more fully into his confidence about the method he was adopting to allow for a light poll.

Return of the Nisei

The Pacific Coast is no longer barred to the Nisei, American-born citizens of Japanese descent. The mass exclusion order, first applied by the Army in March, 1942, has been revoked by the War Department on the grounds that large-scale invasion of the West Coast is no longer likely. In the last two years, the Army also has had the opportunity to make an exhaustive study of these Americans of Japanese

113th Annual Statement The Bank of Nova Scotia

Established 1832

GENERAL OFFICE: TORONTO, CANADA

CAPITAL
\$12,000,000

RESERVE
\$24,000,000



Condensed General Statement as at October 31st, 1944

ASSETS	
Cash, clearings and due from banks	\$119,853,452.76
Government and other public securities, not exceeding market value	248,303,067.01
Other bonds and stocks, not exceeding market value	6,347,400.53
Call loans (secured)	9,042,785.60
Other loans and discounts (after full provision for bad and doubtful debts)	123,689,451.76
Liabilities of customers under acceptances and letters of credit (as per contra)	27,457,412.26
Bank premises	5,177,459.34
Shares of and loans to controlled companies	1,775,000.00
Other assets	834,684.67
	\$542,480,713.93
LIABILITIES	
Notes in circulation	\$ 3,091,370.19
Deposits	472,849,484.70
Acceptances and letters of credit outstanding	27,457,412.26
Other liabilities	1,697,309.58
Capital	\$12,000,000.00
Reserve fund	24,000,000.00
Undivided profits	1,385,137.20
	\$ 37,385,137.20

J. A. McLEOD, President.
H. D. BURNS, General Manager.

The Bank of Nova Scotia conducts a general banking business. Fully equipped for Exchange, Collection and Letter of Credit Transactions. Particular attention is devoted to business with Canada, Newfoundland and the West Indies, where branches of the Bank have long been established.

LONDON OFFICE: 108, OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager. R. A. ELDER, Assistant Manager
(The Bank of Nova Scotia is incorporated in Canada with limited liability)

ancestry. Those showing any mark of pro-Japanese sentiment will continue to be excluded on an individual basis. The loyalty of the remainder has already been attested by the willingness of the Army to accept many of their members at first as volunteers and later under Selective Service, and by their war records both in Europe and in the Pacific.

The day after the Army announcement, the Supreme Court handed down a decision to the effect that loyal citizens of Japanese descent have the right to live where they please, and in the words of Justice Murphy, deprecated the "un-constitutional resort to racism" involved in the evacuation and resettlement of the Japanese.

The return of the Nisei to the West Coast from their inland relocation centres may play some part in relieving man-power shortages on the West Coast. But early incidents suggest that the common-sense of the Army, and the constitutional principles of the Supreme Court, may not represent public opinion in the small towns from which most of the Japanese were uprooted. Old antipathies die hard, and even Nisei veterans have found that their wounds and war service do not guarantee a welcome. The Hearst press has found an issue to its liking. The Secretary of the Interior has promised that there will be no "hasty mass movement" back to the West; and Governor Warren, of California, has engaged that the return will be orderly. These grim touches may make many Japanese hesitate before deciding to return to the inflammatory atmosphere of the Pacific Coast.

* * *

Back to Montgomery Ward

Mr Sewell Avery once more plays host to the Army. The President has authorised the Secretary of War to take possession of and to operate plants and facilities of

Montgomery Ward located in seven cities. It is over a year since Mr Avery was bodily removed from his own offices; and in that time there has been no modification of his intransigent attitude toward the union and the direction of the War Labour Board that he should accept a "maintenance of membership" clause. One subsidiary, the Hummer Company, has been continuously operated by the War Department since last May. The Government action appears to have been taken just in time to prevent the spread of the strike in four Detroit outlets to vital war production and, possibly, the denunciation of the no-strike pledge by the Automobile Workers' Union.

Last year's vigorous handling of this persistent employers' strike petered out ignominiously when it was realised how deeply public opinion was against the Administration's case. The present is a more favourable moment to renew the attack. Then it was argued by the critics that the President had no right to take over a company not directly concerned in the war effort. The same thesis is heard this time, but more faintly. The President, in his executive order, underlined not only the crucial point in the war, but the threat that some critical war plants might join the strike.

Mr Roosevelt's further statement that no strikes could be condoned in war-time, whether by employers or employees, while accepted in principle, has prompted commentators to contrast unfavourably with the Montgomery Ward case the success of Mr Petrillo, of the Musicians' Union, who after a two-year campaign recently scored a notable triumph, not only over the manufacture of gramophone records, but over the War Labour Board and the Anti-Trust Division of the Department of Justice. Mr Petrillo's contribution to the war effort is, however, even less crucial than that of Mr Avery.

THE WORLD OVERSEAS

Antwerp, December, 1944

(By a Correspondent recently in Antwerp)

IT is still not easy to understand why the Germans allowed the port of Antwerp to fall into Allied hands intact. It is true that they did not expect the 11th Armoured Division on the afternoon of Monday, September 4th, but the tanks only pushed them north of the Albert Canal, on the northern fringe of the town. For three weeks after that they were in the suburb of Merxem, two miles from the centre of the town and with no physical obstacle between them and the area of the new docks other than a railway embankment. On the west of the town they lined the left bank of the Schelde and could machine-gun and mortar anyone foolish enough to venture on the riverside quays. And even in those three weeks they failed to destroy the main power station of Antwerp, which is in Merxem itself and was in their hands. Since all the dock equipment is electrically operated, even that would have been something of a setback. But they did not. Antwerp, together with its docks and their equipment, is intact. It is about the only port in Western Europe that is.

It is a magnificent port. Apart from the riverside deep-water quays that line the eastern bank of the Schelde, its new dock system covers some ten square miles. These docks lie to the north of the town, downstream from the entrance to the Albert Canal. There are two entrances only, each of which will allow through an ocean-going steamer of 17,500 tons. They will take a length of 450 feet and 30 feet draught. Inside there are some 25 miles of deep-water berthing quays; 500 miles of railway track on the quays and in the marshalling yards; 602 cranes; granaries with a capacity of 600,000 hectolitres; and a range of storage and refrigeration sheds of which one alone, the Entrepot Royal, will hold 110,000 cubic metres. It is said that over a thousand ships of all classes can be berthed at Antwerp at any one time.

But all this information was compiled in 1940, and the

Army and Sea Transport officers who reached the town on September 5th were by no means certain that everything would be quite as it was. The Germans had used the smaller basins for river and canal barge traffic, but few sea-going ships had been up the Schelde since May, 1940. What had become of the labour force? In 1940 it numbered some 18,000 Belgians, of whom 8,000 were skilled stevedores. For that matter what had happened to the Schelde channel itself?

As events turned out, those on shore had just about eight weeks in which to reorganise the port while the troops of the Canadian Army and the Royal Marines cleared the land approaches to the port and the Navy swept the channel. The time was sufficient.

They found that the Belgian authorities had been permitted to do some maintenance work to the dock equipment and had the men available to overhaul it and test its working order. So far as the channel was concerned, the hydrographers followed the minesweepers in and reported that no substantial changes had taken place. Restoring the waterway was largely a matter of checking the buoys and of replacing those that had vanished. In that they were greatly assisted by the former Belgian and Dutch pilots of the river. Over half of them had left in May, 1940, and had joined the Royal Navy. They are now back on pilotage, mostly as lieutenants, RNVR. Inside the docks the principal task was the clearance of the locks and narrow channels of silt.

The Labour Force

The problem of building up the labour force again was solved with the co-operation of the Burgomaster. He called on all former dock workers to register with him. The great majority did so, and there are now available quite as many

labourers as the Allies need. Nor has their physique suffered to an extent that they are unable to work the long hours that dock work demands. But there were various incidental problems. One was bicycle tyres. The area of the docks is so big and so many of the men live outside Antwerp that some transport is essential. The Germans had taken most of the buses and there was little petrol or tyres left for the remainder. The Allies found bicycle tyres and restored the dockers' mobility. Another question was whether it would be essential to provide hot meals for the men during their shift or whether they could manage on a cold snack. The provision of canteens and cooking facilities would have been very difficult at the time, and the men have started work on the basis of a cold snack only.

Next came the problems of wages and conditions. In that the pre-war industrial organisation of Antwerp helped. For example, 62 of the master stevedores are members of the one association or guild, and follow its rulings; this meant not only one agreement to negotiate instead of 62, but also that the Allies would not be concerned in the allocation of work among the individual firms. As a voluntary gesture, the Belgian Government agreed to pay all the expenses, including wages, of operating the port.

The port is a base port for both the British and the American Armies. Each army operates independently, but both have joined in the setting up of a port executive committee to settle matters of major policy. It is presided over by the army commander of the area. The army organisation was ready to take over its part of the work. It had been at work in France since the end of July, and had already reorganised Caen as a port. The major novelty was the problem of Inland Water Transport. IWT had not

previously had to deal with barges carrying some 2,000 tons. But the Germans had left over 500 in the port, and they are now in operation again, manned by Belgians and controlled by the army staff. They are the major means of transport out of the port. Before the war 70 per cent of all goods landed at Antwerp went forward by barge.

To meet the day-to-day problems of the port, the army devised a nerve centre, in operation twenty-four hours a day, to keep track of the movement of all goods landed and of the utilisation of all forms of transport and labour. This centre is invaluable for planning future movements and for dealing with any emergency which would arise were German bombers to be lucky enough to hit an important store or communications point. This nerve centre was first worked out at the 2nd Army roadhead in Normandy and adopted to the local conditions of Antwerp.

To drive round the docks now, to see a gang of Belgian stevedores starting, a little gingerly, on the unloading of an ammunition ship, to see tugs on the river, to see, almost at the dock-gates, the shattered buildings that marked the front line where the Germans were held as late as mid-September, is to realise how much Europe will have cause to bless Antwerp's facilities when post-war supplies flow back down that funnel into Europe.

The port was officially opened with a rather elaborate ceremony on the riverside. As the Commander, RNVR, in charge of sea transport said:

The Belgian authorities wanted a ceremony and I can understand why. The port has been dead for four and a half years and until we came in they were never certain whether it would ever open again. The first siren of a sea-going ship after all that time is something of an event. I feel it so myself.

Germany at War

Siege Politics

IT may seem paradoxical that inside the German Fortress the Nazi regime has achieved its greatest political concentration since the direct attack on the fortress began. It is not easy to explain how a regime and its people can go on fighting against hopeless odds. It cannot even be said that Nazi propaganda has concealed the overwhelming material superiority of the Allies. On the contrary, internal propaganda has emphasised that Germany is fighting against great material superiority, and, indeed, hardly a German can doubt this since it is demonstrated daily by devastating air raids.

The politics of the Nazi regime and the attitude of the German people in this militarily hopeless situation have no precedent in German history, and an analogy based on conditions which led to the collapse of Imperial Germany in 1918 would be misleading. The great military and political crisis of last summer ended with the virtual elimination of the most powerful internal opposition the regime has known during its short history, and its outcome was the final concentration of the regime itself. It looks as if it could only be broken by outright military defeat or by dissension between its leaders.

Politics play no part in the ordinary daily round of the German masses. Man, woman and child they have been turned into unpolitical "experts." They have become soldiers, technicians, skilled, semi-skilled and unskilled workers and administrators. Most of them have lost their family connections. Nor can they be called Bavarians, Austrians, Pomeranians or Westphalians. They are known chiefly by the number of their regiment or unit in the Wehrmacht or their workplace in a factory; social workers are marked by their post in the evacuation scheme, by their position in a public kitchen or in a kindergarten, health centre or hospital.

This strange impersonal and barbaric structure of the German people explains why it was possible to direct men, women and children to dig trenches in East Prussia, in the west and in front of Vienna. The diggers themselves acted *en masse* in the belief that their effort would contribute to save the military situation for the final defence of the Fatherland. Propaganda, on the other hand, converted this mass direction of the people into a spontaneous effort.

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in the conduct of the war are being opposed by disunity among the Allied nations. Each of the Allied nations is presented as pursuing the war against Germany for purely national interests. In general terms, the propaganda follows the line that Great Britain is fighting within the coalition a losing battle for maintaining the British Empire against the imperialist expansion of the United States in Africa, the Near East and on the continent of Europe. The crisis in Greece has been explained as a clash between Russian and British interests in the Balkans. The Russian demand for reparations in kind and for millions of German workers for reconstruction work in devastated areas has been shown as Russia's first big step towards dominating the most important material resources of Central Europe. The United States of America is said to aim at becoming a dominant influence on the Continent in order to secure it as a market for American goods. The dispute over oil concessions in Persia was carefully explained as a newly-awakened Russian oil imperialism. In short, the Germans are being told that the three Great Allies, who in Nazi terminology are alien powers to the Continent of Europe, are attempting, under the single aim of eliminating Germany, the strongest continental power, to secure the continent not only as a market, but also as a convenient object of imperialistic exploitation.

As Germans See Us

This propaganda is naturally buttressed by innumerable stories about internal conditions in Great Britain, the United States and Russia. Disunity among the Allied nations is explained as springing from the different internal needs of the three great Allies. This is a favourite topic on the Ger-

man radio and in German newspapers. In fact, the volume of propaganda on conditions in Allied countries and on differences in peace aims is much larger than the reports and propaganda on German internal affairs. Greece and Poland, conditions in France and Belgium, in Finland, Roumania and Bulgaria, serve to drive home to the Germans the two important points which form the basis of the propaganda as a whole. These are, first, that all countries occupied by Russia are immediately being made integral parts of the Russian political and economic regime. Secondly, the countries liberated in the west which return to some form of democratic regime are said to fall at once into the chaotic conditions characteristic of democratic countries before the war.

There is no doubt that the mere fact of complete political concentration gives the leading Nazis a political advantage over the heterogeneous coalition ranged against them as long as this coalition looks on Germany as something that has been perverted by a gang of criminals. The totalitarian regime boasts of many gangster types in high political positions, but it has been born out of very powerful anti-democratic tendencies. Overwhelming material superiority will in the end defeat its armed forces, but unless it is also defeated politically, it may tend to revive.

This has produced the rumours that the Nazi party, resigned to be defeated by material superiority, has been actively preparing to go underground. In fact, all its energies have been directed to staving off defeat, and a political movement cannot go underground without the passive and active assistance of the population. The Nazis themselves have naturally carefully fostered these rumours in their propaganda for foreign consumption. It serves their political purposes, for it maintains the myth of the political invincibility of their regime.

Letters to the Editor

Tourism in Britain

SIR,—Mr Maury Maverick complains of the difficulty Americans experience in getting in to the Houses of Parliament.

As one who has enabled literally thousands of our American Allies to visit the Palace of Westminster, and also to attend debates, may I say that the English Speaking Union brings two parties to listen to debates each sitting day. The various American clubs have tours arranged for them, and there is never a sitting day that I do not average at least thirty US soldiers to listen to debates. Lord Fermoy, Mr Astor and Mr Everard Gates are all tireless in their efforts to do the same job. The Empire Rendezvous have also looked after large numbers, and there is seldom a day when even the Dominions Gallery does not have its quota of American soldiers.

But to give the other side of the picture. It is a little disheartening to take great trouble to get high ranking officers into the distinguished strangers gallery and then

have them not turn up—not even a 'phone message—or to turn up an hour early by special request to show Americans round, with the same result.

That is why I personally only book parties brought by someone responsible for their turning up, and insist on having a fixed hour both morning and afternoon, when they are met either by myself or some colleague, even though we help hundreds who turn up without notice. But Mr Maverick should remember that there is also the security angle in wartime and hosts of unescorted people strolling round the Palace on Sundays, or indeed at any other time, might well give opportunities to an enemy agent that would exceed his wildest hopes.

Except when the Prime Minister makes an important speech, it has almost invariably been possible to get in every man, though it may mean waiting till someone else goes out. I can only assure Mr Maverick that if he was unlucky, thousands have been more fortunate, and we do all in our power to help.—Yours, etc.,

JOCELYN LUCAS

House of Commons

Condition of the People

SIR,—It should, I think, be made plain to your readers that in your article on the Condition of the People, where you say that "the share of the national income represented by wages increased from 38.2 per cent in 1938 to 41.1 per cent (excluding the pay and allowances of the Forces) in 1943," and attribute this statement to the Budget White Paper, the words in brackets apply to 1938 as well as to 1943, though on a strict reading they would not be so understood. The share of wages in the National Income—the income including but the share excluding Forces pay and allowances at both dates—fell from 37.5 in 1938 to 35.6 in 1943; whereas the share of wages—both income and the share excluding Forces pay at both dates—rose as you say from 38.2 in 1938 to 41.1 in 1943. I raise this point because unwary readers may be misled or find an unexplained inconsistency between your figures and those of the White Paper. Either method of calculation is of course legitimate in the appropriate context.—I am, yours faithfully,

G. D. H. COLE

University College, Oxford



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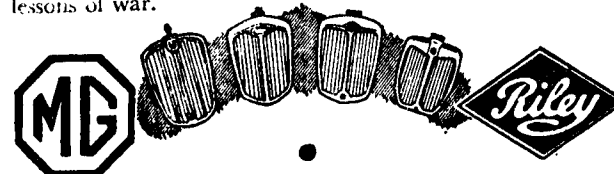
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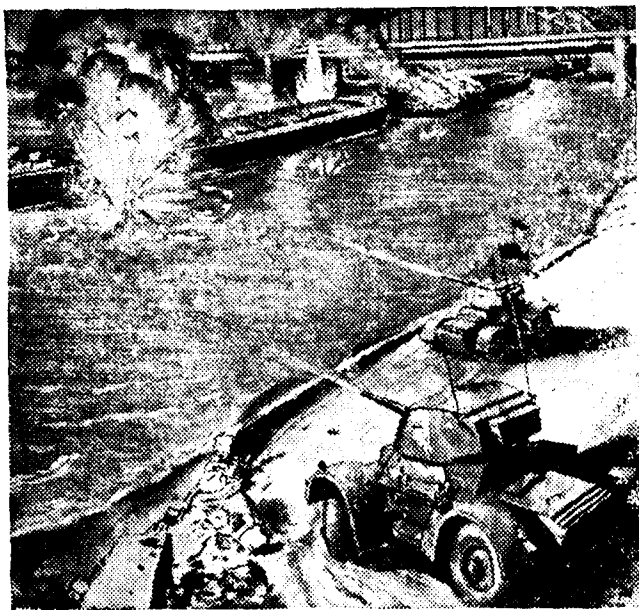
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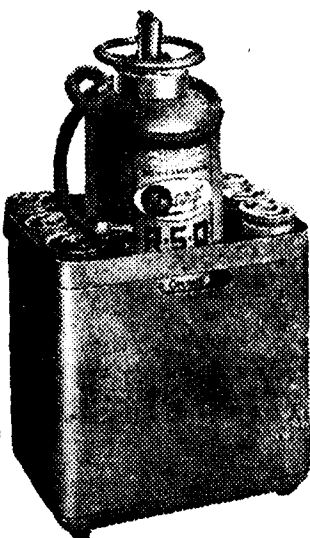
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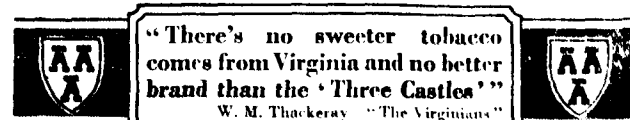
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THE BUSINESS WORLD

The Scottish Coalfield

THE report on the Scottish coalfield (Cmd. 6575) of the Scottish Coalfields Committee provides an admirable pattern for similar regional coal surveys. The report has taken some time to produce. The Committee, under the chairmanship of Sir David King Murray, KC, was appointed in July 1942, and was instructed to report on "what measures should be taken to enable the fullest use to be made of existing and potential resources." The report deals with the pre-war position and the prospects for Scotland for the next fifty years, and does not shed any light on the pressing current problems of declining coal production. But these are lacunae which can easily be filled in, and they do not detract from the value of the report as a solid, factual contribution towards the solution of the longer-term problem.

The Scottish coalfield comprises a narrow belt, corresponding to Scotland's industrial belt, stretching from the Fife coast to the Ayr coast. Before the last war, Scotland was responsible for 41 million tons out of Great Britain's 264 million tons of output. Production in the interwar period was maintained at a fairly stable level of around 30 million tons, though the number of wage-earners declined from its 1920 peak of 147,323 men to 86,513 in 1939—as is shown in the following table:—

Year	Tons of Coal raised in Great Britain	Tons of Coal raised in Scotland	No. of Wage-earners employed in Scotland
1910	264,435,028	41,335,132	about 135,000
1920	229,532,081	31,525,941	147,323
1930	213,881,824	31,658,700	96,649
1931	219,458,951	29,072,361	88,046
1932	208,735,140	28,804,389	82,358
1933	207,112,245	29,245,341	83,602
1934	220,726,298	31,532,646	83,458
1935	222,248,822	31,346,952	86,630
1936	228,448,356	31,987,177	90,592
1937	240,409,436	30,279,500	90,002
1938	227,015,308	30,528,974	86,513
1939	231,537,947	30,528,974	86,513

Production has fallen sharply during the present war. In 1943 output was no more than 24.7 million tons, with some 83,000 wage-earners. But the Committee bases its recommendations on the assumption that the pre-war level of production can be restored and maintained and that the industry can continue to employ the present labour force. Though overall production was maintained in the interwar period, the relative importance of the various districts underwent a substantial change. The Central Scottish coalfield, of which Lanarkshire is the principal area, was responsible for about 54 per cent of Scotland's total output in 1920; by 1939, the proportion had dropped to 42 per cent. Indeed, Lanarkshire pits, which produced 24 million tons in 1910, produced only 13 millions in 1939, and the Committee estimates that with the complete exhaustion of the western part of the coalfield in twenty years' time, Lanarkshire's output will be down to 6 million tons a year by 1975. By contrast, output from the Fife and Clackmannan, Ayr and Dumfries and the Lothians coalfields has been well maintained and in some cases increased during the interwar period.

The problem of dwindling reserves in the Lanarkshire district—still the largest single production area—is the central theme of Part I of the report. Scotland, as a whole, has ample coal resources amounting to nearly 8,000 million tons, but they are not in the Central coalfield. The solution favoured by the miners' representatives was the extensive de-watering of the flooded tracts in the Lanarkshire coalfield, on the ground that the maintenance of coal production in this area was essential for the prosperity of heavy industry. The majority decided that the position had in no way changed since the Commissioner for the Special Areas concluded in 1936 that the overhead charges for installing a centralised pumping system would be excessive and would add approximately 2s. 6d. per ton to the cost of production. The miners' concern for Lanark-

shire is understandable, since it has always been the most difficult area from the point of view of unemployment. But artificial respiration is no solution, and the coal industry cannot afford to have any additional burdens imposed on its already excessive costs.

It is therefore obvious that other means will have to be found to compensate for the loss of Lanarkshire production. The Committee puts forward a detailed scheme for increasing output from existing collieries outside Lanarkshire, which would eventually produce another 7 million tons a year, and it recommends the sinking of three new large collieries, one in Fife, one in the Lothians and one in Ayrshire, which would take seven to nine years to reach full production, but which might be expected to yield some 2 million tons. On this basis, by 1975, the volume of extra production would amount to about 9 million tons a year.

The Committee recognises that "the fullest use of existing and potential resources" can only be ensured through a systematic and co-ordinated development programme, which the present method of organisation is not likely to produce. Scotland provides as good an example as any area of the need for the co-ordination and reorganisation of the coal industry. As the table below shows, there are still 180 undertakings, most of which operate on a small scale:—

Coalfield	1939 output (in 1,000 tons)	Number of Companies			
		Producing at least 1,000,000 tons per annum	Producing between 100,000 and 1,000,000 tons per annum	Producing less than 100,000 tons per annum	Total
Ayrshire and Dumfriesshire	4,750	1	3	15	19
Fife and Clackmannan	8,200	2	7	8	17
Central (Lanarkshire, etc.)	13,500	2	26	103	131
Lothians	4,050	1	8	5	14
TOTAL	30,500	6	44	131	181

The report comments,

the individualistic history and outlook of the industry has tended, in the past, to a certain amount of development on what might be termed a short-sighted policy, with some projects designed, as would be expected, to serve the ends of individual undertakings, and not always in the wider national interest.

Recently, however, there has been a tendency to concentrate production in the hands of fewer companies. The Committee welcomes this tendency towards unification, and suggests that the Coal Commission, as intended under the 1938 Act, should renew its efforts to secure amalgamations. To assist the Commission and lend a Scottish bias to its proceedings, it proposes the setting up of a Scottish Coal Board. The Board would consist of three technical experts, with an outside chairman, and it would have general powers to direct mining activities, to approve and, where necessary, initiate development plans, to recommend state financial assistance for the carrying out of development, to oversee the closing down of uneconomic undertakings, and to advise and co-ordinate housing and welfare arrangements.

So far, so good, but more detail will have to be known about the proposal. The idea of a small, expert body to survey and plan technical development for the whole coalfield is excellent, though three might seem too small a number to carry out this task effectively. But, what is more important, it is not clear whether the Board would be vested with sufficient authority to carry through an effective development programme, or what pressure it could apply to any mining undertaking which failed to conform to its recommendations. It is in this sense that the reservation of the miner members of the Committee needs to be con-

sidered; in their submission, so long as the industry remains under private ownership, there can be no co-ordinated or long-term planning. It is certainly true that merely to appoint an advisory Coal Board does not present a solution, and might in effect become no more than an appendage to the Ministry of Fuel's existing machinery.

The report does not indicate, except in the most general terms, how the proposed improvements and developments should be financed. The Board, it is stated, would have power to recommend Government assistance for certain plans, but there are no details of the extent of capital investment likely to be required nor of the form which such assistance should take. Parliament would almost certainly need to be assured that the investment was worth while before it committed the country to finance an extensive development programme, and, if, as seems inevitable, the scale of financial assistance were large, it would be entitled to insist on a substantial measure of control over the industry.

A major defect in the report is the very cursory attention it pays to the question of how to raise productivity in the industry, which is still the most pressing need. The Scottish coalfield, as it points out, is fairly highly mechanised, and apart from Lanarkshire, productivity is above the national average. In 1938, 80 per cent of its output was cut, and 58 per cent conveyed, mechanically. Yet output in that year was only 23.3 cwt. per manshift of 7½ hours, compared with 21.26 cwt. per manshift of 8 hours in 1914, when only 23 per cent of the coal was cut by machinery. This result, says the Committee, is disappointing, and calls for an investigation. The further slight increase in mechanisation during the war (by 1943, 2 per cent more was cut and 4 per cent more conveyed by machinery) is even more disappointing in terms of output per manshift, which averaged only 21.15 cwt. over the whole coalfield. Though the Committee admits the need for raising productivity, it does not offer any concrete suggestions; indeed, it still apparently relies on being able to maintain the labour force at its pre-war strength, though, with an intensive and well-ordered application of machinery, especially in the conveyance of coal underground, this would not be necessary. On the basis of evidence from every coal area of the British Isles, it seems unrealistic to imagine that anything like the same number of miners will be available to the industry after the war, and the problem confronting

Scotland, as every other coal district, will be to produce the same amount of coal with fewer men, and at lower cost.

Both the natural trend of production and the deliberate policy envisaged in the report will have the effect of driving the centre of coal production from west to east. This will have deep social effects. It will certainly involve a considerable migration of the mining population, and it is essential that this should be on an ordered basis, and not allowed to leave a trail of derelict mining villages and decaying communities. The Committee, in accordance with its terms of reference, deals at great length with housing and social issues. The problem is twofold—to better the existing conditions, which are described as "deplorable" in many parts of the coalfield, and to provide enough new houses to match the immigration into developing areas. It is estimated that as many as 8,200 houses, 3,000 of which are in Lanarkshire alone, are overcrowded or otherwise unfit for habitation, while another 10,800 houses would have to be provided to enable workers to live nearer their work or to house the additional workers required to raise output from existing collieries—making a total of 19,000 houses to be built over the next 50 years. In addition, 14,500 new houses would have to be built as new sinkings develop. Housing improvements are very necessary, but the scale of the housing programme is contingent on the size of the labour force, and, as already indicated, the Committee seems to allow for a volume of manpower which may be excessive.

In spite of these criticisms, the Scottish Coalfield Report, taken as a whole, is a thorough and conscientious attempt to produce a policy for the efficient utilisation and development of Scotland's coal resources. Its limitations are not wholly of its own making. In the first place, the Scottish coal industry has to be considered in the light of the national policy for Scotland as a "development" area. Secondly, and more important, most of the recommendations involve national issues, which cannot be determined at a regional level. It is valuable, indeed essential, to have regional surveys and regional planning, but they are no substitute for a national policy, and any regional plans must be made to fit into the national framework. The Scottish report, even if it had done nothing else, has served a useful purpose in emphasising the need for a national coal policy. The next steps now lie with the Ministry of Fuel.

Aviation Insurance

ALTHOUGH aviation insurance is the youngest member of the insurance family, it is now over thirty years since the child was born. The first steps were naturally of a hesitant character, but a bolder outlook gradually emerged until eventually protection was offered against the full range of flying risks. It is only during the past fifteen years, however, that substantial development has taken place. In 1929, several leading companies combined with certain Lloyd's interests to establish the British Aviation Insurance Company, a step which was followed in 1935 by the creation of the Aviation and General Insurance Company by a second group of offices. Besides these two specialist companies, business is also transacted by a number of Lloyd's syndicates, the companies and syndicates together constituting the present "London market" for aviation insurance. This market is similar in some respects to the corresponding market for marine insurance and handles considerable overseas business, especially in providing reinsurance against catastrophe hazards. The total dimensions of present operations cannot be gauged, because underwriters at Lloyd's do not publish their figures, but as the premiums of the two specialist companies had by 1943 reached the figure of only £382,000, it is apparent that the scale of transactions is still quite small against the background of insurance as a whole.

With the rapid development of civil aviation that is confidently expected when the war is over, a wider insurance market will certainly be needed, and the lecture recently given to the Insurance Institute of London by Mr L. Murray-Stewart, the underwriter of the Aviation and General, was therefore opportune. The lecture covered in some detail the various kinds of risk incidental to the operation of aircraft, and has been extensively drawn upon in preparing the present article. The risks fall under four main headings: the third-party risk; the risks of damage to the aircraft itself and its loss by fire and theft; personal accident risks; and the various hazards associated with air cargoes.

As regards the third-party risk, a distinction must be drawn between liabilities to passengers and to other persons. The anachronism still persists under English law that the owner of an aircraft is absolutely liable for personal injury or damage to property, a thesis which originates in all probability from the legal doctrine that the owner of land also owns the air above it, so that the aircraft operator necessarily commits a trespass. Some relief is provided for by Part III of the Air Navigation Act of 1936, which, as an offset to compulsory insurance, limits the liability to certain figures, varying with the loaded weight of the aircraft—£10,000 in the case of machines weighing up to 5,000 lb, increasing up to £25,000 for machines weighing over 25,000 lb.—but these provisions have not yet been brought into force. Aircraft operators on overseas routes must, of course, comply with the varying legislation in the countries they traverse. In 1933 an international convention was signed in Rome standardising indemnities on a basis similar to that of the Air Navigation Act, but the convention has not yet been ratified, and Mr Murray-Stewart expresses the hope that before ratification a clause will be deleted which deprives the operator of the benefit of limited liability in the event of his misconduct or that of any of his servants. Undoubtedly an absolute limitation of liability would be valuable in facilitating the provision of full insurance at reasonable cost.

A much heavier risk is that of liability to passengers in view of the possibilities of catastrophe, especially where aircraft are constructed to carry a large number of passengers. Unlike the position with other forms of transport, an accident to an aircraft in motion is more than usually likely to bring death, or serious injury, to all the passengers and crew. Liability under English law being unlimited, operators have hitherto felt that the risk is a greater one than they can carry either directly or through insurance and have sought to "contract out" of it by the insertion of a clause in the conditions of carriage. For international travel,

liability is governed by the terms of the Warsaw Convention of 1929, ratified by the United Kingdom in 1932; this Convention imposes a presumption of liability on the carrier, but limits the indemnity to 125,000 gold French francs for the death of or injury to each passenger, 250 gold French francs per kilogram of registered luggage and goods, and 5,000 gold French francs for each passenger's hand luggage. Insurers invariably rate the passenger hazard on the basis of the seating capacity of the aircraft, with a limit to the indemnity payable in respect of any one passenger.

Under the heading of damage to the aircraft itself are embraced a number of distinct hazards all requiring different treatment. There is a fire hazard attaching while the aircraft is on the ground, with considerable consequences possibilities where several valuable machines are housed in one hangar. The risk of accidental damage while on the ground is greater than might be thought, because aircraft inadequately pegged down are easily torn from their moorings by even a slight wind. Theft risks have not hitherto been heavy on account of the obvious difficulties of disposal. The greatest hazards under this heading are, of course, those of accidental damage whilst in flight and "crashing," and in order to keep the cost of insurance within bounds the operator is usually required to bear himself a proportion, varying between 2 per cent and 10 per cent of the insured value, of each loss. This also serves to give the operator a financial incentive for careful operation.

The third group of risks comprises personal accident insurances, and in 1943 this accounted for no less than 47 per cent of the total premiums of the two specialist aviation offices. The explanation of the substantial volume of business transacted lies in the practice already mentioned whereby air-line operators "contract out" of their liabilities to passengers, who therefore find it necessary to make their own provision against the hazards involved; a further consideration is that ordinary personal accident policies issued in this country by composite companies and underwriters at Lloyd's at present exclude flying hazards. Except where cover is required on recognised airlines the rating of personal accident risks is difficult, because specific details of the pilots, and of the machines in which flights will be taken, can rarely be given. Besides policies for passengers on an annual basis, "coupon" insurances for specific flights on recognised airlines are available, and special forms of cover are issued to pilots and aircrews.

Finally, there is the hazard attaching to air cargoes, a hazard which, surprising perhaps, is less than that of conveyance by other means of transport; the reason lies in the avoidance of handling during trans-shipment and in fewer opportunities for pilferage. Even before the outbreak of war, air carriers were tending to monopolise on

certain routes the transport of gold bullion and were finding an increasing market for other urgent and valuable freights. There has been considerable discussion in insurance circles on the merits of extending to aviation the marine principle of general average, in circumstances where cargo is jettisoned for the common safety; general average is, however, a survival from times when the device of insurance was not available as a means of spreading risks, and it is felt that an extension of the principle to aviation would add considerably to the cost of handling claims with but little corresponding benefit.

These are the risks. What form of organisation will best meet them in the post-war period? One school of thought maintains that the aeroplane being the "motor car of the air" insurance should be provided by the accident departments of composite companies on similar lines to motor insurance. On the other hand, the international character of much of the traffic and the high loss potentialities—necessitating the sharing of risks among a number of insurers—suggest affinities with the marine market; and conflagration hazards on the ground are matters with which the fire departments of the companies are best qualified to deal.

A proposal is at present on foot whereby certain shipping protection and indemnity associations would form an organisation for insuring aviation liability and other risks on mutual principles. It seems questionable, however, whether aviation insurance, at least in its present stage of development, is a fit subject for mutual insurance. Insurance on a mutual basis has merit in certain classes of risk where the experience varies little from year to year; and a high degree of mutuality is almost inescapable in life assurance, where long-term contracts and unforeseeable changes in the trend of interest rates and mortality make it impossible accurately to determine premium rates in advance. It does not appear suitable for aviation insurance, the characteristics of which are necessarily high catastrophe possibilities combined with low loss frequency, so that members of any mutual organisation would find themselves faced with greatly fluctuating assessments and be unable to budget in advance for an important element in their costs of operation.

For the most part, opinion in insurance circles favours the view that aviation insurance should develop independently of the older organisations, and it seems probable that after the war many of the large composite offices will establish aviation departments. In so doing they would be able to draw upon the experience and organisation of the specialist companies in which they are shareholders, and these would also form media for the distribution of risks through reinsurance. Development on these lines would have the advantage of lending to the market an element of stability which would be invaluable in a period of rapid expansion.

Business Notes

The Turn of the Year

The money market's annual ordeal by window-dressing passed off last week with its customary wartime bathos. It is probable that never before has the movement of funds over the turn of the year been so great as it was on this occasion, but the preparations made for the event proved so ample that the final session of the old year on Saturday morning provided little more excitement than a normal working day. The Bank return, which showed that by the previous Wednesday bankers' balances had already been built up to the high figure of £260,673,000, foreshadowed some anti-climax to the progressive tightening of credit as the year climaxed to its close. On Saturday morning credit conditions drew to its close. On Saturday morning credit conditions were no worse than "patchy," and though some market houses had to seek further official assistance by sales of bills to the Bank of England agent, some of the clearing banks were actually buying bills from the market.

The scale of the official assistance to the market can best be appreciated by the fact that towards the end of the old year Messrs Secombe, Marshal and Campion were actually taking February maturities from the market. These official agents normally take the shortest maturities the market has to offer, and by tradition show the greatest reluctance in taking bills having more than fifteen days to run. On this occasion the market's supply of January maturities had been exhausted, and those seeking official assistance were com-

pelled to offer increasingly long maturities. In view of this, the market had anticipated that the authorities would repeat their manoeuvre of a year ago, and operate in reverse, that is, resell in the market some of the longer-dated paper purchased in the old year.

This, however, has as yet been unnecessary. The authorities, who now dictate to the discount market not merely how much they will tender in the aggregate for Treasury bills each week, but how those applications are distributed over the week, saw to it that a substantial quota of new bills was taken up on Tuesday, the first working day of the week. Applications for these particular bills were allotted to the market in full. In addition, the banks paid then for a large part of their £120 million of TDRs due from them this week. As some Australian money was also withdrawn from the market, at the beginning of the week in connection with the redemption of Queensland 3½ per cent stock, the surplus of credit seemed to vanish without resort to the unusual device of official open market sales of bills.

Market Movements

It is too early to say whether the New Year is to bring a revival in stock exchange business and a rise in prices such as is usual in fairly settled times. The old year

closed with a firm undertone in most sections and with British industrial equities a trifle higher on the month, but still appreciably below the August peak. The figures of *The Actuaries' Investment Index*, given on page 30, show a net fall of 0.7 per cent from the peak and those of *The Financial News*, of which a chart appears on the same page, one of 3.3 per cent. The dates do not coincide, but the difference in showing is due almost entirely to the differences in composition.

For the Actuaries' figure, changes on the month are slight and those against the July peak in most cases not substantial. The last half-yearly figure which shows a higher value index is December 1936, comparisons with which are included. The individual differences between the position now and that of eight years ago are substantial, but they owe something to changes in composition over the period. There are few improvements on the period, those in industrial equities being in electrical equipment, cotton, shipping, stores and catering and breweries. Of these, the first, and possibly the last two, reflects secular trends. Cotton and shipping have secured a wartime rise which will only persist if very intricate problems find a happy solution.

It is to be noted that the yield on all sections of fixed interest securities show marked changes. The general showing is that gilt-edged yields and those on preference shares have risen, some very substantially, but every class of debenture stock shows a reduced return. Comparison of price indices suggests that, while the preference share has gone out of favour, as having many of the disadvantages of ordinary shares without the compensation of participation in rising profits, the margin between debentures and gilt-edged has been greatly narrowed.

* * *

Gas and Electricity Supply

The gas and electricity position has now become very serious; indeed, if the present overloading of electricity plant continues, the whole electricity supply system may collapse. The Ministry of Fuel, drawing attention to the critical situation, is warning consumers that unless they exercise strict economy between 8 and 10 in the morning—the danger period—electricity supply may be cut off altogether in some districts. This action has already been taken on two occasions, and it will be repeated if the cold weather continues and if the load at any time exceeds 8,400,000 kilowatts, which is about breaking-point. Seventy per cent of electricity consumption is industrial, and, though domestic economy is essential, it seems that the bulk of the saving will have to come from industry. The Ministry of Production is therefore suggesting to firms that they should stagger working hours, in order to flatten out the peaks in consumption.

The gas position is also critical, but less so, since gas can be stored for brief periods, whereas electricity has to be generated for immediate consumption. With gas, it is a question of evening out daily rather than hourly consumption. In the London area, the Gas, Light and Coke Company is already reducing pressure and thus limiting the amount available for "space heating." Consumption in the London area is now 181 million cubic feet a day, compared with 160 million cubic feet a year ago, but if full pressure were restored it would amount to 195 million cubic feet. In both industries the difficulties are due not to shortage of coal, for there are sufficient stocks available, but to the strain on plant and labour. Electricity plant is operating which would normally be scrapped, and

shortage of labour has prevented repair and maintenance work which would normally have been carried on in the slack summer months. The Gas Light and Coke Company has lost part of its storage capacity, and 10,000 of its peacetime labour force of 25,000 are in the Forces.

This is the first really cold winter since 1941-42, and the Minister of Fuel has often boasted of his luck in the last two years. But it is difficult to avoid the conclusion that the present weather is what might normally be expected in winter, and that to gamble on a third mild winter was tempting Providence. The chickens are returning to roost with a vengeance. It is obviously too late now to introduce fuel rationing, which might have obviated such a situation, and the Ministry will have to rely on appeals for economy, backed by the threat of cutting off supplies or reducing pressure if voluntary savings prove insufficient. What is important now is to avoid interference with vital war production and hardship on such sections of the community as sick people or mothers with young children.

* * *

Steel Merger Adoption

It would be hard to find a greater contrast than that between the behaviour of the shareholders of Baldwins, on the one hand, and of Richard Thomas, on the other, at the meetings called to sanction the merger scheme. The former meeting lasted barely fifteen minutes. There was no opposition and no dissent even from preference shareholders. The latter lasted over three hours, despite the fact that it was apparent from the first that proxies received, and admitted as valid, were overwhelmingly in favour of adoption. It was very soon apparent that the bulk of those present either thought the terms too generous to Baldwins or wished for an adjournment of the meeting so that more time could be had for consideration. There was also a general demand for more facts.

Mr. E. H. Lever, in the chair, ruled a proposal for adjournment, moved by Sir William Firth, out of order and refused to accept any amendment whatsoever of the scheme. He also said that the basis on which the two concerns were valued for fusion was far too complex for it to be possible to present it to the shareholders. This is the familiar fallacy that, because one cannot tell everything, it is better to tell nothing. It is sufficient to point out that, had Mr Lever been attempting to sell the shares in question on a prospectus, he would have been compelled by law to disclose a number of the facts asked for. The attitude of a large number of those shareholders who were present was that they had not appointed the present board and could not replace it. In these circumstances it was not to be expected that they would accept the word of the board that the fusion was in the best interests of the company, especially as it had been emphatically stated that the primary reason for the fusion was to encourage exports. If Richard Thomas shareholders were being asked to make a sacrifice in the national interest they ought at least to be given the fullest information possible and ample time to make sure that everybody had studied the scheme.

The date was an awkward one, and the time allowed for consideration and consultation was, in terms of working days, under a fortnight. It is true that the law demands only seven days' notice, but, on any consideration of reasonable behaviour, it is quite certain that the law ought to be changed, and recommendations to that effect have been laid before the Cohen Committee. It is apparent that, although the fusion was in this case desirable, there has been no adequate consideration of the terms, and the means by which the result was obtained were the reverse of what must be hoped for in other cases. Above all, the complete rejection of the demands for information is indefensible.

* * *

Voting Control

The method of dealing with the Richard Thomas fusion is particularly unfortunate because it strikes a blow at the only means which exist of controlling company directors. It is commonly said that this control is quite illusory and this will be true if, whenever an attempt is made to organise opposition, the directors are allowed to prevent it. In this case proxies had been received in favour of the scheme representing rather over 7 million votes out of a possible total vote of 18 million. Of the seven million some three million represented 10,000 shareholders—about one-third of the total number—with holdings of £500, that is

1,500 shares, and under. That is, one-third of the shareholders, holding one-sixth of the capital, had voted in favour, as had holders of a further 22 per cent of the capital with larger individual holdings.

There is nothing whatever in these figures to show that small holders were enthusiastically in favour of the scheme, or that, had an opportunity been given for the view of the opposition to be stated in detail, the scheme might not have been turned down. Experience suggests that a high proportion of shareholders are unduly trustful, ignorant or lazy. They either do nothing or "sign on the dotted line." It is on the active, critical minority that the country has to rely for such measure of control of directors as is desirable. It is too often the fault of the directors themselves if the criticism is ill-informed and they ought not to be allowed to keep all relevant facts to themselves and so remove any possibility of the formation of reasoned opposition.

In this particular case, the need for a considerate and informative attitude was all the greater in view of the fact that the board had been imposed on the shareholders, while, now that the fusion is accepted, some 37 per cent of the voting rights in the equity shares are in the hands of the Baldwins board. As Mr Lever said, that board cannot do harm to independent Richard Thomas shareholders without harming their own company. But one main point of the Richard Thomas dissidents is that they are doubtful about what opinion they should hold of either the past or the future performance of the Baldwins board. In the circumstances, it is not surprising that the opposition party, on being finally refused an adjournment, walked out of the hall leaving only some 10 to 12 per cent of the number originally present to carry the scheme on a show of hands.

* * *

Cotton Industry Deconcentration

The cotton industry was one of the first, a year ago, to publish a post-war report, and now a committee of three representatives of running mills and three of closed mills, under Sir Raymond Streat's chairmanship, has published a unanimous report on deconcentration. It recommends that all the spinning mills closed under the concentration scheme should be permitted to reopen on the same "appointed date," and that the care and maintenance contribution which has been made by the nucleus mills should be continued for six months after the "appointed date." This contribution should be extended for two further periods of three months each for any mill which has not reached 60 per cent of productive capacity, and, at the Cotton Board's discretion, thereafter for another six months, at half rate.

The closed mills have been maintained more or less in working order, and there is no shortage of raw cotton, so that the fixing of the date for restarting will depend entirely on the labour position. The Committee was understandably opposed to any system of selective opening of mills, and the "appointed date" method will give the appearance, at any rate, of an unhandicapped start. The raising of the starting barrier, however, is unlikely to be the signal for a simultaneous reopening. Cotton operatives now in the Forces and munitions will not all be released at once, and to wait until all were available would be wasteful of the cotton industry's scarcest factor. To get over the difficulty, the report proposes that operatives should be permitted to transfer from one mill to another, or from other industries, as soon as deconcentration begins, whatever the fate of the Essential Work Order. Any drop in output of nucleus mills, the Committee considers, would be quickly made good by the re-opened mills. The right of re-opened mills to a share of returning operatives is safeguarded by a recommendation to restrict nucleus mills from increasing their spindle activity by more than specified percentages for nine months after the appointed date.

On the whole, the report strikes a fair balance between the claims of the closed mills and the obligations of the nucleus mills. The care and maintenance grant is to go on long enough to get the former on their feet, and the nucleus firms will to a certain extent mark time during that period. The main difficulty is how far the deconcentrated mills can attract a share of the labour force, and on this the report is weakest. If labour is in fact not obtained by the *laissez-faire* methods proposed, and no other means is sought by the spinning section as a whole to see that deconcentrated mills do get a new start, the scheme may be insufficient to preserve the principle of equity.

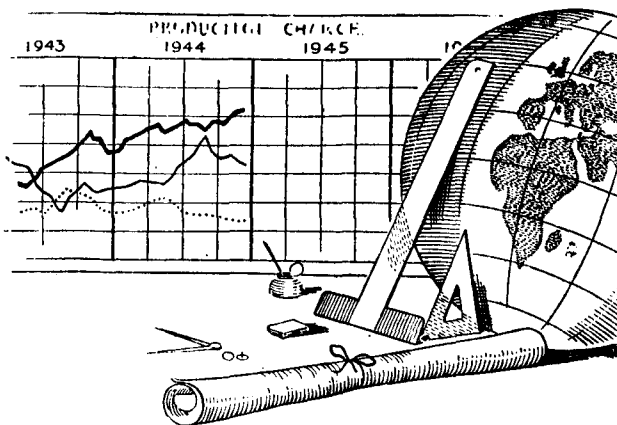
Cotton Machinery Requirements

Another aspect of reconversion in the cotton industry is dealt with in a memorandum on post-war machinery requirements which contains statements on interviews this autumn between the Chairman of the Cotton Board and representatives of makers of spinning, winding and weaving machinery. It is extremely disappointing that the questions put by Sir Raymond Streat did not include one on the prospects of obtaining the modern types of machine on which the raising of production per man-hour and the future efficiency of the cotton industry depend. It came up only parenthetically in the discussions with the winding machine and loom makers, with disappointing results. Sir Raymond asked the textile machinery makers about priority for home orders, pace of supply, prices, and access to imported machinery.

The spinning machinery makers gave the most encouraging answers, but a certain defensiveness was apparent in those from the other sections. Perhaps their attitude is partly explained by the fact that so far they have received few orders. Because of their view that demand for automatic looms, for example, is likely to be small, the loom makers gave no hope of expanding their own plant to produce this improved type of loom. So far one winding machinery firm has arranged to produce American designed machinery.

It seems unlikely that major difficulties will arise on the question of priority for home demand, and Sir Raymond Streat suggested that the Board of Trade should keep some balance between home sales and licences for export. The manufacturers appear to have satisfied Sir Raymond that prices would be fair, and that imports would be admitted without undue remonstrance from home producers. Manufacturers would be assisted by the early booking of orders, and this is being urged on the cotton industry. Pace of supply will depend on the allocation of iron and steel, which has already been slightly increased, and on increased labour. The shortage of foundry workers is being examined by the President of the Board of Trade, and a simplification of machinery licensing procedure has also been promised, and will shortly be announced.

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Lancashire Cotton Corporation

The doubts expressed about the preliminary statement of the Lancashire Cotton Corporation on page 874 of *The Economist* of last week are shown to be fully justified by the full accounts for the year to October 31st. Profits, after tax, are given as £495,000, against £659,000, but this time dividends are paid net instead of gross and the actual fall in profits is some £60,000. The same allocations are made as for 1942-43, including £225,000 to depreciation reserve and £100,000 to general reserve, except that deferred repairs receives nil against £100,000. An ordinary dividend of 7½ per cent is paid for the sixth year running; prior to 1938-39, no payments had been made on ordinary stock. Earned for ordinary works out at 11.5, against 10.3 per cent, after treating deferred repairs as an expense. The balance sheet shows stock over £1,000,000 higher, investments over £600,000 lower, and net liquid assets up by nearly £300,000.

The fall in the Corporation's trading profit is apparently due to a smaller turnover caused by the continuing withdrawal of labour from the mills, but the chairman, Sir John Grey, is able to announce that the programme of modernisation of machinery, started shortly before the war and halted because of it, may shortly be resumed.

Sir John Grey treads the well-beaten path of defending the Lancashire cotton trade's efficiency, while pleading for "the fullest assistance in the difficult problem of restarting and restaffing its factories" and claiming that reasonable confidence is necessary over future prospects, especially as regards international trade, before the industry should commit itself to a large outlay on new machinery. Failure to utilise technical improvements is blamed on lack of funds and the inter-war depression in the industry is ascribed as mainly due to "world economic factors outside its control." Finally, unfavourable comparisons drawn from the Platt report are said to be unfair owing to the different type of market catered for. The most depressing aspect of this type of self-defence is the complete failure to realise that the cotton industry can only save itself primarily by its own exertions. It is true enough, as Sir John says, that since the war the price of machinery has risen considerably—but so have labour costs—and that the industry deserves sympathetic help in tackling its reconversion problems. But unless manufacturers show much greater willingness to learn, with appropriate modifications, from American methods, to devote all available resources to an extensive programme of modernising machinery, and to achieve effective co-operation in rationalising units of production, they cannot expect prosperity, or at least sympathetic help toward securing prosperity, in the future.

New Silver Price

The London silver market began last Tuesday to quote bar silver in pence per ounce troy .999 fine instead of in pence per ounce standard, that is, per ounce troy .925 fine. Otherwise the rules of the market remain unchanged. In particular, bars of quality .996, .997, .998 and .999 fineness continue to be good delivery. The main reason for the change in the method of quotation is that of accounting convenience. The previous method of quoting silver .925 fine was a relic of the former standard fineness of British silver coinage, namely, eleven-twelfths or 925/1,000; this

disappeared with the passing of the Coinage Act of 1920, by which the fineness was reduced to 500/1,000. It had thus become an anachronism, and, more serious, an inconvenient anachronism because other important silver markets normally quote silver of .999 fineness. That is the practice of the New York market.

There was a body of opinion in London which favoured quoting the sterling silver price for fine metal, but the view of those who wished to follow the New York practice of quoting silver .999 fine prevailed. An added argument in favour of the course actually chosen is that the bulk of the silver dealt with on the London market is in the form of bars .999 fine. There are very few refineries in the world to-day that fail to attain this high standard of fineness.

The change in the method of quotation which took effect last Tuesday meant an apparent rise from 23½d. to 25½d. in the sterling price. The exact equivalent of the previous quotation of 23½d. for .925 silver in terms of silver .999 fine would be 25.38d. per ounce troy. In effect, therefore, the rounding off of this quotation to 25½d. involved a rise of nearly ½d. in the sterling price. This modernisation of the bullion market's method of quoting silver will probably be followed by other minor amendments and improvements of the rules, all of them designed to help London regain its primary position among the world's bullion markets after the war.

Anglo-Egyptian Finances

A commercial and financial agreement between the British and Egyptian Governments was signed in Cairo this week. The agreement followed the lifting of the Middle East Supply Centre control over all imports into Egypt except for a specified list of bulky or scarce commodities. For these commodities, over which MESC control remains, the programme is to raise imports into Egypt by about 50 per cent. For the rest, import licences will henceforth be granted by the Egyptian Government, though the quantities and types of goods imported must, to a large extent, be determined by the allocation of tonnage by the Anglo-American Shipping Board.

The prospective increase in imports raises the problem of finance, and in particular that of providing the dollars and other hard currencies needed to pay for imports from the countries concerned. Egypt has since the beginning of the war adhered faithfully to the sterling area dollar pool agreement. She has therefore sold her dollar income to the British Government, which in return has made available the dollars and other hard currencies required by Egypt. That arrangement worked satisfactorily as long as Egypt's demand for hard currencies was in effect determined by MESC. Now that this control has been abandoned other arrangements have had to be made. Egypt has been offered a hard currency quota of \$40 million for 1945. This is intended to cover gross requirements, including those for goods still imported under MESC control. As in the past, Egypt's dollar income will continue to be sold to the British Government.

Film Quotas

The war prevented the British film industry from producing enough films to meet the quotas laid down in 1938, and they were reduced in 1941 for the years 1942 to 1944. The renters' quota was 20 per cent for long films and 15 per cent for short films. For exhibitors they were 15 and 12½ per cent respectively. Under present conditions of studio and manpower shortage, it is impossible for the film industry to produce enough films to enable the quotas to be restored this year. An Order has been made, however, to raise the quotas in 1946 for renters to 25 and 22½ per cent, and for exhibitors to 20 and 17½ per cent. Another Order brings into line with current costs the labour costs test for the quota.

British producers have always done well with the documentary type of film, and the Government has helped to encourage it during the war, through the Crown Film Unit. However, the long feature film must be the basis of the industry—at any rate, while cinema programmes continue to be built as they are, and while the present relation between the long and short film quotas is preserved. There can be no more doubt that the quality of British feature films is improving and that they are steadily gaining in popularity. The phrase "It's a British film" has lost the

tone of disparagement it used to have. Disappointment was expressed by many of the speakers in a recent debate in the House of Commons that the quotas for 1945 have not been raised. But to do so would be pointless if it is physically impossible to produce films in the numbers required to fulfil the quota. In any case, good films depend neither on quotas nor on a cost test. What counts is the excellence of script, production, acting and technique. A mere addition to the number of films made would not add to the industry's prosperity or make it more "export-worthy."

One Miners' Union

The National Union of Mineworkers, which formally came into existence on January 1st, begins its career at one of the most critical periods in the history of the mining industry. The miners have lost a great deal of public goodwill in the past few years; the new Union provides them with an opportunity to retrieve it. With a centralised and adequately equipped organisation, it should be in a position to exercise a greater authority over its membership than the old, loose Federation of district associations, and to put forward a unified industrial policy. It is significant that one of its first activities is to be the presentation to the Government of the case for nationalisation.

The union will have a full-time paid president, elected by ballot, and a secretary, and a National Executive, representing the districts, which have now become Area Councils. The Area Councils will continue to deal with purely local negotiations, but responsibility for industrial matters as a whole will rest with the national union. The extent to which the union can be really effective in practice will depend very largely on the willingness of the districts to sink local differences and sacrifice their local autonomy. The size of the ballot vote in favour of the National Union in October suggests that the majority of the miners recognise the logical necessity for consolidation and reorganisation.

GEC Dealings Ban

It is a fitting conclusion to a year, during the whole of which the position in the "grey" market has been almost continuously before the public, that the New Issues Sub-Committee should have refused to permit dealings in the two million new "C" preference shares of £1 of the General Electric Company. It is understood that permission for an issue to shareholders was refused on the ground that it would be tantamount to a public issue and that a free and active market in the shares would result. The company appears to have been "directed" to carry out the operation through Messrs Morgan Grenfell & Co. and it was the brokers of that house, not the brokers of the company, who handled the business. Some five days after the contract for the placing was signed, the Treasury gave permission to deal in the whole issue. Under the contract the shares had been placed with 15 financial institutions and their associates except for 150,000 shares placed with three jobbing firms to enable them to open the market.

The New Issues Sub-Committee, being assured that substantial sales were in contemplation, held that a false market would be established in that a large premium would result which would go to the original allottees and not to the company or the shareholders, as would have been the case under any normal method of issue. This decision has the warmest support in almost every quarter in the City, but it was felt possible that, on appeal, the full Committee for General Purposes might reverse the decision, not because they disagreed with it, but because it is in effect, if not in intention, a vote of censure on the Treasury.

Far from thus bowing to any dictates of high policy the Committee, it is felt, rightly and courageously, took the line that a matter of principle is involved and were of one mind in confirming the Sub-Committee's ban. There will be scant sympathy with the financial houses which are left to hold the bulk of the issue and it should not be impossible to find means of relieving the jobbers concerned of a part at least of the burden which has fallen upon them. It remains to be seen what will be the reaction of the authorities to the new position created, not by any deviation from practice on the part of the Stock Exchange, but by their own refusal to distinguish between the right

to refuse permission to raise new capital and the need to prescribe detailed methods of raising it. If the Treasury can produce reasons for a policy which seems to those with expert knowledge of the subject completely purposeless, no doubt a means will be found to escape from the impasse.

Turner and Newall

The gross profits of the Turner and Newall group for the year ended September 30, 1944, are down by £200,000 to approximately £2½ million, but lower taxation requirements enable net profits, at £546,000, to be, roughly, maintained. The ordinary dividend is unaltered at 12½ per cent and the customary allocation of £100,000 is made to general reserve.

The group's smaller trading profit is stated by the chairman, Mr Shepherd, to be due to rising costs, between which and increased selling prices "there is always a significant time lag." But Turner and Newall is not one of those companies for which the inevitable fall-off in wartime contracts will mean any reduction of turnover. On the contrary, the opportunity is welcomed to divert some part of production to the export trade, which accounted pre-war for one-third of the total production of the group's British factories. The group will also supply materials for the Government's temporary housing scheme, and the parent company has plans for capital expenditure amounting to £1½ million in the first two post-war years, to be financed out of existing resources.

There can be much less quarrel with his plea to the Government to declare and operate a consistent political and economic policy within whose framework private concerns can freely operate. Such optimism is encouraging. It leads Mr Shepherd to point to the successful expansion of the asbestos industry as a striking vindication of private enter-

(Continued on page 26)

REPUBLIC OF CHILE.

Service of the External Debt relating to the year 1944 (Law No. 5580, 31st January, 1935)

The Caja Autonoma de Amortizacion de la Deuda Publica de la Republica de Chile, in accordance with the provisions of Article 6 of the Regulations of Law No. 5580 of 31st January, 1935, approved by Supreme Decree No. 3837 of 24th October, 1938, declares that in the year 1944 it has received the following revenues:—

	U.S. \$
Profits of the Chilean Nitrate & Iodine Sales Corporation	1,729,015.84
Income tax of the Fourth Category and additional tax on the Copper Companies	4,712,672.16
Quota of the duties on petroleum for the Nitrate Industry (Article 7 of Law No. 6155 of 6th January, 1938)	60,289.54
Quota of the duties on petroleum for the Copper Companies (Article 7 of Law No. 6155 of 6th January, 1938)	122,781.10
Total	6,624,758.64

Fifty per cent of this revenue, or the sum of U.S. \$3,312,379.32, will be applied to the payment of interest at the rate of U.S. \$1.126 per hundred dollars nominal capital, U.S. \$0.26461 per hundred Swiss Francs nominal capital and £12s. 6.24d per hundred pounds nominal capital.

By reason of the suspension of exchange operations in most of the foreign markets on account of the war, it has been impossible this year to make the conversions necessary to provide in Swiss francs the sums required for the service of the bonds denominated in that currency. The Caja has accordingly been obliged to state in U.S. Dollars the rate of interest to be paid to the holders of these bonds and to maintain in that currency the funds required to cover such interest payments.

Out of the remaining 50% of the revenue received, bonds have been redeemed to the nominal amount of U.S. \$5,702,500 and £1,400 and have been withdrawn from circulation.

After making the above-mentioned redemptions, the balances of bonds of the External Debt are as follows:—

£27,741,071
U.S. \$157,034,000
Sw. Fcs. 108,662,500

SANTIAGO, CHILE.

27th December, 1944.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

BUY
3% SAVINGS BONDS
1965-1975

- ★ May be sold quickly through your Savings Bank
- ★ Purchasable in multiples of £5
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RICHARD THOMAS AND COMPANY, LIMITED

SCHEME APPROVED

MR E. H. LEVER'S SPEECH

A special meeting of the stockholders of Richard Thomas and Company, Limited, was held in London, on the 29th ultimo, to consider the proposed merger with Baldwins, Limited, Mr E. H. Lever, the chairman, presiding.

The chairman, in the course of his speech, said: So far as the principle of the merger is concerned the great weight of opinion and comment has been wholly favourable. A few people have criticised the merger on the ground that as Richard Thomas already owns one of the two strip mills in this country, the only one which manufactures tinplates, it would have been better for the company to have allowed the initiative in the matter of further modernisation to be taken by its competitors. Your directors do not share that view. Apart from the fact that a leading position in any industry carries with it the responsibilities of leadership and that the prosperity of Richard Thomas is bound up with the prosperity of the steel industry as a whole, the position of your company has a certain vulnerability which cannot be ignored.

NEED FOR COLLABORATION

The general economic position of this country and the difficulty of estimating future demand, together with the fact that as a mass production unit a strip mill must be kept fully employed, render it, in our view, very unwise to contemplate the erection of more than one new continuous strip mill for some time to come, and it is almost imperative, therefore, that those engaged in the tinplate and sheet industries should collaborate both technically and financially in its erection.

The proposed fusion in no way changes the friendly relationship between your company and the other firms in the tinplate and sheet trades or the plans for collaboration with them to which I referred at the last annual meeting, nor is it likely to involve any greater financial liability than would have existed in any case. Those critics who allege the contrary ignore the fact that one of the undertakings given by Baldwins is that its cash resources will be used to participate in approved schemes of development.

The next category of criticism is to the effect that it was not necessary for Richard Thomas to take over certain old-type works of Baldwins and that these would be a burden upon the combined undertaking. Critics who take this view seem to forget that as the scheme is in essence an amalgamation, it was necessary that Baldwins should cease to be a manufacturing company and it was not possible, therefore, to select some assets and to reject others. The old-type plants that the critics have in mind form only a small proportion of the total assets acquired, and the fact that the profit-earning capacity of these old-type plants is likely to be limited in duration, and that their capital value is of a wasting character, was taken into account when the terms of the merger were decided.

Another feature of the proposals which has received some criticism is that, as a result of them, a large block of shares will be under single control. Those who advance this criticism would do well to remember that Baldwins, Limited, are accepting the whole of the consideration for their assets in the form of ordinary shares, and their interest in Richard Thomas is, therefore, identical with that of any other shareholder; Baldwins cannot exercise their votes in any way detrimental to shareholders as a whole without them-

selves suffering in like measure, and the ultimate ownership of the Richard Thomas shares allotted to Baldwins rests with the shareholders and not with the directors of the latter company.

"REAL" EARNING POWER

So far as the terms of the merger themselves are concerned, some shareholders have asked for more detailed particulars as to the basis adopted and as to their valuation placed on each category of assets taken over; some critics have gone further and have affirmed that the number of Richard Thomas shares allotted is too high.

It must be apparent that, in view of the complex conditions prevailing as a consequence of the war, the determination of the value of the assets taken over could only to a very limited extent be dealt with on an accounting or mathematical basis. As the purchase price was being satisfied solely in ordinary shares, the major consideration was the relative real earning power of the companies, both present and prospective, and in this determination of earning power several abnormal factors had to be taken into account. Among those factors are the effect on profits of the war-time Government financial arrangements in the iron and steel trade, as to which there is obviously a great deal of misconception, the probable effect of the termination of these arrangements, the distinction between assets whose earning power was likely to be only temporary, and those whose earning power was likely to be permanent, the probable post-war demand of the various categories of products, the relative effect of further modernisation on the profits of the two companies, the relative dependence of each company upon a revival of the export trade, and the probable future price-fixing policy.

Some questions have been asked concerning the proposed new short-term loan. The terms of this loan are governed by conditions laid down by the Treasury, one of which is that the loan must be privately placed. The precise terms as to interest and redemption have not yet been fixed.

QUOTAS

The effect of the merger upon quotas in the tinplate and sheet trades has been called into question. The answer is that in the tinplate trade the pooling arrangements were entirely suspended in December, 1941, when works were closed or requisitioned under the concentration of industries scheme of the Board of Trade. In the sheet trade the revised quota arising from the erection of Ebbw Vale has never been fixed, and so far as they concern us the pooling arrangements are in suspense by agreement.

In the case of both industries it is clearly understood that quota arrangements, if any, must be discussed *de novo* after the war, and clearly no voluntary schemes can be established, with which your company does not agree.

CHANGES IN BOARD

Except for the appointment of the four directors named in the circular, the question of the future constitution of the board is out of order at this meeting. Until the formal termination of control in July next, the appointment of directors will still be in the hands of the control committee. If the proposals are approved, the board will come before you for election in the ordinary way at the next annual general meeting after control has ended.

Before formally moving the first resolu-

tion I should like to sum up the position as I see it. For important reasons which have been explained, your directors have negotiated the proposals which are now before you.

Conditions are such that it is impossible to supply shareholders with enough information to form more than a very general opinion as to the actual terms of the merger, but your directors' view, supported by others competent to judge, is that the terms are fair to both parties.

The scheme is delicately balanced and cannot be varied in any particular without destroying the whole. I am, moreover, advised that no amendments can be accepted.

In this connection it is, I think, proper that you should know that we have received 11,000 valid proxies aggregating approximately 7,450,000 votes, of which 7,109,000 are in favour of the resolutions, and of these approximately 3,000,000 are in respect of nearly 10,000 holdings each of £500 nominal value or under. The scrutiny of the proxies has been entirely in the hands of the auditors of the company, and it has been arranged that they shall equally be scrutineers at this meeting.

Sir William Firth and others opposed the merger and urged adjournment. On the chairman's declining to adjourn the meeting on the ground that there was not sufficient reason, they left the meeting and the resolutions were then carried.

CHAIRMAN'S ATTITUDE TO ADJOURNMENT

The chairman, in response to a request from the Press as to why he declined to adjourn the meeting, subsequently made the following statement:

I declined to adjourn the extraordinary general meeting because the reasons given for the request were inconsistent with the general attitude of Sir William Firth and his supporters. The arguments advanced for the adjournment were that more time was needed to examine the terms, whereas it was the whole principle of the merger that was being called in question.

Why should it be necessary to have more time to examine the terms of a proposal which, in the opinion of its opponents, was essentially unsound? At the meeting, in speech after speech that dealt mainly with personal issues, it was the principle that was the chief target of criticism, but there had been ample time for such criticism to be voiced. The announcement of the proposal itself was made on November 16th, but it was not until December 12th that Sir William Firth wrote to me asking for an interview, not on the matter of principle, which he fully conceded in that letter, but on matters of detail.

A FUTILE SUGGESTION

The position, therefore, was that Sir William Firth was in favour of the principle three weeks after the first announcement and a fortnight before the meeting. To have adjourned the meeting to allow of further examination of terms that could not be further elaborated would, therefore, in my opinion, have been futile and I regarded the request as disingenuous. Sir William Firth complained that his supporters had not had time to consider their position, but if that was so, it was due to his failure to give them a clear lead right at the commencement. Out of some 30,000 shareholders only about 250 people were present at the meeting, and it was clear that of these a majority was sympathetic to Sir William Firth.

I had 11,000 proxies (representing 7,100,000 votes), of which 10,000 were in respect of holdings of £500 each or under, and I was convinced that these sufficiently represented the views of the absent shareholders who were not swayed by emotion. I regarded myself as custodian of the interests of shareholders as a whole, and, for the reasons already given and supported as I was by that overwhelming vote of confidence, I declined to consent to an adjournment.

CARRERAS, LIMITED

LARGER OUTPUT AND SALES

The forty-first annual general meeting of Carreras, Limited, was held, on the 29th ultimo, in London.

Sir Edward Baron (chairman and managing director) said that during the year the hazards and dangers of war had once more imposed themselves upon London. Throughout that difficult phase their staff and workpeople had again rendered splendid service. The directors had had great pleasure in repeating the bonus paid last year of six weeks' wages, plus additional gifts for long service.

As regards the result achieved during the year under review, the decline of £776,000 in the gross trading profit was in no way due to loss of sales or turnover. On the contrary, their output and sales were in excess of the previous year, largely on account of the greatly increased supplies needed by H. M. Forces for issue as rations and for sale through the N.A.A.F.I. canteens, etc. Red Cross parcels for prisoners of war and individual parcels to members of the Forces also made increasing demands upon their resources and, if the home trade was in consequence temporarily restricted, he thought shareholders would endorse the view that it was right and proper that the interests of those who were serving and fighting under such exacting conditions in all parts of the world should come first.

INCREASED COST OF QUALITY LEAF

The main reason for the reduction in profit was the considerably increased cost of leaf tobacco and, as the prices of leaf were regulated by the United States Government, the advancement was quite outside their control. In view of the importance they placed on the use of the highest quality leaf, he was pleased to be able to report that they expected in due course to receive shipments of a fine range of high quality leaf of this year's crop, and, while the cost was likely to be slightly higher than previously, they did not anticipate that their leaf costs during 1945 would increase to the same extent as prevailed in the year under review compared with 1943. To a lesser extent there had been increased costs of other materials, as well as carriage, transport, manufacturing wages and miscellaneous items. Under present conditions one could not foresee an appreciable reduction in any one of those items.

Allowing for taxation and after deducting depreciation, directors' fees and superannuation contributions, there was a net profit of £845,988 as compared with £792,279 in the previous year. That, he thought, was a highly satisfactory achievement.

A CONSERVATIVE POLICY

The directors had decided to continue to pursue a conservative policy as being the wisest and most prudent course. It was, therefore, again proposed to pay a final dividend of 17½ per cent. on all classes of Ordinary shares, making 30 per cent. for the year, and to allocate £100,000 to provision for contingencies, bringing that up to £400,000. No further special allocations were deemed necessary this year, and the amount carried forward would therefore be increased from £326,725 to £458,278.

It would be unwise in these uncertain times to give any forecast of the future. He could only say that their well-known brands were in greater public demand than ever and their prestige had never stood higher. So long as they could maintain their production and improve upon it when more labour was made available to them, they had confidence in the future. He trusted that before they met again, they would have achieved "Victory" and that in due time freedom of action in every phase of life would be restored to them.

The report was adopted.

BRAZILIAN WARRANT COMPANY, LIMITED

DISCRIMINATORY TAXATION

The annual general meeting of this company was held in London, on the 29th ultimo, Mr Arthur Whitworth, the chairman presiding.

The following is an extract from the chairman's statement circulated with the report and accounts: The apparent decline in profits is attributable to a special cause which in the opinion of the directors justifies them in repeating the dividend of a year ago. The business of the company for the year under review and of its subsidiaries was, generally speaking, thoroughly satisfactory, and those conditions have on the whole subsisted during the current year. A marked change has, however, come over the coffee operations of your subsidiary, E. Johnston and Company, Limited, whose merchant activities in coffee have been considerably curtailed due to the ceiling prices fixed by the USA, which have had the inevitable but gradual effect of encouraging producers to increase their prices so that the margins available for the merchant have been eliminated.

The Brazilian authorities have to some extent met this position by allowing a bonus of 10 per cent to producers on sales of the 1944-45 crop, which is given in the form of a certificate which can be converted into cash by the shipper on export of the coffee to which the certificate relates. The National Coffee Department are also releasing coffee to meet the quota allotments of merchants exporting to the USA.

COFFEE PRICES

The damage done to the coffee crops by frost and drought in 1942 and 1943 has been accentuated this year by an almost unprecedented drought which has lasted for six months and over, and the results on the production of coffee in the States of Sao Paulo, Rio and Paraná are estimated to amount to a reduction of as much as 4½ million bags on the average production of the three previous crop years, with a further reduction of one million bags on the 1945-46 crop. Prices of coffee are therefore likely to remain high, and high prices are indeed necessary both for producers and merchants to compensate them for the increased expenses of production and for the increased cost of living. Our most recent advices received at the end of November show that the cost of living continues to rise, the Chamber of Commerce index being 206 compared with 179 in November, 1943, and 100 at the outbreak of the war. We are compelled to meet this position in the remuneration paid to our large staff. I confess to a feeling of great satisfaction that the profits earned seem to be as resilient as they are to these unavoidable charges, particularly when superimposed upon them is the ordinary Brazilian income-tax of 8 per cent. on profits, a supplementary income-tax of 8 per cent. in 1943, now increased to 10 per cent. on profits credited to residents abroad, with an additional 5 per cent. paid when those profits are remitted.

While the Brazilian Government are giving expression to a keen desire for foreign capital and for British capital to assist them in developing their vast resources, it would indeed be an encouragement if these discriminatory taxes on the rewards of such capital were eliminated so that taxation of profits, whether earned from Brazilian or foreign capital, were put on a uniform basis.

We hear a great deal in these days of Anglo-American and Anglo-Brazilian friendship, but friendship taxed in these ways is apt to wear thin. So one-sided is this taxation that I would suggest to the Chancellor of the Exchequer that he need not fear serious international complications if he applied the old proverb, "What is sauce for the goose is sauce for the gander."

The report was adopted.

CHARTERHOUSE INVESTMENT TRUST, LIMITED

INCREASED DIVIDEND

DEVELOPMENT COMPANY'S POSITION AND OUTLOOK

The annual general meeting of the Charterhouse Investment Trust, Limited, was held, on the 28th ultimo, at Winchester House, Old Broad Street, London, E.C.

Capt. H. Nutcombe Hume, M.C., vice-chairman and managing director, presided. The following is an extract from the chairman's statement, which was circulated with the report:—

The directors are glad to be able to lay before stockholders improved trading results for the year just ended.

The increased dividend is rendered possible by the more profitable operations of the Charterhouse Finance Corporation, Limited, which has been able to make a more generous contribution to the trust's profits this year, despite the fact that the control of capital transactions has tended to become more, rather than less, severe as the war moves to its close. Ordinary stockholders will appreciate that the rate of dividend on their holdings is likely to be closely conditioned by the extent of the profitable business which our finance company is allowed to undertake.

FUTURE DEMAND FOR CAPITAL

It seems reasonable to suppose that there will be considerable demand in the not distant future for capital for the re-equipment and development of industry, for the re-establishment of the country's export trade and to preserve a sound standard of life for the people of this country. Equally so, it is reasonable and indeed necessary to have some orderly regulation of capital issues in such conditions. Apart from the Government Departments it may safely be left to such influential institutions as the Bank of England and the London Stock Exchange to see to it that order is maintained and abuses arising from uncontrolled flotations will be eliminated, or at least kept at a minimum. Your group of companies is anxious to use its influence along these lines, but in common with many other well-intentioned financial interests in the country its efforts will largely be nullified if a policy too severely restrictive is pursued by the authorities and if financial freedom is not restored at the earliest possible moment.

THE INDUSTRIAL DEVELOPMENT COMPANY

You will expect to hear that your directors have been giving special attention to the future prospects and activities of Charterhouse Industrial Development Company, Limited, which was formed in 1934 for the purpose of providing for the capital requirements of smaller industrial and commercial undertakings which have not arrived at the stage at which the subscription of public capital could conveniently or properly be invited. Charterhouse Industrial Development Company, Limited—a pioneer in this class of business—can draw upon its ten years' experience and intimate knowledge of this particular type of finance, and it may not be out of place to summarise what that experience has been. The capital of £500,000 is held by this Trust and three powerful outside shareholders. This capital has been receiving dividends of 4 per cent. per annum for the last three years and 3 per cent. per annum in the two previous years, but in the earlier years of the company's history, profits were placed to reserve, for it was recognised that for the sound establishment of a business of this character substantial provision had to be made against possible losses.

It will be seen from the last balance-sheet that the reserve accounts and carry-forward of Industrial Development Company amount together to £97,979. In addition, other reserves of £56,888 have been set up against the investment holdings and

deducted from the cost thereof. These reserves, amounting in total to £154,807, are a considerable source of strength to the company, and while for the time being they may be regarded as free reserves, they are essential to the stability and growing prestige of this undertaking which, in making its investments in developing enterprises, has subscribed in the companies which it is currently financing rather more than 78 per cent. in the form of share capital and under 22 per cent. in the form of loans.

VALUE OF HOLDINGS

The directors believe that stockholders will approve of their decision to set out in the balance-sheet details of the holdings in subsidiary companies and the value at which they stand in the books. Although the current break-up value of the shares in the Monument Property Trust is shown by the balance-sheet of that company to be at least equal to their par value, in view of the fact that no dividends are being paid on either the Preference or Ordinary shares the directors assess their current market value at substantially below that figure. In their opinion, the aggregate value of the investments in subsidiary companies is worth not less than the figure of £981,859 at which they stand in the balance-sheet after deducting the reserve of £200,000, which cannot, therefore, be regarded as a free reserve.

I am reluctant to forecast what is in store for us. I can only say that, given reasonable opportunities to trade, your group of companies should be able to secure its quota of the business offering, particularly when the members of our staff now serving can rejoin the organisation.

The report and accounts were adopted.

S. SMITH AND SONS (ENGLAND), LIMITED

TRIBUTE TO KLG PLUGS

The thirtieth ordinary general meeting of S. Smith and Sons (England), Limited, was held on the 28th ultimo, in London. Mr W. Henderson-Cleland, M.C. (the chairman), said that the net profit for the year amounted to £103,579, practically the same as for the previous year.

He emphasised the important part the

products of S. Smith and Sons (England) had played in the war effort, and in particular quoted from a report of the Society of British Aircraft Constructors giving the history of the progress of the KLG development. In his tribute to the British Sparking Plug, President Roosevelt said: "It has a life from four to five times longer than the standard aeroplane engine spark plug. . . . Since 1943 virtually every US Flying Fortress has taken off from British bases with these plugs in each of its four engines. It would be impossible to estimate how many thousand United States bomber crews may since then have owed their lives to these spark plugs, but the performance record of the plugs speaks for itself."

Three new principles in Sparking Plug design had been developed by KLG, who had received the full co-operation and help from the three great aero engine firms of Rolls, Bristol and Napier, to whom they took the opportunity of tendering thanks. The effect of these improvements had been to treble the lifetime of the sparking plug.

The report and accounts were unanimously adopted and the payment of the following dividends was approved: A final dividend of 10 per cent. (making a total of 17½ per cent. for the period) on the preferred ordinary shares and a dividend equal to 37½ per cent. for the period on the deferred ordinary shares.

ARISTON GOLD MINES (1929), LIMITED

NEW EPT STANDARD

The fourteenth ordinary general meeting of Ariston Gold Mines (1929), Limited, was held, on the 29th ultimo, in London. Mr Francis Allen (the chairman) presided.

The following is an extract from the chairman's statement circulated with the report and accounts for the year ended September 30, 1943:

Tonnage mined during the year was 213,500 compared with 283,400 for the previous year; gold produced realised £578,487 compared with £712,030; mining

costs were £357,814 compared with £421,031.

A NEW ITEM

A new item in the accounts is that of "Gold Coast Mining Industry Concentration Scheme" amounting to £17,563. This is the amount paid or payable by us during the year under review as our contribution towards the care and maintenance of the mines which were closed down under the scheme for the concentration of the West African gold mining industry. Reference was made to this scheme in my review last year, and, as I then stated, we are entitled to set off the amount of our contribution against our liability in respect of United Kingdom taxation.

Members are probably aware that the West African gold mining industry as a whole succeeded in obtaining the maximum permissible addition of 4 per cent for excess profits tax purposes in respect of capital employed in the industry.

The Ariston Company was in a rather special position owing to the conditions prevailing at the mine in pre-war years, but consequent upon the above application the company has obtained a substituted standard for excess profits tax based on the capital actually employed in the pre-war period, and this, coupled with the substantially larger capital employed in the war periods, which carries allowance at the full rate of 12 per cent., results in a total standard for the tax which your directors consider satisfactory.

ORE RESERVES

During the period under review, 213,500 tons of ore of an average grade of 7.28 dwt. were treated at a working cost of 32s. 10d. per ton.

The total ore reserves at September 30, 1943, were 2,628,504 tons of an average value of 6.84 dwt. over a width of 225 in. As expected, they show a decrease as compared with the previous year's figure on account of the great reduction in development, but in the circumstances the decrease, amounting to 140,966 tons, is a modest reduction and gives rise to no anxiety.

The report was adopted.

(Continued from page 23)

prise; but, even were the efficiency of this industry fully proved, such a sweeping induction of the general from one particular would remain unwarrantable. There can be much less quarrel with his plea to the Government to declare and operate a consistent political and economic policy within whose framework private concerns can freely operate.

Electric Kitchen

There are signs that some sections of British industrialists realise the value of putting their products on the market in sufficient quantities to reduce the unit cost, so as to bring them within the means of poorer people. That this is so in the electrical equipment industry is demonstrated by an exhibition opened this week at the London Building Centre of four all-electric kitchens designed to be incorporated into cheap houses and flats. The exhibition has been organised by the British Electrical Development Association, which has also produced a booklet, *Electric Kitchen Plans for Low-cost Post-war Homes*. The layouts suggested do not differ markedly from those shown in the Ministry of Works' demonstration houses at Northolt. Indeed, the measure of agreement on the essentials of a kitchen is a tribute to the research which has been carried out by many bodies on this subject.

EDA's kitchens include cooker, refrigerator, water-heater, space-heater, shadowless lighting, wash-boiler or washing machine, clothes drier, clock, and plug

points for kettle, iron, mixing machine and other accessories. Among the new ideas are the horizontal cooker, with the oven arranged alongside the hob, and the water-heater which will store either a large or smaller quantity of hot water, so saving fuel. Unfortunately, no indication has been given of the probable cost of the kitchens. But it is clear that there is every intention on the part of the electrical equipment producing firms to make such things as refrigerators cheap enough for them to become necessities. The other aspect of cost—running costs—is not the association's problem, but unless electricity can be supplied at lower rates it will continue to be beyond the means of most people in many districts.

Shorter Note

At the adjourned annual meeting of Texas Land and Mortgage Company, it was announced that Mr Denys Lowson and his supporters had, on a poll, obtained 35,081 votes against 26,345 accorded to the o'd board. In these circumstances Mr J. G. Archibald and Mr G. A. Mitchell Junior had stated in their circular that they would resign from the board. In view of the fact that 88 per cent of the available votes, not given to the majority, were cast in their favour and because holders of over one-third of the shares not held by the Lowson group expressly asked them to retain their seats, they had agreed to yield to these suggestions, but without prejudice to their right to alter their decision at any time.

RECORDS and STATISTICS

INDUSTRY AND TRADE

Trade Disputes.—The number of working days lost as a result of trade disputes in November, 1944, was 124,000, compared with 232,000 in October. There were 202 stoppages, compared with 236 in October, involving 44,100 and 62,100 workers respectively. The aggregate number of days lost during the eleven months from January to November, 1944, was 3,648,000, the result of 2,041 stoppages, involving 795,700 workers. The comparable figures for the same period of 1943 were 1,677,000, 1,649 and 528,300.

"The Economist" Sensitive Index.—There was no change in the index during the week ended January 2nd. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Dec. 28, 1943	Dec. 5, 1944	Dec. 19, 1944
Cereals and Meat	93.0	66.9	108.1	107.2	107.9
Other Foods	70.4	61.1	107.3	107.5	107.3
Textiles	74.2	54	91.9	103.9	104.0
Minerals	113.2	95.4	135.9	145.5	145.5
Miscellaneous	87.0	77.6	127.2	128.9	128.9
Complete Index	87.2	70.3	113.7	118.1	118.3
1913=100	119.9	90.8	156.5	162.4	162.7

* Highest level reached during 1932-37 recovery.

COST OF LIVING INDEX

(July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	½	12½
Sept., 1939	138	162	208	182	179	155
1940	166	164	295	212	219	187
1941	166	164	380-385	228	230	199
1942	166	164	395-400	240	265	200
1943	166	164	345	244	291	198
Oct. 1943	168	164	340-345	244	291	199
Nov. "	168	164	340-345	244	291	199
Dec. "	168	164	340-345	244	291	199
Oct. 1944	168	164	345	263	291	201
Nov. "	168	164	345-350	264	291	201
Dec. "	168	164	345-350	264	291	201

Source: Ministry of Labour Gazette.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	Nov. 1, 1944	Dec. 1, 1944	
Beef, British—	s. d.	s. d.	s. d.	
Ribs	1 2½	1 3½	1 3½	11
Thin Flank	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs	0 9½	1 1	1 1	26
Thin Flank	0 4½	0 6	0 6	23
Mutton, British—				
Legs	1 3½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	...
Bacon	1 3	1 10½	1 10½	60
Flour	0 11½	1 2½	1 2½	30
Flour (per 7 lb.)	0 8½	0 9	0 9	9
Bread (per 4 lb.)	2 4	2 10	2 10	21
Tea	0 3	0 4	0 4	32
Sugar (gran.)	0 6½	0 9	0 9	33
Milk (per qt.)	1 4½	1 8	1 8	21
Butter (fresh)	1 3½	1 8	1 8	31
Butter (salt)	1 3½	1 1	1 1	30
Cheddar	0 10	0 9	0 9	12
Margarine, special	0 6½	0 5	0 5	...
" standard	0 1½	0 2	0 2	1
Eggs, fresh (each)	0 2	0 1½	0 1½	7
Potatoes (per 7 lbs.)	0 6½	0 7	0 7	...
Index all foods weighted (July, 1914=100)	138	168	168	22

Source: Ministry of Labour Gazette.

FINANCE AND BANKING

THE MONEY MARKET.—Developments in the money market over the turn of the year and during the present week are discussed in a note on page 19. The Bank return for this week shows some contraction of the structure of credit from the already inflated level reached on Wednesday of last week. Bankers' deposits have fallen by £9,315,000 to £251,358,000. A counterpart to this movement has been the reduction of £4,270,000 in Government securities, representing, in the main, the maturing of bills purchased from the market during the latter part of December. The contraction from the peaks in both items reached over the week-end must have been far greater than the above-mentioned movements. Public deposits show an increase of £11,231,000 to £16,382,000 as a result of the heavy TDR and Treasury bill payments made during the earlier part of the week.

MONEY RATES, LONDON.—The following rates remained unchanged between December 28th and January 4th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between December 28th and January 4th. (Figures in brackets are par of exchange).

United States. \$ (4.86) 4.02½-03½; mail transfers 4.02½-03½. Canada. \$ (4.86) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.22) 17.30-40. French Empire. Francs 1971-2001. Syria. p. 8.61-85. Sweden. Krona (18.159) T.T. 16.85-95. Dutch West Indies. Florin (12.11) 7.58-62. Portugal. Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama. \$ 0.02-04; mail transfers 4.02-04. Brazil. 82.8456½ (buying); Uruguay. 7.6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. Turkey. Piastres 520. Italy. 71.25 lire.

Market Rates.—The following rates remained unchanged between December 28th and January 4th.

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 1764-1. China. National \$3-3½. Iran. Rl. 128-130.

* Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Dec. 27	Dec. 28	Dec. 29	Dec. 30	Jan. 1	Jan. 2	Jan. 3
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	89.810	89.810	89.810	89.810	89.810	89.810	89.810
Zurich	23.50	23.50	23.50	23.50	23.50	23.50	23.50
Buenos Aires	24.87*	24.82*	24.82*	24.82*	24.84*	24.84*	24.82*
Rio de Janeiro	5.19	5.19	5.19	5.19	5.19	5.19	5.19
Lisbon	4.09	4.09	4.09	4.09	4.08	4.08	4.08
Barcelona	9.20	9.20	9.20	9.20	9.20	9.20	9.20
Stockholm	23.86	23.86	23.86	23.86	23.85	23.85	23.85

* Official Buying Rate 29.78. † Free Rate. ‡ Dtd.

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to December 31st and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

(£ thousands)			
Total ordinary expenditure	4,447,277	Total ordinary revenue	1,990,520
New sinking funds	10,309	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net)	91,155
3% Conversion Loan 1944	313,198	3% Savings Bonds 1960-70	199,302
5% Conversion Loan 1944	3,975	3% Savings Bonds 1965-75	99,085
2½% Nat. Def. Bds. 1944	20,008	2½% Nat. War Bds. 1952-54	460,435
Other debt, external (net)	11,902	1½% Exchequer Bonds 1950	37,260
Increase in balances	871	Nat. Sav. Certs. (net)	175,300
		Tax Reserve Certs. (net)	197,911
		Other debt, internal (net)	8,745
		3% Term. Annuities (net)	232,622
		Floating debt (net):—	
		Treasury Bills	857,369
		Public Dept. Adv.	193,230
		Bank of Eng. Adv.	59,250
		Treasury Deposits	405,000
		Miscellaneous receipts	386

£4,807,540

£4,807,504

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ECONOMICS

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47 Threadneedle Street



THE ECONOMIST

ESTABLISHED 1843

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THE ECONOMIST, BRETENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

Governments for Europe

IN three liberated countries, the question of a new government is causing misery among the peoples themselves and division and distrust among the Great Allies. The cases are not strictly comparable, for the methods and intentions of Russia in its relations with Poland and Yugoslavia are different from those which appear to have governed the British approach to Greece. In Greece there was in existence, at the time of the liberation, a government which represented all parties and which owed its existence very largely to British initiatives. Since that time, however, the handling of the Greek crisis has led British policy into a situation which it is much less easy to justify. Liberation is evidently not leading so automatically to democratic self-government as the hopes and aspirations of five years have hitherto assumed. Indeed, it may be leading to the installation of governments that will consolidate their own power by suppressing and proscribing their opponents.

The new Polish "Provisional Government" of Lublin is not, as earlier reports suggested, an exact replica of its predecessor, the Committee of Liberation. The personnel has been reshuffled, and only a few members of the Committee are now in the government. The reshuffle has, if anything, increased the unrepresentative character of

Lublin. All those members of the Committee who played some part in pre-war Polish politics have been dropped. With the exception of the Minister of War, General Rola-Zymierski, and the Minister of Agriculture, a former Peasant deputy, the whole Lublin Cabinet has emerged to power from utter obscurity. Conferences of the Peasant, Socialist and Democratic "parties" were held at Lublin simultaneously with the session of the new so-called "parliament." But all those conferences, meetings and solemn gatherings are remarkable for one thing. They all speak with the same voice. Not a trace of dissension and not a shade of political difference between them could be detected. It is this uncanny unanimity, more than anything else, that makes the foreign observer so highly sceptical about the political identity cards produced at Lublin.

This is not to say that the Lublin Committee may not in time become more representative. Its programme of land reform is popular with the peasants, and now that its fulfilment is being emphatically linked with the Oder frontier, the land hungry men are beginning to see vistas of "empty" German farmsteads on the Western frontier. Military policy may prove another buttress. General Rola-Zymierski has spoken of a Polish officer corps, 50,000

strong, who, it is said, are being trained to take a large part in the occupation and policing of Germany. In view of the experience of Alexander I in Congress Poland, where the cadet schools under Russian command became hotbeds of anti-Russian feeling, this policy may ultimately prove to be shortsighted and mistaken, but in the short run it is designed to create bodies of men with vested interests in the Lublin administration, and it may well succeed in its objects.

The difficulty remains, however, that the degree of support it achieves will not alter the Lublin Government's attitude to those who do not support it. As an American correspondent expressed it in a remarkably laudatory despatch from Lublin,

By taking strong and decisive action, the young . . . Polish Provisional Government appears to have averted the danger of civil war . . . there has been a minimum of conversation and a maximum of action.

The regime is totalitarian in character. There is talk of free elections and the will of the people, but in these conditions the terms are almost devoid of meaning.

The situation in Yugoslavia is more confused. There have been in the past lively hopes that a broad administration under Marshal Tito might steer the country through the difficult period of liberation. It is true that the situation in Serbia has at no time been satisfactory. No Serb politicians of genuine distinction ever joined the National Liberation Movement, and large sections among Mikhalovitch's followers have neither collaborated with the Germans nor accepted Marshal Tito's leadership. Yet Yugoslavia without Serbia is very near to *Hamlet* without the Prince. Recently, too, other misgivings have been raised. The agreement of November 1st between Marshal Tito and Dr Subasitch, the Prime Minister of the Yugoslav Government in London, allows for the establishment of a Regency and arranges the establishment of a Government and the holding of elections. But difficulties in the way of a full acceptance of the agreement have arisen among the Yugoslavs in London, some of whom claim that it leaves no opening for free elections or indeed for the existence of any other party save that of Marshal Tito and the groups supporting him.

The provenance of these reports is suspect, and the criticisms and manoeuvres of the London cliques could be dismissed, were it not for one troublesome fact. Marshal Tito's Committee, like Lublin, is completely unanimous. The Government, its officials, soldiers, assemblies, and spokesmen all say the same things and paint the same picture. To see how far removed this ventriloquial democracy is from anything resembling freedom, one need only compare it with the position in France and Italy. The only regime to produce complete and constant unanimity is a totalitarian regime, and its method is always the same—"a minimum of conversation and a maximum of action."

In Greece, the policy stated by the British Government has been entirely sound—to achieve an interim administration of national unity to act as a trustee for full and fair elections. Even after the outbreak of fighting, the objectives of British policy, clearly stated by the Foreign Secretary in the House of Commons on December 20th, remained unexceptionable—to avoid reprisals once the fighting was over and

to maintain law and order and establish a Greek Government broadly representative of all opinion in Greece, including EAM, and to enable that Government to establish its authority throughout the country.

Hopes were high when Mr Churchill and Mr Eden flew to Athens and grew brighter still when it was announced that a Regency under Archbishop Damaskinos had been set up and that M. Papandreou had resigned. It was widely assumed that a new Government including EAM would take his place.

In the last week, however, events have pursued a confused and contradictory course. At first, it seemed as though General Plastiras were steering straight for prolonged civil war. There was talk of arresting the EAM leaders, and it was disconcerting that General Scobie should have withdrawn his terms for an armistice almost

simultaneously with the ELAS retreat from Athens. On the surface, events appeared to be drifting towards a situation in which the civil war, with British troops or at least British arms on one side only, would spread from Athens to the whole of Greece. Since then, however, General Plastiras has made a much more conciliatory statement, disavowing any intention of starting a prescription and promising reform of the police under British guidance. General Scobie may have decided that a show of firmness is the quickest way of getting an agreement. And he may well be right—the latest news is that EAM has split and that negotiations for a truce are once again under way. Perhaps it is still not too late to achieve a reconciliation which will last for more than a few weeks and open the way to genuine pacification in Greece.

The objective which the British have set but so far failed to achieve in Greece is the objective to be set in every liberated country, Poland and Yugoslavia included. When the three Allied leaders meet to discuss this problem—among the other great problems of the alliance—they cannot plead that they do not know the right method. Nor can they shuffle off responsibility, if they evade it. The aim is quite simply a Government which does not virtually suppress its opponents as the preliminary to an election. Events suggest that the local leaders on the Right and on the Left cannot be trusted to refrain from exploiting the possession of power. It is thus no solution of the problem to choose a faction and back it, as the Russians do in Poland and Yugoslavia, and as the British are in some danger of doing in Greece. Equally it is no solution for the British or the Americans to express their opposition to Russian policy by encouraging the Polish and Yugoslav Governments in London to adopt extreme anti-Russian attitudes. The point is that the backing of one or other side in liberated countries offers no way out from the vicious circle of repression and counter-repression. Nor will it heal the widening breach between the Great Allies.

What, then, can be done? It is not difficult to suggest a theoretical solution of the problem. The British efforts in Greece would suggest that the best method would be for the Great Powers to call, in each liberated country, a conference of all the parties, whose task would be to set up a provisional administration. This Government would be assisted by a Commission of the three (or four) Great Powers, who would ensure the freedom of the elections. Mr Churchill's speeches have hinted at such a solution for Greece, and there is no reason of principle why it should not be applicable to Poland and Yugoslavia as well. But a plan of this sort would be absolutely dependent at every stage on the active goodwill of the Powers. The conference could be wrecked if the Powers did not use all their influence to restrain the local extremists. Without the sincere goodwill of the occupying Power (and there can, in practice, only be one) the tripartite commission could be turned into a farce, a handful of isolated officers from two of the Powers rubber-stamping the actions of the third.

Thus the issue comes back, as all the issues of the peace—Dumbarton Oaks, Bretton Woods, food, relief—come back, to the intentions of the Powers. There can be no agreements and no solutions unless the Big Three are willing both to seek them and to implement them when they are found. Is there any real prospect of willingness in Moscow to meet other countries halfway, to accept any agreement short of passive acceptance of Russian desires? There is an infinity of goodwill in America for methods of freedom and co-operation; but is President Roosevelt's renewed promise of commitment to detailed policy going to secure the counter signature of Congress? If the test is a combination of goodwill in arriving at policies and willingness to assume burdens in implementing them, the intentions of the British Government pass it fairly well. But is the practical application likely to be more effective than it has been in Greece and in Italy? Only the Big Three can dispel these doubts. They will have the opportunity at their forthcoming conference. The precedent of Teheran is not hopeful. But is there any other hope?

Peacetime Mutual Aid

IN the early days of the war, trade between the United States and this country was on a "cash and carry" basis; Britain had to pay in gold or dollars and fetch the goods itself. Then came President Roosevelt's master-stroke of Lend-Lease, an arrangement, one-sided in the first place, under which the "cash nexus" was suspended and even the peacetime principle of mutuality abolished: America gave and Britain took. Out of Lend-Lease developed "Mutual Aid," a two-sided arrangement under which the cash nexus still remained in abeyance, either side contributing to the common purpose as best it could.

The exigencies of war enforced this development. Finance abdicated from its governing position in international economic relations, not only in the sense that goods and services were mutually transferred without settlement being made in money, but even to the extent that money ceased to function (internationally) as an accounting and recording device to ensure that every party received full compensation for what it contributed to the common pool.

It is obvious that the community of economic purpose between the sovereign states of the world is hardly as powerful in peacetime as during war. Does that mean that the conception of mutual aid must be totally abandoned as soon as the guns cease firing and that a complete return must be made to the "cash nexus" of pre-war days? The exigencies of peace and reconstruction are hardly less exacting than those of war, and the principle of "cash and carry" will be found as much of a handicap in getting goods to where they are wanted as it was found to be in war. Shall we have to go through the whole tortuous process again, starting with "cash and carry," advancing to "Lend-Lease" in the form of *ad hoc* credit arrangements, and finally, after costly and heart-breaking delays, arriving at new methods which incorporate at least something of the spirit of Mutual Aid?

It is extraordinary what reluctance is encountered as soon as the suggestion is made that some of the lessons of international trading methods during the war might be applied in peacetime. In questions of internal economic policy some progress of thought has been achieved in recent years in emancipating economic policy from the straitjacket of excessively rigid financial doctrines. In the field of international economics, however, the old outlook is still predominant; and the discussion of practical problems is still impeded by the ballast of assumptions long proved wrong and of an utterly misleading terminology.

"Exchange control," for example, is still unquestioningly assumed to imply "restriction"—no matter how

clearly it may be shown that the restrictive element does not rest in the control but in the scarcity of foreign currencies or gold. The "blocking" of currencies is still looked upon as an evil device for the purposes of fraud or power politics—even though it should be clear for anyone with eyes to see that the fault, dear Brutus, is not in the intentions of the "blockers" but in their inability to do anything else.

If one thing is certain, it is that the reconstruction of the war-devastated Continent cannot be accomplished without outside aid. But what is "aid"? How can anyone—Britain, America, Russia, or any other country—give aid and assistance to the impoverished?

There are two methods: Charity and Co-operation. There is charity in all its forms: delivering foodstuffs, textiles, raw materials, or machinery by way of a grant-in-aid, without asking for any *quid pro quo*, and in that more sophisticated form, the granting of long-term loans without reasonable hope of ultimate repayment.

And there is also Co-operation, a much more potent and lasting form of assistance: mutual aid by reciprocal endeavours to expand mutually advantageous trade. The difference between these two methods is profound and has a parallel in internal economic policy. An unemployed man may be given a dole or a job. His existence may be safeguarded by charity or by the co-operative effort of re-absorbing him into the mutually advantageous process of exchange. Charity means giving without return. Co-operation pays for itself. But to give jobs rather than doles involves breaking some old-established rules: it certainly requires some degree of Government intervention and it probably requires a budget deficit.

To render assistance to other countries through co-operation rather than through charity, equally, demands new methods—methods carried to extreme length in the war-time "Mutual Aid" agreement, but, even in their mildest forms of peacetime application still decried as disreputable and illegitimate.

Take the case of Britain's future trade with Belgium. It is a welcome fact that some new ground, at least, has been broken by the Anglo-Belgian Clearing Agreement. Under this agreement, Britain and Belgium grant each other an "overdraft facility" amounting to £5,000,000. This means that the British Government will pay anything up to £5,000,000 to British exporters, if British exports to Belgium exceed Belgian exports to Britain. Conversely, any excess of Belgian exports to Britain over

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British exports to Belgium, up to a maximum of £5,000,000, will be financed by the Belgian Government—a useful scheme, which might be described as a miniature Keynes Plan. And yet, an all too limited scheme.

What if Belgian purchases from Britain should tend to exceed British purchases from Belgium by more than £5,000,000? Any such excess would have to be covered by payment in gold. Now, what is wrong with the scheme is not that the overdraft facilities are limited to £5,000,000. A bigger facility might have been better, but that is not the point. What is wrong is that no constructive, no expansionist method for keeping within such a limit is offered.

What might have been provided is that as soon as (say) Belgium approached the limit of its overdraft facility the British and Belgian Governments would get together and study ways and means by which British purchases from Belgium (or the Belgian Congo) might be expanded. Any expansion of British purchases (which is the same as an expansion of Belgian exports to Britain) would automatically reduce Belgium's debit balance and thus enable Belgium to continue buying from Britain (and the sterling area).

Such a provision would have transformed the Anglo-Belgian clearing into something like a Mutual Aid mechanism and would have opened the road for constructive and expansionist economic collaboration between this country and Belgium. But—it would carry the odium of "discrimination" as at present defined. For Britain could increase its purchases from Belgium only by making what are so misleadingly called special "concessions" to Belgium—exempting certain Belgian goods from tariffs; directing bulk purchases to Belgian goods; giving import permits for certain categories of Belgian goods, while withholding import permits for the same categories of goods of another provenance. And that would be "discrimination." And "discrimination" is a "restrictive device." What is the result?

The result is that as soon as Belgium's purchases threaten to exceed its sales to Britain by more than £5,000,000 the Belgians, rather than lose some of their limited gold reserves, will apply their import controls so as to curtail their purchases from Britain. And what *might* have been the result? The result might have been that as soon as Belgian purchases threatened to exhaust the overdraft facility granted under the clearing, Britain would have increased its purchases in Belgium. In short, for the sake of avoiding "restrictive devices" and "discriminatory methods," equilibrium in Anglo-Belgian trade will be restored, whenever necessary, through the limitation of the purchases of the deficit country, rather than through the planned expansion of the purchases of the surplus country. A restrictionist mechanism has been provided in the place of an expansionist one, for the sake of avoiding "restrictive devices" and as an offering on the altar of the god of "non-discrimination."

The case of Belgium has been taken only as an example. The same basic question will recur with each one of the liberated countries of Europe. If payment for any net balance of trade due to Britain is asked for wholly or largely in gold and dollars, then trade will be closely restricted. If Britain will accept payment in blocked currencies, and take such steps as are practicable to liquidate the blocked accounts by importing European goods, a steadily rising trade should be possible. But that would involve "discrimination." The virtues of unfettered multilateral trade are manifold and familiar. As a generalised proposition, Great Britain cannot dispense with them. But as a specific and temporary proposition, the choice seems to lie between a promising volume of trade financed by unorthodox methods which involve "discriminatory" devices for stimulating an increase, and a very much smaller volume financed through the cash nexus by strictly "non-discriminating" methods. Nor need the unorthodox methods be strictly bilateral. Sterling is in any case available for purchases throughout the whole sterling area, and even beyond this, it should not be difficult to evolve a multilateral system of countries pledged to balance their trade by expansion.

What is the reason behind the reluctance to employ new methods in international trade? Has there ever been any time when Britain could less afford to lose not only such export business as is offering but, what is more, the goodwill of its impoverished neighbours? It must be feared that the reason lies in an unreasoning acceptance of the doctrine of "non-discrimination."

Would not the conclusion of an agreement by, say, Britain and France to balance their trade by expansion lead to some "artificial diversion" of orders away from third parties—specifically from American exporters who would otherwise have supplied these markets? Would it not be an act of hostility, nothing less than the opening shot in an Anglo-American economic war? Such may be the thoughts underlying the hesitation to develop the principles of constructive economic co-operation with Europe. If so they are sadly erroneous thoughts.

That such an arrangement would divert orders from America to Britain is an optical illusion. Those who still believe that the sum total of international trade is a fixed quantum may be deceived by it. But those who have understood that there is nothing fixed in the total of international trade, that expansionism can be international as well as domestic, that two nations can gain without third parties losing anything at all, will not be misled.

The fact of the matter is that America's total exports are not likely to be affected by the volume of trade that passes between Britain and France, or between any other countries. What sets a limit to American exports is the amount of dollars supplied by America to the rest of the world. Dollars are supplied mainly by two processes: by America paying for imports and by America making loans. In any measurable future the world will spend every dollar it can get; it will be the amount of dollars supplied by the United States, rather than unwillingness to buy American goods, that will set a limit to American exports.

The effect of special "mutual aid" arrangements between non-American countries, in other words, cannot possibly redound to the disadvantage of American exports. It can only expand the sum total of world trade, with incalculable benefits to all. Such arrangements, therefore, are a positive and constructive contribution to the problem of rebuilding not only individual countries but the world economy as a whole.

This does not mean that there are no bad forms of discrimination. But there is, or should be, a clear distinction between discrimination which, without increasing the sum total of world trade, merely transfers markets from one supplier to another, and discrimination which creates new trade between the principals without injuring third parties. If the same name and the same condemnation are applied equally to both, then the doctrine of "non-discrimination" becomes one of the greatest barriers to trade expansion that exist—indeed, in present practical circumstances, perhaps the greatest barrier of all. The discrimination condemned by the Atlantic Charter must presumably be of the first kind only, since if the condemnation were extended to the second, it would be inconsistent with the Charter's objectives of securing ample employment and rising standards of life.

To draw a distinction in practice corresponding to the difference in definition is a much more difficult problem. But it should not be insoluble. A method of doing so can be suggested by still another analogy with domestic economics. The basic economic test of any proposed course of action is to ask the question: will it increase national income? Similarly in international affairs, the test should be: will it increase world income? If no, then it is harmful discrimination; if yes, then it is beneficial mutual aid. In pre-war days the practical elaboration of this principle would have been a task to be entrusted to the technicians of the League of Nations. Perhaps the new Social and Economic Council to be set up under the Dumbarton Oaks plan will be equally well equipped for the purpose. An international economic body without a policy for international expansion, would be as dangerous an anachronism as a national government without a policy for full employment.

Wages Councils

MR BEVIN'S Wages Councils Bill, which comes up for its second reading next week, is one of the most important pieces of labour legislation ever laid before Parliament. Its effects, which will be felt by some 15½ million workers, will be more far-reaching even than the Trade Boards Acts of 1909 and 1918, of which it is the successor and logical fulfilment. If it were the last measure to be enacted by the present administration, the Bill would be a fitting swan-song, for in spite of stresses and strains, the wartime Coalition has achieved real progress in the standards of labour. As Minister of Labour, Mr Bevin has certainly had a remarkably free hand, and he has been able to extend the benefits and responsibilities of collective bargaining to a large number of workers in trades and industries, hitherto badly paid and unorganised. While public attention fastened on the Catering Act, other and less spectacular measures have been taken to improve the wages and conditions of nurses, dockers, seamen, fishermen and farm-workers, and to develop health and welfare in industry generally. And now there is this Bill, which seeks to incorporate many of the wartime advances in permanent legislation.

The first two parts of the Bill are straightforward, and deal with the composition and functions of Wages Councils. Wages Councils will be set up by the Minister of Labour on the application of a Joint Industrial Council, or on the joint representations of employers' and trade union organisations, or on the initiative of the Minister himself, where he is satisfied that there is no adequate voluntary machinery for the fixing of wages and conditions. Applications will be referred to a Commission of Enquiry, composed of three independent members and two representatives each of employers and workers; the Commission will be a purely *ad hoc* body, thus differing from the standing Catering Wages Commission.

Wages Councils will be constituted on the same lines as existing Trade Boards, which they are to replace, but they will have wider powers. They will deal with "workers" rather than with a particular "trade"; they can fix "remuneration," including the guaranteed working week, instead of "minimum rates"; they can provide for paid holidays of more than one week (under the Holidays with Pay Act the period is limited to one week) and they can make recommendations on any matter affecting the welfare and conditions of the workers. Their extended powers are in line with later legislation, such as the Road Haulage Wages Act, 1938, and the Catering Wages Act, 1943.

This machinery and procedure may sound rather more elaborate than it will be in practice. Trade Boards have been working smoothly along these lines for the last thirty years, and even the Catering Wages Board, originally so fiercely opposed, has come into operation quite smoothly. There is no reason to fear that the Wages Councils Bill will create a new form of bureaucracy. The only difficulty may be in finding enough "independent" members. People who are qualified and able to serve on Trade Boards, Royal Commissions and Government Committees are limited in number and in consequence liable to be overworked.

There are at present 52 Trade Boards in this country, and the great majority were formed in the early 1920s. They cater for about 1,500,000 workers and cover a variety of occupations, most of which were originally the "home work" trades which lent themselves to sweating. The minima prescribed vary considerably—the women's weekly minimum is 39s. 8d. in retail dressmaking and 41s. in wholesale clothing; in furniture manufacture, the man's rate is 70s. 6d., the woman's 43s. 1d.; in tin box manufacture it is 78s. for a man and 50s. for a woman. The Bill means that from now on, the Keg and Drum Trade Board, the Pin, Hook and Eye and Snap Fastener Trade Board, the Ostrich and Fancy Feather and Artificial Flower Board, and similar bodies, will be dignified with the title "Wages Council" and correspondingly raised in status. The main other groups of workers whose wages are

regulated by statute are agricultural workers, for whom a minimum weekly rate of 70s. has just been awarded; road haulage workers, whose minima vary according to age, grade and district from 68s. to 97s.; and catering workers, for whom minimum wages are now being prescribed.

An important effect of the Wages Councils Bill should thus be to raise the standards of the lowest-paid and least organised sections of the workers. There are still gaps—domestic service is one and is likely to be the first occupation for which the Minister will use his power to establish a Wages Council without first receiving an application and there are still many anomalies in wage levels, such as the disparity between men's and women's rates and the exploitation of juvenile workers, with which the Bill does not attempt to deal. But Mr Bevin's measure should go a long way in the direction of establishing a national minimum standard, and as such, will command wide support.

The Bill, however, goes a great deal farther than this. It should provide a stimulus to collective bargaining and strengthen voluntary negotiating machinery. The logical consequence of turning Trade Boards into Wages Councils will be the establishment of Joint Industrial Councils in these industries. There are now over 90 Joint Industrial Councils, the most effective ones being in the Civil Service and Local Government, docks, flour milling and public utilities, and, since the war, in retail distribution, which normally covers 2,500,000 workers. Moreover, the whole principle of joint industrial consultation has been encouraged during the war, and Joint Production Committees to a large extent perform the consultative functions which it was originally intended should belong to Joint Industrial Councils.

It is the third part of the Wages Councils Bill that is likely to prove controversial. It continues the provisions of the Conditions of Employment and National Arbitration Order 1940 for a period of five years after the cessation of the Order, but with certain modifications, the chief of which is the substitution of the Industrial Court for the National Arbitration Tribunal. It will not apply to workers whose wages are regulated by statutory machinery, but it will affect over 10 million workers, whose wages are determined by voluntary agreement. Employers will be "obliged to observe terms and conditions of employment not less favourable than the recognised terms and conditions in the trade and industry in the district." In other words, an agreement reached voluntarily between the representatives of the employers and unions in any district, and registered as a *bona fide* agreement, will become legally binding on all employers, whether they are parties to the agreement or no. In the event of any question arising, the matter will be referred to the Industrial Court for settlement, and if the Court is satisfied that the employer is not observing the conditions and is aware of them, its award shall be retrospective. It is not proposed to set up an inspectorate to enforce the observance of agreements, and employers will not be liable to prosecution for non-compliance. But the worker will have the right to civil action and this, it is considered, will provide a sufficient safeguard against any attempt on an employer's part to undermine agreed standards.

This provision should have the effect of encouraging and strengthening the organisation of both sides of industry. Trade unions account for about 8 million workers, or approximately half the numbers affected by the Bill. No comparable figures exist for the number of organised employers; in September 1943 there were 1,900 employers' associations dealing with labour conditions and the British Employers' Confederation covers about 75 per cent of the industrial population, so it may be presumed that a higher proportion of employers than of workers is in fact organised. The strengthening of industrial organisation

on both sides is clearly an advantage and makes for orderly negotiation and arbitration. Whether it is so great an advantage that the state should enforce organisation is a wider question. Difficulties have sometimes arisen in wartime arbitration cases where a union is not recognised by the employer as a negotiating body, and one logical development of the provisions in Part III of the Bill may well be a claim by the unions for legal recognition and protection such as is afforded to American unions under the Wagner Labour Relations Act.

But that is looking ahead, and the Bill raises much more immediate considerations. At the end of the war with Germany there is some risk of the whole superstructure of labour control collapsing. The prohibition of the right to strike, the compulsory reference of disputes to arbitration, direction to work, and the general braking effect of public policy on applications for higher wages, will all disappear. If widespread and damaging disputes are not to result, it will be necessary to cling to such footholds as present themselves. Part III of the Bill should exercise a stabilising influence during the critical post-war transition period. At all costs the Government is determined to avoid a repetition of the chaos that followed the last war and is already preparing the oil to pour over troubled industrial waters.

Any proposal to make collective bargaining binding, even on those who have not participated in it, part of the permanent law of the land would need very careful con-

sideration. But as a purely temporary measure, the Wages Councils Bill, together with the demobilisation scheme and other measures, should assist in securing an orderly and smooth passage to peace. A large responsibility will rest on employers of labour to see that wage agreements are scrupulously observed, for failure to do so would be disastrous for industrial co-operation. But a bargain must be two-sided and it will equally be the responsibility of the workers to honour their side of the agreements. This is implicit in the Bill, and responsibility and respect for agreements is one of the cardinal points of Mr Bevin's philosophy.

Compulsory arbitration, for all its shortcomings, has undoubtedly had a stabilising effect in the war years. But once the sanction of compulsory arbitration has been removed, the workers will have to show respect for voluntary machinery. If any large body of workers follow the example of the Tyneside boilermakers in defying the authority of their union and flouting the ruling of the Industrial Court, the whole structure of voluntary conciliation and arbitration machinery would be in danger of collapsing. Legal enforcement is comparatively easy against recalcitrant employers, but very difficult, even in wartime, against recalcitrant workers. It would be manifestly impossible to maintain a system which in fact operated in one direction only. The five years of the Bill's life will be a valuable opportunity for testing whether the workers of the country can in fact show the responsibility which alone would make such a system workable.

Divided China

THE landing on Luzon, the largest of the Philippine Islands, has begun. Great American forces have already established four bridgeheads, and although tough fighting lies ahead, there can be no doubt that the last phase in the recapture of the Philippines has begun and that the end is in sight.

After the Philippines, Formosa; after Formosa, the coasts of China—this seems to be the obvious line of amphibious advance. It may not be long before American armies begin to land in force on the Chinese mainland. The liberation of the country longest occupied by the enemy will have begun. It would be only prudent to take notice of the experience of Europe in this matter of liberation. The freeing of occupied nations so far has brought with it a number of very delicate political problems. In devising their political strategy for the liberation of China, the Allied leaders would be well advised to see if some of the same problems are not likely to recur.

The chief difficulty is obviously the existence in China, as in other occupied countries, of two rival centres of authority. The Chinese Government at Chungking, recognised by all the Allies, is in direct control of Western China and indirectly, between the lines of Japanese occupation, controls large areas in Central and Southern China. The Communist Administration at Yenan controls the province of Shensi and large indeterminate tracts of territory between the areas of Japanese occupation in the north. This was for some considerable time the rough division of their spheres of authority. In the summer and autumn of 1944, however, the Japanese increased their hold on Southern China, taking Hengyang and Kweilin, and the American bases in Fukien and Kiangsi, from the Chungking Government.

Nominally, the Communists accept General Chiang Kai-shek as the leader of a united China. Nominally, the Chungking Government is carrying on negotiations with Yenan to secure a reconciliation. But in fact the two systems, one based on the supremacy of the Kuomintang (that is, the party led by General Chiang Kai-shek), the other on the Communist party, are rival powers and have been for some years in a state of actual or latent civil war. Such is the static position. Once, however, the liberation of China begins, with Allied landings along the coasts and Allied occupation of such key centres as Canton or Shanghai, the present division of power between the Kuomintang and the Communists will be radically altered.

It is almost impossible to forecast what the new frontiers

of authority will be. Clearly, the situation is likely to be one of the greatest confusion. The Kuomintang at least is likely to suffer a sea change once the more populous and developed areas of China are liberated. In recent years, the regime at Chungking has been forced politically to the Right. The liberal and left-wing groups in the Kuomintang were to be found to a great extent in the large towns—Nanking, Shanghai and Canton. The merchants and middle classes formed the backbone of the progressive bourgeois elements. They were supported by a section of the working classes. The Kuomintang's enforced retreat to Chungking in the primitive agrarian west, the collapse of trade with the outside world, the regime's dependence upon internal economic support—all these factors have led to the strengthening of the landlord and warlord elements in the Kuomintang. When the tide turns and the more developed coastal areas are liberated, a very different and more radical Kuomintang may emerge.

Equally, however, the strength of the Communists may be vastly increased. Since in pre-war China the Kuomintang was strong enough to exclude the Communists from the towns, they have been compelled to concentrate upon agrarian problems. The regime at Yenan is not so much Communist as radical-agrarian. The guerrilla areas, too, are predominantly agricultural. The new radicalism is apparently not doctrinaire. The Communists have concentrated on reform of rents and taxes, not on expropriations. In primitive Shensi and in the country districts of Northern China, they seem to have strong support and claim to control and organise some 90 million people. At least 80 per cent of China's peoples are still engaged in agriculture. The appeal of the Communists' radical land programme may thus be very wide. On the other hand, it is impossible to say how great is the Communists' hold on the populations of the coastal towns. In Europe, the experiences of occupation have turned all active spirits towards radicalism and some active spirits towards Communism. The trends in China may be similar, but there is little evidence available on which to judge the extent to which the left wing elements in the Kuomintang on the one hand and the Communists on the other are profiting by the radical mood of the occupied and oppressed Chinese.

Some facts are known. The main division of authority is between the Kuomintang in the west and most of the south and the Communists in the north. The crucial central area along the Yangtse including the towns of Hankow,

Nanking and Shanghai does not fall clearly into either sphere. The province of Chekiang is a stronghold of the Generalissimo's most immediate supporters, and many of the leading personalities in Chungking come from Shanghai and Nanking. In the hinterland of Shanghai, the Kuomintang leader, Ku Chu-tung, has a considerable force of Kuomintang soldiers at his disposal. On the other hand, there are reports that the Communist Fourth Route Army has been reconstituted and is strong and active to the north of the Yangtse in the neighbourhood of Nanking. An Allied landing, designed first to isolate and then to seize Shanghai, might find itself embarrassingly helped by two Chinese forces, which were nevertheless using every available opportunity to exterminate each other. In the south—the obvious coast for the first Allied landings—the situation is only slightly less confused. The Kuomintang structure is strong in this area, and in Canton it was the Left Wing Kuomintang that proved strong enough after 1927 to crush a powerful Communist movement. But what differences may not the Japanese occupation have brought about? There are small but organised Communist forces in the neighbourhood of Canton and some reports suggest that the Communists are firmly established in the island of Hong Kong. Thus there are chances of local strife and confusion in the south as well as in the centre of China.

Nor does the much publicised split between Kuomintang and Communists exhaust the possibilities of division. The puppet government of the late Wang Ching-wei at Nanking has on occasion shown a certain measure of independence. With or without directions from Nanking, it is very likely that in the event of successful Allied landings large sections of the Chinese puppet forces would abandon the distasteful task of supporting the Japanese invader and come over to the side of China and its allies. But the chances are that if such a movement were to take place, puppet forces would adhere to both sides. In the light of Europe's experience with collaborationists and the purge, it is easy to see that the admixture of puppet forces with either or both sides would put the finishing touches to a situation too involved and inextricable for China's allies to have much hope of solving it.

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In face of this situation—a potential Greece of the Far East, on a vaster and even more damaging scale—what policy ought the Americans and the British to pursue? China's allies suffer from this grave disadvantage, that foreign intervention is always unpopular, and interference, if pressed too far, may end in nothing but violent dislike for those who have done the interfering. Any moves suggesting pressure or intervention have to be undertaken with the utmost discretion. For instance, General Stilwell, in spite of his admirable qualities of initiative and drive, did not fully master the technique of making his intervention palatable and this was probably the chief reason why he became unacceptable to Chungking. It is therefore with the utmost patience and tact that the Allies must press on both sides in China the need for unity. Both Britain and America have powerful arguments with which to reinforce their pressure. The Kuomintang and the Communists need armaments if they are to take a greater part in the defeat of Japan. They need massive help to build up China's postwar economy. Provided the pressure were distributed equally and both sides were urged to make concessions, the offer of Allied aid might be used to induce the Chinese to close their ranks.

Some would argue that American pressure has already helped in this direction. Since the dramatic recall of General Stilwell in October, 1944, the Chungking Government has undergone a considerable reorganisation. The most notoriously reactionary elements—Dr S. S. Kung, who is held responsible for the chaos and inflation in China's finances, and the brothers Chen Li-fu and Chen Kuo-fu, who controlled the authoritarian party and propaganda organisation of the Kuomintang—have been dismissed from office. General Ho Ing-ching, who as War Minister was accused of a policy of conducting an armed blockade against the Communists and an armed truce with the Japanese, was replaced by a young and popular General, Cheng Chen. Mr T. V. Soong, the well-known

representative of liberal Kuomintang opinion, became acting Prime Minister. Finally, in his New Year broadcast, the Generalissimo confirmed these changes. He forecast a radical reorganisation of the often starved and neglected Chinese armies, he blamed the rich for their failure to support the war effort and forecast the summoning of a people's congress to enact a democratic constitution before the end of the war.

Unhappily, it is by no means certain that these reforms in Chungking, welcome as they are in themselves, are necessarily the forerunners of greater Chinese unity. The criticism which compelled General Chiang Kai-shek to make drastic changes came from within. So great had the confusion and instability become in Chungking's economic and military system that the regime had to change or lose all popular support. Thus the new moves are dictated more by the desire to maintain and reinforce power than by any wish to share power in some new administration with the Communists.

The basic difficulty is that neither party is really ready to admit the possibility of a regime made up of many parties. It is noted that although the Generalissimo has dismissed the brothers Chen from the Cabinet, they still control the party organisation, and that General Ho Ing-ching, the late War Minister, is still General Chiang's Chief of Staff. This does not suggest a really profound change. The Communists have a better record in their dealings with their peasants and guerillas, but they are, if anything, more determined than Chungking to maintain power in their own areas and spread it where they can.

It is difficult under these conditions to see how the Allies can avoid the pitfalls into which Britain and Russia have already fallen in Europe. Nobody will deny that a government of national union, representative of all parties, and controlling the whole country, is the only government with which an outside Power may safely deal. What it is difficult to see is how such a government is to be brought into being.



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NOTES OF THE WEEK

Power Politics

One of the many services to common sense performed by President Roosevelt's message to Congress of last Saturday (which is more fully discussed on page 47) was to bring a little definition into the phrase "power politics," which is often so loosely used.

In the future world [the President said] the misuse of power, as implied in the term "power politics," must not be a controlling factor in international relations.

The President thus defines "power politics" as the misuse of power, and when it is so defined there cannot, of course, be any dissent from the condemnation of it. But very many of the people who hurl the term about in current controversy use it as a condemnation of any policies that take account of the realities of power. To these people, the proper basis of foreign policy, it would seem, is an assumption that nobody will ever again misbehave and that it will never again be necessary to use force in the cause of right. The President has no sympathy with this heresy.

We cannot deny that power is a factor in world politics any more than we can deny its existence as a factor in national politics. But in a democratic world, as in a democratic nation, power must be linked with responsibility and obliged to defend and justify itself within the framework of the general good.

In the world as it stands to-day, this can only mean that power must be lodged in the hands of those Great Powers who are most firmly attached to the principles of law and justice and freedom. If "the misuse of power" is to cease to be "a controlling factor in international relations" that can only be because greater power is in the hands of those who will not abuse it. Without passing judgment on any other Powers, this certainly includes the United States and the British Commonwealth. If this is so, then any attempt by these nations to establish more firmly the bases of their power—whether it be America in the Caribbean or the Pacific or Britain in the Mediterranean and the Indian Ocean—must surely be to the common good. If "power politics" merely means policies that envisage the eventual use of force, then it may merely be a synonym for common prudence and foresight, the absence of which so lamentably contributed to the collapse of the last peace. But if "power politics" continues to be a term of condemnation, and means, as the President says, "the misuse of power," then it should not be applied to the great majority of policies that are so labelled in current discussion.

France and the Big Three

The French Press is venting its disappointment at the Big Three's failure to invite General de Gaulle to take part in the next conference of the chiefs of the great Allied Powers. The mood is understandable, but the Press has helped to exaggerate it by a certain amount of wild talk in recent weeks. When, for instance, propagandists in Paris declare the military events of the last few weeks to show that "the war cannot be won without a powerful French Army" and when they give this as a reason for the cooptation of General de Gaulle to the conference of the Big Three, they are surely lacking in those two great French virtues—realism and logic. There are better grounds for their case than national prestige and *amour propre*.

The case for French participation in the forthcoming conference is strong, if the conference is to discuss or decide—as it may well do—the settlement with Germany. On these issues the French view cannot be ignored; and it is essential that France should be committed to any settlement on which agreement may be reached. The Russians are likely to favour the French demand for participation, because the French Provisional Government has, to all intents and purposes, accepted the territorial schemes proposed by Russia. It is to be hoped that Great Britain and the United States will take a similar view about French participation and avoid giving the French the impression that, in fighting for readmission into the councils of the Great Powers, they will at each stage find the Russians more helpful than their western Allies.

Yet even if General de Gaulle joins the Big Three, France's responsibility for some issues on the agenda—the conduct of the war, for example—will be relatively limited. The best solution is probably to include General de Gaulle in the discussion of all questions in which French consent and participation are vital. As French recovery proceeds, these points will obviously increase in number and variety.

Last Gap in the Blockade

In the last few days the Swiss have protested strongly against a tightening of the Allied blockade. The Americans demand the cessation of Swiss exports to Germany and of all transit traffic between Germany and Italy. Unless these conditions are fulfilled, Switzerland is to be denied facilities for transit traffic in Allied controlled territory. The Swiss declare that their trade with Germany has, since October last, been confined to cash transactions and that their exports to Germany have been strictly balanced with their imports from Germany.

The figures given in an article on page 50 seem to substantiate this claim. Even so, it is very probable that some of the precision instruments which Germany imports from Switzerland are vital to the German war effort; and the Allies are certainly within their rights when they attempt to stop this last gap in the blockade. Nor can the Swiss expect priority on French transport which does not begin to meet the demands either of the Allied armies or of the French civil authorities.

Yet the Swiss ought not to be made to feel that the Allies' demands are unreasonable or that their geographical position is being used to put pressure on them which the Allies have not used in the case of other neutrals. It is a fact that the cutting off of German coal and iron supplies would inflict a heavy strain on the economy of Switzerland. If the stoppage of Swiss exports to Germany is, nevertheless, important enough to justify the new hardships it will entail, the Swiss ought to be given some compensation in the shape of better facilities for trade with Allied and neutral countries. The record of Switzerland has been better than that of other neutrals; and it would be unjust and absurd to penalise Switzerland at a time when the Spanish economic system, for instance, has been considerably relieved.

World Industrial Committees

When the Governing Body of the International Labour Organisation meets in London on January 25th it will be called upon to decide the form and constitution of the international industrial committees which it is proposed to set up in the world's principal industries. The scheme, which originated from the British Government, was adopted in principle at the Philadelphia Conference, and it is now a question of translating it into practice as rapidly as possible.

Eventually, it is intended to set up committees in mining, iron and steel, engineering, building, textiles, transport, docks and distribution, but a start would probably be made with transport and mining. The committees would perform the same kind of functions for their various industries as the Joint Maritime Commission does for shipping, with the important difference that they would be tripartite and not bipartite. Mr Arthur Deakin, of the Transport Workers' Union, has described them as International Joint Industrial Councils. Most of the pressure for their formation comes from the workers' side, and if the International Textile Workers' interpretation of the proposed world textile committee can be taken as typical, the workers will propose that the committees should discuss not only matters relating to conditions and welfare, but the wider aspects of industrial organisation and policy.

The scheme is clearly a good one and overdue. The committees should strengthen the ILO's machinery, act as useful fact-collecting bodies and assist in the difficult post-war restoration of industry. They should do much to raise standards in the least advanced countries, and thus make a practical contribution towards the social purposes of the

Atlantic Charter. For these reasons, the committees ought to be vested with sufficient authority to ensure that their recommendations are accepted and implemented by the Governments. As always, however, with the ILO, the caveat is necessary that these committees should not be allowed to spread their net too wide, or regard themselves as competent to pronounce on all matters of employment policy.

United States of Africa?

An important question of colonial policy was raised by a motion recently introduced into the Kenya Legislative Council by the leader of the elected members. The motion, which was carried—the official members being precluded from voting—urged the British Government to invite the Prime Minister of the Union of South Africa to arrange a conference to include non-official representatives from Kenya

in order to plan and co-ordinate the development of British territories in southern, central, and eastern Africa.

Once again, therefore, imperial regionalism has come to the fore, and in a part of the British Empire which seems to be specially in need of larger, more co-ordinated, administrative units—in short, of what General Smuts once called tidying-up. There can be no doubt that development in Africa should transcend local frontiers—if possible, international frontiers as well. The question is whether it should be planned under the leadership of the European element in Africa. It is this element that has pressed for tidying-up in the political sphere: in Kenya for closer union between the three East African Dependencies; in Southern Rhodesia for the amalgamation of the two Rhodesias and Nyasaland; and in the Union of South Africa for the incorporation of the three High Commission territories. But, as is made clear in a new Fabian pamphlet,* in every case this tidying-up has been opposed by the Africans concerned because of their fear of the Europeans' native policy. They are not likely to be less afraid of development planned under the leadership of South Africa with Southern Rhodesia and the Europeans of Kenya as active participants.

But it is not enough to deny the right of European Africa to plan the development of the continent. The Colonial Office has firmly withstood the proposals for political changes because they would be contrary to the principle of trusteeship. In the sphere of development and welfare, trusteeship demands that British colonial policy should be much more positive. If it can plan and act on the scale envisaged by the Europeans, they will no longer feel so frustrated. The establishment of a Standing Central African Council for the Rhodesias and Nyasaland, with whose work the leading unofficials of the territories will be associated and in which African interests will be represented, is a big step forward. But machinery is not enough. The purposes for which it is to be used should also be clarified.

Capital Levy in Belgium

The Belgian Parliament will soon discuss M. Gutt's project of the levy on war-time profits and capital accumulation, announced on December 22nd. From the latest meetings of the Catholic and Liberal Parliamentary groups it is clear that the Belgian Government has once again come up against strong opposition, this time from the Right Wing. The proposed levy is to be imposed on all real, and not nominal, capital accumulation that has taken place since 1940. The measure appears somewhat drastic. Increases in the value of capital, amounting to less than fifty thousand francs, will not be taxed. Increases between Frs 50,000 and Frs 500,000 are to be taxed on a progressive scale, under which 70-100 per cent of the real accumulation of capital will be confiscated. The whole of war profits over Frs 500,000 would have to be paid out to the Treasury. The project of the levy is rather complicated. Its execution would demand an enormous amount of detailed valuations and calculations in each case of capital accumulation. The opposition in Parliament suggests that the projects should be amended and split up into two measures: one providing for a progressive tax on capital and the other for the confiscation of all profits gained by former collaborators. The amendment would probably complicate matters even further and create innumerable political loopholes. This time M. Pierlot's Government is assured of the support of the Left which sees in the levy a measure of social justice.

* *Four Colonial Questions*. Fabian Research Series, No. 88. 2s.

It is interesting to note that while politically the Pierlot Administration is considered to be to the Right of the French Provisional Government, its social and economic policy has so far been more radical and "leftish" than that of its neighbour. Politically, the Pierlot Administration runs, of course, the risk of arousing very strong opposition alternately from Right and Left. As M. Gutt stated when he introduced the project of the levy "they (the war profiteers) are afraid of this tax more than of imprisonment, because freedom is given back to people, while taxes are not."

The COS and National Insurance

The Charity Organisation Society has issued a statement of its views on the proposed national insurance scheme. In general, it approves of the scheme, particularly for following the structure of the Beveridge report, and its criticisms are for the most part similar to those already made. For instance, though it appreciates the Government's reasons for rejecting the subsistence principle, it suggests a periodic review of rates of benefit by an independent board. It also urges the Beveridge rate of 8s. a week for children's allowances. It points out that allowances in kind to schoolchildren penalise children not attending school, whether because they are too young or are ill or for any other reason, and in many cases this will be when the children need allowances most. The school meals service should nevertheless be available, but the parents should pay for it out of the children's allowance so that children who have dinners at home are not penalised.

More controversial is the suggestion that unemployment benefit should not necessarily be dependent upon the acceptance of training, and that training should be separated from unemployment, should not be administered by the Ministry of Labour, and should be carried out in selected works rather than in Government centres. Since the COS is in close touch with the chief beneficiaries of a national insurance scheme, this proposal deserves attention. It implies that those who have been unemployed, and may be so again, distrust the Ministry of Labour's training centres because of their past experience of them. There can be no doubt that before the war such training as was carried out savoured far more of occupational therapy than of rehabilitation. The men did not believe that it would get them new jobs—nor did it.

In fact, in this case as in all others, the real problem is the maintenance of employment. If there is a demand for labour, it matters less what machinery is set up for training—though it is difficult to see what other Government Department could be responsible for it if not the Ministry of Labour. But if there is nation-wide unemployment all the training in the world will be useless.

Requisitioned Land

For war purposes numerous assets, in the form of buildings and general improvements, have been created at the public expense on requisitioned land. The Government now propose that these assets should be conserved for the Crown through their continued use by public authorities or their value recovered by realisation sales; and for this purpose a Bill—the Requisitioned Land and War Works Bill—has been introduced. The Bill would confer upon the Crown powers to acquire compulsorily "any land on which Government war work has been done or which has been damaged by Government war use."

These temporary powers are needed to bring order into the complicated situation resulting from measures taken

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under the Defence Regulations. They relate to the period of derequisitioning and reinstatement. Powers of acquisition will be exercised where it is clearly in the public interest that the use to which such land or works are put should be determined by the Government; where the cost of restoring requisitioned land is considered excessive; and where effective rehabilitation is unlikely under private ownership.

Compensation for land compulsorily acquired—which may include land adjoining requisitioned land—will be fixed, generally speaking, at a figure which will offset the effects of requisitioning: that is, it will offset any increase or diminution of value arising out of any restriction of activity imposed under emergency powers, any improvement wrought on the land and any damage it has suffered. Where compensation payable under the Compensation (Defence) Act of 1939 is inadequate for the rehabilitation of damaged land an additional payment may be made to the person who incurs the cost.

Private interests will be safeguarded by a War Works Commission. Where the Government seek to recoup as much as possible of the public money expended and where terms of acquisition are contested on financial grounds, the last word rests with the Commission. Where, however, the use of land and works is at stake, final jurisdiction rests with the Minister. Where the compulsory purchase of a private dwelling is proposed, an adverse decision by the Commission is always final.

Far more important than any considerations of their eventual ownership is the question of the conversion of these assets to useful peace-time productive purposes. Requisitioned land that has been improved by the provision of communications and capital equipment can, in most cases, be put to profitable use as soon as derequisitioning becomes possible. It is essential, whether the necessary enterprise is to be private or public, that present uncertainties should be speedily and firmly resolved. The powers sought in the Bill should be conferred without delay.

Persian Oil

The Soviet periodical, "The War and the Working Classes," recently made an interesting contribution to the discussion over oil concessions in Persia. The paper alleges that the Russians had not raised any demands for oil concessions in Persia before British and American oil companies had acquired concessions in northern Persia. In other words, the Russians made no move until their Allies attempted to establish themselves in the area at present occupied by Russia, which until 1921 was Russia's sphere of influence, and from which the Russians withdrew in 1921 on condition that no other foreign concessionaires should be admitted there. The Soviet periodical protests against the allegations made in the British and the American Press that it was the Russians who started the dispute in Persia. It is not easy to answer these allegations. Nor is any conclusive evidence available to show that the Russian version of the events is accurate. But the Russian complaint cannot be lightly dismissed. It would perhaps be useful to make it clear to what extent the activities of the oil companies in the Middle East are subordinated to the needs of inter-Allied co-operation. If the commercial principle of the "open door" is accepted, the oil companies are free to extend their activities to those spheres in northern Persia which the Russians believe to be essential to their security. But in that case the Russians would be within their rights if they asked for reciprocity in southern as well as in northern Persia. If, on the contrary, security spheres are to be respected, then the British and American oil companies would probably be better advised to confine their activities to southern Persia, and to refrain from "invading" the Russo-Persian border territories. Sectional interests ought not to be allowed to interfere with the much wider and more fundamental interests of inter-Allied agreement and co-operation.

Sites for Houses

Opening a London exhibition of designs for post-war timber houses on Monday Lord Woolton made a misleading and a dangerous statement. "There is no housing problem in this country," he said, "other than the problem of the shortage of labour." This is manifestly incorrect. One instance is the shortage of plasterboard for repair work; another is the hold-up in the production of the Portal steel house until the end of the war. Even more important is

the shortage of suitable sites on which to build temporary houses, and this difficulty may limit the contribution of the temporary houses to the whole problem of rehousing. In an area such as London the physical difficulties are obvious. The London County Council are to receive 250 temporary houses a week, for which sites will be acquired by degrees as needed. But the danger that the programme will be held up for lack of suitable sites may become progressively greater.

Although bombed areas are large, many are obviously unsuitable and others will need a great deal of work before they can be used. It is only simple arithmetic to compare the number of people that were housed in a block of flats or a row of three or four-storeyed houses with the number that can be housed in the same space in one-storeyed temporary bungalows. An obvious solution is to erect the temporary houses outside the built-up area, but such a policy is handicapped not only by the multiplicity of local authorities but by the present grave lack of co-ordination between housing, industrial location, transport, and other essential services.

The conclusion must be, first of all, that it is necessary to warn people against the easy optimism—encouraged by statements such as Lord Woolton's—which expects wonders from the temporary stopgaps once the labour has been found to erect them. Secondly, much more emphasis and effort must be put into the permanent programme. To cry down the temporary designs because they are unusual or "sub-standard" is to ignore the urgency of the situation. But, if only because they are so expensive of space, they will have to give way in central areas to permanent houses or permanent blocks of two- or three-storeyed flats, which house more people to the acre.

Spring Offensive in Housing

The first three months of 1945 are going to be a critical period in the housing campaign. In Greater London about 60 per cent of "second-stage" repairs, aiming at making damaged houses tolerably comfortable, have still to be completed. There will be more labour available than at the beginning of the winter campaign, but weather conditions may be bad and men may have to be diverted to first-aid repairs on freshly damaged houses and to the main temporary building programme. To achieve the scheduled target for repairing over 719,000 houses by April 1st will be a close race against time.

The first deliveries of temporary houses will be welcomed wherever they appear. If they are delivered and erected at the promised pace, they may also have the effect of putting a discount on sub-standard alternatives. Only a few of the London allocation of 7,578 three-roomed huts, on the familiar Army pattern of the Nissen type, have so far been used by local authorities. The huts bear no comparison, as regards appearance, accommodation or convenience, with the standard temporary bungalows. They have a life of only two years, which, since local authorities cannot be sure of replacing them with permanent houses at the end of that time, is a distinct disadvantage.

Much the same arguments will apply to the proposed import of American war workers' bungalows. Both are sub-standard, and neither will be taken up with any enthusiasm unless the production of the more suitable home-produced bungalows suffers a bad breakdown. The American huts, indeed, may never arrive. Mr Jacob Crane, deputy-director of the US National Housing Agency, pointed out last week that restrictions on labour, materials and transport in the United States may easily limit the export of houses to Britain. Whatever advantage is taken of either alternative, however, their contribution will be necessarily small in relation to an urgent need.

For the spring offensive in housing, the homeless will now rely on the Government to produce the houses and direct the labour, on the local authorities to find and prepare the sites, on building workers to make the best of a desperate situation and, not least, on the gods to provide the weather.

Help for the Home

The Ministry of Labour recently announced an extension of the home helps scheme. Local authorities already have power, as part of their maternity and child welfare arrangements, to provide domestic help for maternity cases. They will in future have power to provide help for households in the following emergencies: when the housewife is ill; when

a wife is called away to visit her husband in hospital, and where there is no one to look after the children; and when several members of a household are ill at the same time. In addition, help may be provided for the elderly infirm. The helps will be supplied by the Ministry of Labour, which will give the work the highest priority, but they will be employed by the local authority and paid at rates to be settled locally, though the rate established by the Hetherington committee for domestic workers in hospitals and in the school meals service—1s. 2d. an hour—will be recommended as a minimum. The authority will recover the cost from the household where its resources permit, but lack of means will not prevent a household from obtaining help.

Too much should not be looked for in this scheme, which is an emergency wartime measure intended to offset the worst possible hardships arising from full mobilisation—though some of its features might be incorporated into a peacetime service for supplementing the work of health visitors, and might be organised in conjunction with the national insurance offices. But the scheme does not mean—nor ought it to mean—that the local authorities and labour exchanges are setting themselves up as domestic employment agencies. They are not providing maids, nursemaids or chams for families that can afford such luxuries.

Once again, it is a case of a national minimum being found—and a very low minimum indeed—but those who want to rise above it must do so on their own responsibility, and through their own exertions. Where, however, even this limited scheme may break down is in the supply of helps to run it, and if, when demobilisation takes place, those who can afford to pay high wages snap up all the domestic help available, there may not be even the minimum help for the families who really need it.

Tradition and Industrial Design

In an interesting appendix to the report on the rebuilding of the House of Commons, Sir Giles Gilbert Scott had this to say on the subject of modern architectural style:

At present we have no traditional style that is characteristic of our times. Modernism looks as if it might develop into such a style but at present it has no tradition behind it, being the product of a revolution rather than of evolution; it throws over everything and starts from nothing. . . . Whether it will develop a quality in, say, fifty or a hundred years, time alone will show.

These conclusions led the architect to suggest late Gothic as the most suitable style for the new Chamber. In the circumstances this solution of a complicated problem is undoubtedly the right one. But as an example to be copied and applied in all aspects of reconstruction it is both unworthy and dangerous and the more so since British industry is already conditioned mentally to take the line of least resistance in a matter so bewildering, apparently, as industrial design.

Thoroughness is a characteristic of British production, a laudable one with a definite market value, but it is often prized far too much for its own sake. Good, "solid" craftsmanship is futile unless it expresses good ideas. The Albert Memorial, the majority of railway stations and the bric-à-brac of the seaside landlady's mantelpiece are all examples of excellent workmanship, but they are ghastly failures when judged from any other angle.

The considerable opposition that has appeared in Lancashire to the recommendations of the Platt Report (the result of an examination of American textile industries) shows that these facts are not yet fully appreciated in industry. The idea that industrial design is dictated entirely by the consumer is a myth that cannot be exploded too violently. The most successful industrial enterprises of the inter-war years were those offering the public not what it had bought habitually but what the adventurous designer and technician had shown to be possible.

Cotton is typical of many industries in that it has allowed itself to be driven into a corner from which it must supply the needs of numerous small and highly specialised markets. But to accept as permanent either the smallness or the specialisation of these markets is defeatist. Good design is more than a new fashion: it is a reflection of progress in scientific thought and technical production. It is high time that the markets of the world were shown that in these matters Britain is not standing still. In fifty years' time industrial design will, no doubt, have acquired some sort of stability. But it would be disastrous if British industry sat back to wait upon the event and took no part in the necessary experi-

ment and research. Growing pains, after all, are a sign of growth.

The New Primate

Dr Geoffrey Fisher, the Bishop of London, has been chosen as the new Archbishop of Canterbury. His appointment has caused little surprise. Dr Fisher was regarded as first in the field of candidates from the outset, although speculation was concerned for some time with the undoubted qualities of leadership of Dr Bell, the Bishop of Chichester. Dr Fisher is a brilliant scholar, an exceptionally able administrator, and a friendly and genial personality. He has succeeded the late Dr Temple once before, as headmaster of Repton, and thus becomes the second successive "headmaster Primate"—a combination which has already well proved its worth. His skill as an administrator was shown in the way in which he patiently piloted through Parliament in the autumn amendment after amendment to the Town and Country Planning Bill in order to protect the position of churches. Dr Fisher has made sympathetic efforts to secure inter-denominational agreements, and he presides over a committee which formulated a basis for co-operation between Anglicans, Free Churchmen and Roman Catholics. Dr Fisher brings to his new task outstanding ability and wide sympathies. The nation will look eagerly to him for a continuation of the religious and social leadership which marked the short Primacy of his predecessor.

A Rural Survey

Valuable cameos of every aspect of rural life have been painted in a "pilot" survey conducted by the Agricultural Economics Research Institute of Oxford of a small rural backwater lying in the South Midlands. Its population has declined by a quarter in the last half-century, yet only a third of its workers are now engaged in agriculture. Many travel daily to factories near the two market towns just outside the area. Village craftsmen have completely disappeared, leaving only a few blacksmiths who have survived by undertaking machinery repairs. An unenlightened policy has tended either to condemn outright the strong old stone houses or else to leave them unadapted to modern needs, so that bad instances of rural slums remain. New houses have been erected in unsightly blocks in the environs instead of on vacant sites in the village proper, yet accommodation in the villages is short. Public services are the worst deficiency. In a district plentifully endowed with water, only a handful of villages have piped water supplies, and sewerage is still primitive.

Behind this disintegration of rural life lie grave deficiencies of public administration. The parish meetings and parish councils have largely ceased to function. To public apathy is added the public's ineffectiveness in making its voice heard. The extension of water supplies and other services is limited by the unwillingness of many parishes and rural district councillors to increase rates which would fall heaviest on themselves.

The basic difficulty in such areas, although the survey only touches on it, is lack of finance. Local rates cannot provide urgently needed public services and housing. It is true, too, that there is unjustifiable opposition to increasing them. Government subsidies are inadequate for more than a piecemeal approach to the problem. Yet this piecemeal approach—laying on water to a hamlet here and erecting a few houses there—greatly increases the final cost and retards progress. Electricity, although it is unsubsidised, is a good example of this process. If all houses in an area could be connected in one operation the cost could be enormously reduced.

Durham

The danger of attracting industry to unsuitable areas is pointed out in a plan prepared for the City of Durham by Mr Thomas Sharp. Durham is an ancient and beautiful city, whose life has long been focused, both architecturally and commercially, on its cathedral and university. It is no more than common sense to say, as the plan does, that the character of such a city should not be transformed without very good reason. The reason which led the city council to support the proposal for a large electric generating station with high chimneys and cooling towers at Durham was the need to provide local employment, and the same reason has led local interests to press for the

city's industrial expansion. But Mr Sharp rightly points out that, even on the commercial level, to destroy or tarnish the city's beauty by converting it into primarily an industrial town would be to lose eventually much of the employment associated with its present important position. For Durham performs the manifold functions of a cultural, ecclesiastical, educational, tourist, administrative, agricultural and market centre.

The plan does not, however, wish to discourage new industry of a medium-heavy or light character, so long as it is confined to a suitably placed factory estate. The real unemployment problem does not lie in Durham itself, whose population it is proposed to limit to 25,000, but in the depressed industrial area of which it is the centre. But prosperity cannot be brought back to this area by industrialising Durham. On the contrary, Durham's own function should surely be to act as a fine and worthy centre for the once more prosperous county which it is hoped to create. This cannot, of course, be done simply by "preserving" the city, fine as it is. Some of its picturesque streets contain bad or overcrowded houses—one type of medievalism for which Durham should have no further use.

Shorter Notes

The Minister of Education announced last week that three of the emergency colleges for the intensive training of teachers would probably be opened in April; and that more than a thousand applications had already been received from men and women anxious to enrol under the new training schemes. This is an encouraging start to a programme that will inevitably prove long and difficult. At the moment education is hampered by acute shortages on every side. The next great problem will probably be to find enough good teachers to teach the intending teachers.

There have been many greater holocausts in London since the Crystal Palace was destroyed by fire in 1936, and visions of general reconstruction have put the boldest dreams of a restored palace somewhat in the shade. But London is not and is unlikely to be so well endowed with

people's palaces that she can afford to neglect an opportunity to create "the healthiest and happiest building that had ever been constructed." It is good news, therefore, that the design of the new building is to be made the subject of open competition. The Crystal Palace, from its Great Exhibition of 1851 to its fiery doom, played an important part in promoting overseas trade. The new building can be even more useful in this respect. It can also provide London with a community centre *par excellence*—a centre combining the functions and attractions of Coney Island and CEMA.

All but the last returns in the Egyptian elections have been received with the hardly surprising result that the Saadists, the Government's party, and the groups supporting them, have a clear majority. The Wafd, which achieved an even more sweeping victory when, in 1942, a Wafd Government conducted the elections, has not even competed in the election—a procedure followed by the Saadists in 1942. The decision is logical. No opposition has ever won an election in Egypt and probably never will. The Government "makes" the elections and the real factor behind the changing balance of power is the King, not the electorate. The elections of 1945 are indistinguishable from the elections of 1942—save for one grave point. The Saadist Party, unlike the Wafd, have a poor record in their relations with Great Britain, and a number of delicate political and economic questions will be ripe for discussion in the next months.

The isolation of Argentina has been underlined this week by the unanimous decision of the governing board of the pan-American Union to defer any decision on the Argentine Government's request for a plenary conference to discuss the Argentine position. The Argentine reply has taken the form of "You can't fire me, I quit." The Government has announced its intention of taking no further part in Pan-American discussions, although it has not formally withdrawn from the body. Meanwhile, the American republics collaborating in the war effort—in other words—all republics except Argentina—are to meet next month.

Letters to the Editor

Farming Efficiency

SIR,—As one intimately connected with farming on a large scale both here and abroad, may I be permitted to comment on your article. The main argument as I take it might be summarised in the following syllogism.

The principal cause of the inefficiency of English agriculture is its lack of capital.

But the public purchase of land is the only fully adequate way of providing this capital.

Therefore, some form of public ownership of land is necessary to remedy its inefficiency.

Now, while one might concede a "transeat" to the major premise, I feel sure that no business man would pass that minor. If English agriculture was a good business proposition the necessary capital would flow to it automatically. In this respect it is the same as any other business, and there is nothing inherent in or peculiar to its nature that would suggest its being an exception to the general rule.

I have yet to meet the really successful farmer whose business is suffering from a dearth of capital, or who has at any time found difficulty in securing more when in need of it. The bad or indifferent farmers do experience real difficulty, but then so do the bad business men. Would any sane man have it otherwise? Good farmers, and they are not unknown in England to-day, despite war-time controls and interference, are successful not because they happen to have ample capital, but because their method of farming is sound. And the converse is equally true. Surely, it would be as great a disservice to the community to tie up the country's capital in a failing industry as it would be to

deny the consuming public the advantage of cheaper food-stuffs from abroad. Both are equally uneconomic.

No one can deny that abundant capital and other measures suggested in your article would be an assistance to agriculture, but before they can be justified it must be shown conclusively that they are means to a cure, and not just ways of alleviating its sufferings. Agriculture will continue to be an ailing industry until we remedy the root causes of its troubles, and these are principally bad practice and bad methods. It can only become prosperous when we have adopted a sound system of farming adapted to the changed conditions of our times; and while this remains at fault other expedients offer small prospect of effecting any definite improvement.—I am, yours faithfully,

Stonyhurst College

F. N. VAVASOUR

[The Economist's suggestion was that the state should provide capital only for land which was first publicly purchased. This would ensure that the provision of new capital was, in fact, accompanied by the elimination of inefficient methods and by the adoption of an appropriate system of farming.—EDITOR.]

SIR,—I have read your article with interest, but with misgiving. I think my criticism must come under two heads. First, much of what you say is true, but it is when you come to put into practice such ideas that you find your difficulties, and all the nationalisation in the world will not help you. For instance, this land is the best sheep land a man can desire. But can you get me a shepherd? Farm workers will not have Sunday work if they can avoid it; so no one takes up shepherding as a profession. With stock Sunday work is unavoidable.

I sell accredited milk, and would like to sell T.T. But can you get me a herdsman? I want a good plough on the lines of the Belgian-made Melotte, but can you get me one? The English makers won't bother themselves to look into the matter, with the result that before the war it was the most popular plough in this district, and deservedly so. If agri-

culture has to put its house in order to please the town, must not the town put their own house in order as well?

Secondly, there is no reasonable chance of promotion for a good agricultural worker. It is a dead-end profession, and the tendency is to eliminate every rung of the ladder except the top and the bottom. I have had good men with me for years, but they have no chance of saving a bit of money and so starting on their own. Interest must be restored to the worker, or the industry will starve for lack of labour, and not of capital.

The real truth is that the matter goes far deeper than you imagine. Large fields, water supply to each, electric power, modern cottages, milking machines—I have done all this and yet I know none really meets the case. The real fact is that the nation has become commercially minded, and it has lost all interest in agriculture. It is a phase through which all civilisations pass, and it leads to disaster. The surer you make life in the town, the more regular the employment, the softer and more glamorous the life, the less will men wish to endure the physical toil of the fields. My tractor driver, a good, hardworking, industrious man, was asked by one of my land girls what he thought about as he sat all day long on his tractor. He replied, "I looks at the bloody earth and I says blast it."—Yours faithfully,

Lichfield

R. A. DYOTT

Provisional Hungarian Government

SIR,—In your December 30th issue you describe the Provisional Hungarian Government formed in Debreczen as "a queer coalition of the local Darlans and the parties of the Left." Do you refer as "Darlan" to General Béla Miklós, a highly respected Hungarian soldier who dared express anti-German views even at the time of Munich? Or to General Vörös, who escaped from a Nazi prison to go over to the Russians and on Horthy's instructions called on the Hungarian Army to join the Red Army and fight the Germans? Or do you reserve this epithet for Count Géza Teleki, only son of the late Count Paul Teleki, who preferred death to condoning the march of the German Army through Hungary in April 1941, and is regarded as

a martyr by Hungarians of all parties? His son, a scientist of note, represents what is best in Hungary's conservative elements.

The Economist betrays lack of information of the real forces operating inside Hungary when it ignores: (1) the deep-rooted constitutional sense of the Hungarian people, who would never respect a government unless it had legal status. The Miklós Government was appointed by the Præsidium of the Provisional National Assembly, temporary repository of Hungary's national sovereignty. Apparently The Economist is also unaware of (2) the long tradition of communal elections in Hungary. In the Russian-liberated parts these were recently held by secret ballot and were a great success. Characteristically they did not return advocates of wild solutions, but men who represent the real wishes of the Hungarian people.

In Hungary, the Soviet Military Authorities have made good Mr Molotov's promise that Russia would not interfere with the internal structure of the countries under her control.—Yours faithfully,

JUDITH LISTOWEL

[The Economist did refer to General Béla Miklós, the Premier of the Hungarian Provisional Government, as a "local Darlan." Lady Listowel has apparently missed the meaning of "Darlanism" or forgotten the rôle played by Admiral Darlan. The French prototype, too, was a "highly respected soldier" and went over to the Allies after he had collaborated with the Germans. However, unlike Horthy, he had not been Hitler's full fighting ally.

Nor is the argument about the Hungarian elections very convincing. The Debreczen National Assembly's "legal status" is a piece of political fiction, if only because no parliamentary election has taken place. That the communal elections were held by secret ballot is highly encouraging; but it would be interesting to know their result and the votes which the parties represented in the Assembly received. On these points The Economist admits "lack of information," because no data on the results of the elections have so far been published. Lady Listowel's "information of the real forces operating in Hungary" seems to show the same gap.—EDITOR.]

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The Economist has received a great number of letters commenting on the article "Noble Negatives." Since space cannot be found for a representative selection, it has been decided not to print any of them.

AMERICAN SURVEY

Timber and Lumber

(From a Correspondent in Oregon)

ABOUT one-third of all the lumber produced in the United States comes from the two farthest north-west states, Oregon and Washington. Here are the nation's only remaining stands of giant virgin trees from which first-grade plywood and large construction beams are obtained. They are being cut faster than they are growing. After they are gone, what will happen to the lumbering industry, to the users of wood, and to the thousands of people and the scores of cities and villages dependent upon them?

One of the proffered answers is that at the present normal rate of growth and cutting the supply will last a century, so why worry? Statistical estimates supporting this answer are that the present standing supply in the two states is about 800 billion board feet. The cut in normal times is about 9.7 billion board feet annually. Eight hundred billions now plus a hundred years' new growth, divided by, say, ten billions per annum, equals a hundred years' supply, at least.

That answer is a bit too simple. New growth is not necessarily equal in quality to old growth. Peeler logs, for instance, used for plywood, come from trees which are several hundred years old. When a log is peeled down to its first 50 years' growth, it is discarded. And currently this discarded portion is often used for fuel. Moreover, the first-grade clear boards for lumber are cut from the second, third, fourth and fifth centuries of growth—that is, the growth of the trunk after the tree reached, say, a hundred feet in height and all branches up to at least 60 feet had died and fallen off. A Douglas fir tree, which is the dominant type in the Pacific north-west, will reach commercial size in 50 years. But only a small part of it will be top-grade lumber. After two or three cuts of the saw the knots, the remains of the branches which grew when the tree was smaller, are exposed.

Selective Logging

Bigger, older trees are needed. Some of the bigger mills, looking far into the future, believe they have a solution. It is the solution reached in some countries in Europe long ago, but new in this country because it has not previously seemed necessary. The first part of the solution is expressed in two terms, "selective logging" and "sustained yield." They simply mean that in logging, instead of taking out every tree of commercial size, only the oldest, biggest trees are cut. This promotes the growth of younger trees. At stated intervals the area is logged again, thus achieving "sustained yield" from the land.

This seems so simple that the reader may wonder why it has not been established long ago. The answer is equally simple. The timber belt extended from coast to coast without a break, except in the plain area where bison grazed. Timber resources until recent years seemed inexhaustible. And it has been cheaper to log everything good and keep moving into virgin timber than to make provision for new growth.

Now, however, virgin timber is not only less plentiful but more remote. The extinction of some types of pine, cedar and spruce is in sight unless something is done. So selective logging has become at once necessary and feasible. It is cheaper to log selectively near to the mill than to build roads for logging distant areas. Even now some logs are transported by truck as much as 50 miles to a river and then floated 100 miles or more to a mill.

There are a few lumber operations in the Pacific North-west to-day which are organised on a basis of selective logging and perpetual yield. Other operators who do not have sufficient virgin timber in sight for such an arrangement are growing trees as a crop on cutover land. In many cases, they say, selective logging is still too expensive. For them it is best to take out all the merchantable timber, but

leaving some trees for seed, and to grow a new crop of trees for future harvest. It should be understood that when all merchantable trees are removed there frequently are many saplings left from five to 25 years of age.

The tree farmers concentrate on giving new trees a chance. There is a natural cycle of growth in the fir region. As soon as the trees are removed a heavy growth of fern and low shrub quickly appears. Soon young poplar trees appear above the fern. In time the poplars would shade and kill most of the fern and low growth. But before this happens, young fir, hemlock, spruce and cedar appear among the poplar. Their growth is faster than the poplars, and soon they are crowding out the poplars. Stated another way, the ferns provide a nursery for the poplars, and the poplars in turn a nursery for the more valuable timber types if fire does not interfere.

The Fire Hazard

But a fire in the dry ferns in the autumn of the first year after logging may kill the young poplars. Fires in succeeding years may kill other seedlings. There are great areas in the Pacific North-west covered with nothing but fern and shrubs. These areas are useless for anything but trees, and useful trees will have to be started by hand.

The task of the tree farmer is to seed artificially the areas which are not seeded naturally and to keep out the fire. Tree farms range in size from a few thousand up to 130,000 acres. Trees range in age from a year to more than a quarter of a century. Fire trails criss-cross the area along which fire-fighting equipment can be driven. One of these tree farms carries \$100,000 worth of fire-fighting equipment. No harvest from these farms is contemplated for 25 years and no major harvest for 50 to 75 years. That is looking a long way into the future, but such vision is essential if the big lumber companies are to continue making lumber. And they say it will pay.

There are three million acres in tree farms in the states of Oregon and Washington to-day. Plans are afoot to extend the area. One estimate is that ten million acres in successful tree farms will be sufficient to sustain the lumber industry in perpetuity.

This method of maintaining the supply of raw material is one phase of conservation. Another phase, and the one getting the most popular interest, is better utilisation of the material now at hand. One-fourth to one-third of every tree is now left in the woods because it is not economically feasible to bring it out. Another portion of the log varying upwards from 5 per cent is wasted in the mill in the form of sawdust, slabs and bark. Tens of thousands of homes are heated with sawdust and chips. But even greater quantities of these materials are simply burned outside to get rid of them. Yet the stuff is chemically valuable.

By-Products

Probably the most important use of mill waste, other than the burning of sawdust for heating, is the insulating material made from bark. A cork-like material is also being developed from bark, though this is barely beyond the laboratory stage.

Currently, a plant is being constructed, as a war emergency, to manufacture alcohol from wood, the alcohol to be used in the manufacture of synthetic rubber. The process is not cheap. In spite of the fact that the sawdust can be had for the cost of transporting it from a mill, the alcohol will not be competitive at peace-time price with alcohol made from molasses. The maximum yield is about 52 gallons to the ton of dry material. However, it is hoped that with alcohol as a primer for the pump, money will

be obtained to develop markets for other by-products which will make sufficient cut in the price of the alcohol to make it competitive. One of the by-products is a yeast, high in protein, which is potable to livestock. Germany has developed this type of wood use to a high degree under stress of necessity. But in the American Pacific North-west it must be developed under competitive conditions.

Another by-product of alcohol manufacture is lignin, the yield of which is about 600 lb. per ton of sawdust. The chemist can do almost as many wonderful things with lignin as he can with petroleum. But again there is the question of commercial feasibility. Research is essential. The men behind the alcohol plant have high hopes. They anticipate an immediate market for lignin as a competitor with peat moss as a soil conditioner. They say it is vastly superior, but is too valuable potentially for such use. However, such a market will be helpful to pay the cost of developing a market for more valuable uses.

To many observers plastics offer the most promise for the greater use of wood now wasted. A plastic can be made from wood; more immediately challenging is the use of plastic as a binder for sawdust and wood chips.

The writer has seen a material made of 80 per cent planer chips and 20 per cent plastic, which is harder and stronger than wood, which comes polished from a mould with the colour impregnated in it, impervious to moisture and wholly unaffected by ordinary heat and cold. The man who developed this material has visions of sending portable machines into the woods to chew up branches left by the loggers to be made into this material, which appears ideal for furniture. A competitive basis must be established, however, since similar products can be made with sugar cane stalks and other fibrous vegetable material; in fact, a California manufacturer makes coffins from orange pulp and plastic which resemble mahogany.

Keen observers say the real future of the Pacific North-west lies in a combination of specialised agriculture, industrialisation based on hydro-electric power and a shrinking lumber industry. The possibilities in specialised agriculture and in industrialisation are, in fact, fascinating. But they make another story.

American Notes

State of the Union

Traditionally, the President's annual message reports on the state of the American union. This year the President has given the phrase a larger meaning by devoting much of his message to Congress to political and economic relations among the United Nations. At many points he gave the lead, the balance, and the perspective which have been so hard to find in recent weeks. Mr Roosevelt's insistence on the need for unity among the Allies was accompanied by a frank recognition of the differences which are bound to emerge as the problems of peace supplant the simpler demands of war. Admitting concern over such questions as the Polish and Greek issues, Mr Roosevelt in a notable passage warned his listeners of the dangers of demanding perfection:

Let us not forget that the retreat to isolation a quarter of a century ago was started, not by a direct attack against international cooperation, but against the alleged imperfections of the peace. . . . we gave up all hope of gradually achieving a better peace because we had not the courage to fulfill our responsibilities in an admittedly imperfect world.

Of the Atlantic Charter, which internationalists and isolationists alike have chosen to regard as an inflexible yardstick, the President sanely observed that although it is essential to have guiding principles, they do not provide rules of easy application to each and every one of "this war-torn world's tangled situations." Mr Roosevelt urged that the primary aim of creating machinery to maintain peace should not be postponed or prejudiced by possible present errors or the many specific problems of adjustment in liberated Europe. This plea, directed at American doubts and criticism, was accompanied by an affirmation which will be particularly heartening abroad, of American determination

not to shrink from the political responsibilities which follow in the wake of battle.

This was followed by the insistence in the Budget Message that

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Condensed Statement of Condition as of December 31, 1944

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS	
Cash and Due from Banks and Bankers	\$871,882,875
United States Government Obligations (Direct or Fully Guaranteed)	2,409,740,200
Obligations of Other Federal Agencies	41,379,228
State and Municipal Securities	113,873,052
Other Securities	69,889,628
Loans, Discounts and Bankers' Acceptances	901,404,243
Real Estate, Loans and Securities	5,488,617
Customers' Liability for Acceptances	7,433,420
Stock in Federal Reserve Bank	5,850,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	30,795,901
Items in Transit with Branches	3,326,442
Other Assets	2,122,859
Total	\$4,469,686,465

LIABILITIES	
Deposits	\$4,205,072,012
(Includes United States War Loan Deposit \$744,588,040)	
Liability on Acceptances and Bills	\$11,382,342
Less: Own Acceptances in Portfolio	\$2,329,970
	9,052,372
Reserves for:	
Unearned Discount and Other Unearned Income	1,452,707
Interest, Taxes, Other Accrued Expenses, etc.	21,468,909
Dividend	4,030,000
Capital	\$77,500,000
Surplus	\$22,500,000
Undivided Profits	28,610,465
Total	\$4,469,686,465

Figures of Foreign Branches are included as of December 28, 1944, except those for enemy-occupied branches which are prior to occupation but less reserves.
\$924,380,614 of United States Government Obligations and \$6,846,830 of other assets are deposited to secure \$881,338,109 of Public and Trust Deposits and for other purposes required or permitted by law.
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THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

STATEMENT OF CONDITION DECEMBER 30, 1944

RESOURCES	
Cash and Due from Banks	\$900,689,410.72
U.S. Government Obligations, direct and fully guaranteed	2,899,834,061.16
State and Municipal Securities	108,605,889.49
Other Securities	135,574,896.74
Loans, Discounts and Bankers' Acceptances	1,041,046,484.23
Accrued Interest Receivable	11,470,847.95
Mortgages	6,566,439.66
Customers' Acceptance Liability	6,656,246.61
Stock of Federal Reserve Bank	7,050,000.00
Banking Houses	34,941,796.76
Other Real Estate	3,983,963.07
Other Assets	3,583,919.27
	\$5,160,003,955.66

LIABILITIES	
Capital Funds:	
Capital Stock	\$111,000,000.00
Surplus	124,000,000.00
Undivided Profits	49,800,385.68
	\$284,800,385.68
Dividend Payable February 1, 1945	5,180,000.00
Reserve for Contingencies	11,338,137.44
Reserve for Taxes, Interest, &c.	11,240,827.64
Deposits	4,835,219,257.93
Acceptances	
Outstanding	\$11,563,912.27
Less Amount in Portfolio	4,315,828.12
	7,248,084.15
Liability as Endorser on Acceptances and Foreign Bills	124,332.72
Other Liabilities	4,852,938.10
	\$5,160,003,955.66

United States Government and other securities carried at \$1,265,551,440.00 are pledged to secure U.S. Government War Loan Deposits of \$1,094,886,463.41 and other public funds and trust deposits and for other purposes as required or permitted by law.

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the war will not be won unless we accept our share of responsibility for the administration of occupied territories and relief and rehabilitation in liberated areas.

The Budget Message was marked by an equal attack on the "malignant effects of economic isolationism." Specifically, Mr Roosevelt recommended the early acceptance of the Bretton Woods proposals for currency stabilisation, and the stimulation of international investment through the creation of an International Bank, the lifting of restrictions on foreign loans, and an increase in the lending power of the Export-Import Bank. His reminder of American opposition to any form of trade restrictions was accompanied by an admission that "we have house-cleaning of our own to do in this regard."

Mr Roosevelt has pledged his Administration to the unflinching use of American influence and power to achieve the principles—both political and economic—to which the United States is devoted. If in their application, the same realism and humanity are shown which marked the President's speech, the United States may well "make better history than ever has been made before."

The Cost of Victory

President Roosevelt's fourth War Budget reflects both current uncertainty about the length of the war and the Administration's belief that victory will not be assured without substantial American contributions to the cost of reconstruction. Receipts in the fiscal year ended June, 1946, are estimated at \$41,255 million, expenditures at \$83,103 million; the public debt is expected to increase by \$40,500 million during this period. Total appropriations are set at \$86,767 million, compared with \$97,200 million for the current year and \$127,956 million for last year. Of this Budget's appropriations, \$73,000 million are tentatively allocated for war purposes, but Mr Roosevelt pointed out that, depending on the course of the war, this figure might fall to \$60,000 million or rise to \$80,000 million. Included in the 84 per cent of the total Budget which is to be spent for war purposes is 16 per cent to provide for Lend-Lease and the costs of reconstruction and rehabilitation, on the assumption that Congress will concur in the belief that both of these are legitimate costs of total war and enduring peace.

Mr Roosevelt rejected as over-optimistic the belief that war costs would decline sharply with the defeat of Germany, and warned that the price of defeating Japan must not be under-rated. This note of caution was further expressed in the belief that there is no prospect of an early decline in taxation, or of the wholesale relaxation of controls. Such recommendations on reconversion policy as the President was prepared to make were concerned with the extension of the Federal Employment Exchanges to promote the return of veterans and war workers to civilian occupations, the strengthening of machinery dealing with labour disputes, and assurances that where plants are no longer needed for war production, they will be speedily transferred to private industry for productive use. After the disappointment of the high hopes of last summer, caution is the key-note.

Universal Service

Once more Mr Roosevelt has demanded a National Service Act to assure the most efficient and democratic use of the nation's manpower resources and to shorten the war. There is an urgent need for 300,000 more men in critical war industries; and the recruitment of these men is made more difficult by the fact that the Service requirements for replacements can no longer be met from the pool of young men under 26 who are classed 1A. Men previously deferred on account of war work will have to be called up and substitutes will have to be found to do their jobs. Mr Brynes has even suggested that agriculture's sacred right to retain its young workers might have to be forgone. These replacements will have to be found by inducing—or compelling—workers to transfer from less essential industries; by recovering some of the approximately 500,000 who left war plants for civilian work last year; and by attracting new labour—mainly women—into industry.

Mr Roosevelt did not put all his eggs in one basket. Two specific proposals were advanced for immediate consideration: the drafting of 20,000 nurses for the Services from the civilian pool of 280,000; and legislation to ensure that the 4 million men physically disqualified for

the Services (the 4 Fs) undertake war work. Judging from the anguished cries of the sports world, which foresees bleak future if the 4 Fs are compelled to go into war work, this may prove a fruitful source of labour. The prospects of national service legislation and of post-war military training are more difficult to assay. The hostility of Congress, and that of organised labour and management, is not shared by the Press, or apparently, by public opinion. It may well be that a determined drive by the Administration would tip the balance. The President in his Message may have intended no more than to go on record in favour of an unexceptionable principle, or to establish bargaining counters with Congress. But if he is determined to fight for universal service, the country may prove to be ready for more than its representatives in Washington.

Rights and Realities

The concept of a "Second Bill of Rights," mainly concerned with economic injustices, which Mr Roosevelt has advanced in the past, reappears in his Messages to Congress. Of these rights the most fundamental is that to a useful and remunerative job; the achievement of better housing, education, medical care and social security plainly hang on maintaining into the peace the full employment which has been achieved during the war by the high and steady level of government demand. Mr Roosevelt suggested two means to this end: a compensating increase in private demand and investment, equal to half as much again as was spent and invested in 1939; and a great increase in foreign trade. Most of the new jobs can be provided by private enterprise, he believes, if the Government "holds open the door of opportunity"—presumably by encouraging competition and eradicating cartels and monopolies—and "sustains demand."

If private enterprise is unequal to the task, the Federal Government must see to it that rights become realities. In part this will be achieved by the extension of social security, health measures and education. But Mr Roosevelt also is thinking in terms of a vast public works programme. Half-way between comes the suggestion that the Government can stimulate private employment by financing peace-time productive expansion as it has financed industrial expansion for war, extending and guaranteeing loans to small business, and to other enterprises, which because of their abnormal risks, may not be able to secure private funds. This is a plan which has an enduring attraction for Mr Roosevelt; he first mentioned it at Chicago last summer.

Blue-prints for this imposing array of public enterprise probably are not very far advanced. But from the practical side, an even greater obstacle is their cost. The short shrift which the last Congress gave to the Kilgore Bill for meeting the human costs of reconversion does not suggest any unbridled enthusiasm for "unnecessary" Federal spending. A vigorous export drive to take up the slack in the domestic market is likely to be much more palatable both to Congress and the country. Mr Roosevelt no doubt is aware of the economic disorder and suspicion which a one-sided approach to freer trade would engender; but he may be tempted to take the easier way to avoid the domestic antagonism which might endanger his hopes for American participation in international machinery to guarantee the peace.

Nine Lives

Like old soldiers in the song, the Committee to Investigate Un-American Activities never dies; but neither does it fade away. Hopes that the Committee would be forgotten, now that Representative Dies, its founder-chairman, has retired, have been disappointed. A coalition of Southern Democrats and Republicans, led by Representative Rankin of Mississippi, has not only revived the Committee, but has succeeded in giving it a permanent place among the House Standing Committees. The vote was 207 to 186, with the majority made up of 137 Republicans and 70 Democrats, and it is possible that the majority might have been larger if it had not been proposed to put the Committee on a permanent footing.

The old Dies Committee was as famous for what its critics alleged to be its own un-American practices as for those it purported to investigate. It is said to have had scant respect for the rules of evidence and was notoriously left-handed. Most of its inquiries were focused upon Communists, fellow-travellers, and liberals, with only token attention paid to the subversive right-wing. How much of the passion and prejudice which marked the old Commit-

tee will be inherited by the new depends on its members. The Administration is said to hope that it can be impartially, or at least innocuously, staffed. This probably is too sanguine. The resurrection of the Committee by the old "unholy alliance" of Southern Democrats and Republicans serves notice on the Administration that the new Democratic majority in the House is no guarantee of smooth sailing on domestic issues. This is the answer of the Conservatives to the bitterly resented campaign activities of the Political Action Committee and the Congress of Industrial Organizations. They are determined that the Democratic left-wing shall not enjoy the fruits of victory in peace; and they are unlikely to allow their new sounding-board to be muted.

The Dripping Tap

Mr Drew Pearson continues his self-appointed career as unofficial printer to the State Department. His newest publication consists of excerpts from an *aide-memoire* on Italian policy delivered to the Department by Lord Halifax. This new leakage was denounced with admirable promptness and vigour by Mr Stettinius, who has redoubled his efforts to locate Mr Pearson's sources of information. The latest revelation is remarkable for several things, not least among them the *insouciance* with which the columnist admonished the Secretary of State that he was "not even warm" in his search for the culprit; and the effrontery

with which, when informed that Mr Stettinius had complained that he had published only partial and misleading extracts, Mr Pearson released the whole of the text. The cream of the joke is, perhaps, the bitterness with which Mr Pearson complains that Lord Halifax saw this particular column two days before publication. Faulty plumbing can work both ways.

This week's revelations are accompanied and supported by a full-fledged rationalisation. Mr Pearson says:

Lord Halifax and Secretary Stettinius appear to question my right to obtain and comment upon public documents affecting the lives of millions. . . . I firmly believe that the fate of millions depends on Woodrow Wilson's enunciated principle of open covenants openly arrived at. We lost the peace after the last war by deserting that principle. We cannot afford to lose another peace.

This is a travesty of what Wilson meant; but it plays ingeniously upon all the fears of "secret diplomacy"—and particularly British secret diplomacy, which is the most sinister of all—which are so deeply ingrained in American thought. The American who is outraged at the thought of Uncle Sam glancing over his shoulder into his private business sees no inconsistency in believing that public business can be transacted in the full glare of a newspaper column. There is no Official Secrets Act in the United States. If the work of the world's Foreign Offices is not to be paralyzed, it may be necessary for Mr Pearson to be taken into the State Department on a full-time basis and for Mr Stettinius to write the column.

THE WORLD OVERSEAS

Socialism in Saskatchewan

(From Our Ottawa Correspondent)

THE new legislature in Saskatchewan, in which the Co-operative Commonwealth Federation Party won predominant control last June, has recently completed its first session. From the new statutes it has enacted it appears to intend to utilise the party's political victory to convert Saskatchewan into a base of socialist activity and propaganda in the rest of Canada. For this role Saskatchewan suffers some serious limitations, for the province is largely agricultural and its population possesses few traditions of socialised enterprises. A writer in the leading CCF periodical, *The Canadian Forum*, remarked that "the CCF is spending too much money on organisation, too little on education." Though this remark was made in reference to the party's defeat in Alberta, it is relevant also to Saskatchewan. Policies of economic self-sufficiency, which have become characteristic of CCF thinking in Canada, will encounter their severest test in Saskatchewan, where prosperity rests upon exports to a greater degree than in almost any other community in the world.

For that reason it is not strange that the proposition, so widely advanced by CCF speakers in the Saskatchewan election campaign, that funds for the support of increased social services would be obtained from the profits of nationalised industry, has almost disappeared after the CCF government has been a few months in office. Instead of socialising the brewing industry, as the public was led to expect, it has indicated that a new "arrangement" with the beer companies will provide added revenues for the public treasury, and it is prepared to rest its case upon "social control" rather than "socialisation." The meaning of these terms, as one hears them used by the CCF, is apt to become confusing. The distribution of beer and liquor has been a government monopoly in Saskatchewan, as in other provinces, for many years, and if the government is obtaining more revenue from it, a strong presumption exists that the customer is chiefly the loser.

The emphasis has quickly shifted in Saskatchewan, under the CCF government, from "socialisation" to "co-operation," though the theory of co-operative enterprises financed, directed, and in some cases owned by a government runs counter to the convictions of many leaders of the co-operative movement, which has in the past enjoyed success in Saskatchewan. In conjunction with the governments of Manitoba and Alberta, the Saskatchewan government has

lent funds to the Canadian Co-operative Implements, Limited, a company planning to engage in the manufacture of farm implements and hardware supplies. A site has been purchased in Moose Jaw, Sask., for launching a government co-operative woollen mill. Another project undertaken as a co-operative, but financed by the province, is a fish-filleting factory.

The new Saskatchewan Trade Union Act accorded recognition to collective bargaining agreements, provided the compulsory check-off for the collection of union dues, stipulated the closed shop and fixed the labour contract period at one year. This is, as its CCF sponsors claim, the most progressive labour legislation in Canada. The compulsory check-off, otherwise known as the principle of union security, is one of the chief objectives of organised labour in Canada at present. In a province with a small industrial population, it will serve chiefly as an example for other provinces. This legislation established the principle of conciliation, which has prevailed in federal labour legislation for

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many years. A labour relations board, after the style of the Wagner Act in the United States and comparable legislation in Ontario, will be established to certify bargaining agencies. In order to short-circuit possible litigation, the decisions of the Saskatchewan labour relations board will not be subject to inquiry by the courts, a point which may in due course be tested for its constitutional validity. The Annual Holidays Act, assuring all employees in the province a holiday of two weeks with pay each year, will not apply to the farming community, but will serve as a precedent for other provinces.

The Saskatchewan Legislature created four new departments of co-operation and co-operative development, of labour, of social welfare, and of reconstruction and rehabilitation. The foundation of a scheme for state medicine was contained in the Health Services Act, which established the health services planning commission. The intention here was to create "health regions" in which medical and sanitary staffs would be provided at public expense. The initial move in this direction was to amend the Mental Hygiene Act so that care and treatment may be provided at government expense. The foundation for public ownership may be seen in an amendment to the Natural Resources Act, authorising the expropriation of land and works in the province for the development of business enterprises. Compensation will be paid, with arbitration of disputed cases. The extent to which powers of this kind will be used was not disclosed.

Government participation in mining, fishing and fur marketing was foreshadowed, however, in other legislation. A new Mineral Taxation Act provided a tax of five cents per acre on mineral lands, and the maintenance of a public record of all holdings and valuations of such lands. The purpose here, foreseen by CCF speakers, was to discourage speculative holdings by private interests and to facilitate the government's acquisition of mineral deposits for public development. The chief minerals involved would be coal in southern Saskatchewan and gold in the north. The licensing of fisheries and the opening of a fur marketing agency by the government indicated extensions of public control in these fields. The new government insurance office was designed to handle almost every type of commercial insurance, and, in a separate account, life insurance. All supplies and materials for the use of the government will be purchased through a central agency.

In a revision of debt adjustment legislation, under a new title of the Farm Security Act, the Saskatchewan legislation introduced one new controversial feature into an old problem. The Act defined a crop failure as a season in which income from farm land amounted to less than \$6 per acre sown in grain. In seasons of crop failure, the Act provided, principal payments shall be deferred on a mortgage or agreement of sale, and a deduction shall be made from the principal sum of 4 per cent of it. In cases where the interest payable on the contract is higher than 4 per cent, the deduction would then be at the higher rate. Meanwhile, interest would accrue on the contract on the full sum as though no postponement of payment and no deduction of principal had been allowed. The intention here was to evade the constitutional requirement that jurisdiction over interest comes within the exclusive competence of the Federal Parliament. An interesting legal case is likely to arise out of this legislation; but meanwhile the credit standing of the individual farmer in Saskatchewan has not improved.

The credit standing of the province of Saskatchewan is under fresh study as a result of two developments. In seeking to raise \$1,000,000 in a development loan, the CCF government is offering 3 per cent bonds for sale in the province. This rate is substantially less than the yield of existing Saskatchewan bonds. In the matter of \$17 million in loans to finance seed grain advances in 1938, the province and the Dominion jointly underwrote the obligation. Recently, the Federal Government implemented its guarantee, but the province has taken the position that its obligation will not extend beyond the collection of 50 per cent of these loans from the farmers who received them.

Swiss Foreign Trade

In 1938, the value of Swiss imports amounted to 122 per cent of the value of total exports. In other words Switzerland's economy is dependent on proportionately large imports of raw materials and foodstuffs, and imports regularly exceeded exports. Before the war nearly one quarter of imports came from Germany and one seventh of total exports went to Germany. During the war Switzerland was largely dependent on her foreign trade with Germany and

German-occupied countries. Before the invasion of France trade with overseas countries, which amounted to 4.2 per cent of the total trade before the war, had been reduced to less than 10 per cent of the total trade. During 1944 Switzerland's foreign trade reached a new low level. The following table gives imports and exports in 1944 as percentages of imports and exports during the same periods of 1938:

	Imports	Exports
First Quarter	39.1	49.5
Second "	41.2	53.4
Third "	27.2	24.8

This is an index of volume. It shows that before the invasion Swiss foreign trade, particularly exports, had remained on a relatively high level. The decrease compared with the last pre-war year was on an average some 50 per cent in the first half of 1944 and during 1943. The latest figures show that the decline of exports and imports continued during October and November, 1944.

Imports and exports during the first 11 months of 1944 and 1943 were as follows:

(In million francs and 1,000 metric tons)

	Imports		Exports	
	Value	Volume	Value	Volume
1943	1,593	3,637	1,417	315
1944	1,315	2,569	1,074	289

In other words, imports measured in tons decreased during the first eleven months of 1944 compared with 1943 by 29.5 per cent and exports by 8.5 per cent. The most important point is, however, that this new decrease began in July, 1944. Imports declined steadily. Exports recovered during September and October but reached a new low level in November.

It can be said that at the moment Swiss foreign trade is virtually restricted to trade with Germany and the countries still under German occupation. Without German imports of coal, coke, iron and steel, and chemicals, Swiss industry would suffer a most severe setback and large numbers of industrial workers would become unemployed.

As long as the fighting continued in France and as long as communications were interrupted, the transit traffic of Swiss imports and exports through France to Spanish ports was suspended. Considerable stocks of export commodities for overseas countries accumulated in Switzerland and many trains and lorry loads were sent back from France to Switzerland.

Pressure from the USA

All these were merely technical difficulties arising from the fighting and the destruction of communications in France. But a new note has now been struck in Swiss foreign trade difficulties. The United States of America has been exerting considerable pressure on Switzerland to suspend all trade with Germany. This pressure has obviously been exerted in the same way as it was exerted on Sweden, which led to the suspension of trade between Germany and that country.

There is, however, a difference between Sweden and Switzerland. In 1941, the United States blocked Swiss gold and other assets in the United States. Since that time Swiss exports to the United States have been hampered by the American refusal to pay either in gold or by exports of commodities to Switzerland in exchange for Swiss watches and other precision commodities. Switzerland, on the other hand, refused to take dollar payments, which made its exports less remunerative.

No solution of the deadlock has hitherto been reached. The Swiss complain that the transit of Swiss export goods through France is deliberately blocked by the Allied authorities. In reply to the American demand to stop trade with Germany, Swiss official sources have stated:

1. Switzerland did not allow the transit of war material and weapons through Swiss territory for the German armies in Italy.

2. From October 1, 1944, all Swiss exports of weapons and explosives to Germany have been suspended.

3. In addition, exports of ball-bearings, aircraft accessories, radio, telephone material and other precision goods vital in war have been suspended.

In other words, Swiss sources state that the United States demand is unreasonable; at the same time they declare that Switzerland's economy is completely dependent on German deliveries of coal, steel, chemicals and other raw materials, including oil and petrol.

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Twelve different kinds of chocolates, in simple paper cups, without any fripperies.

Truffle-and-Nougat, Hazel Cluster, Liquid Cherry, Orange Cream, Strawberry Cup . . . heigh-ho. The girls loved 'em; and the boys took no poor view of them, either.

And now, you say, here it comes—"Come Peace, come Black Magic." But nothing of the sort. There will be a lot of pre-war goods back in the shops before Black Magic; for though we shall move fast, we shall take no short cuts—no half measures, no skimping.

Don't expect to buy Black Magic on Armistice Day; but when you do buy it, it will be as good as ever. We believe it will be better, but that will be for you to say.

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To Prisoners or Civilian Internees in Germany	6/6	16/3	32/6
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	Half-pound	Pound	
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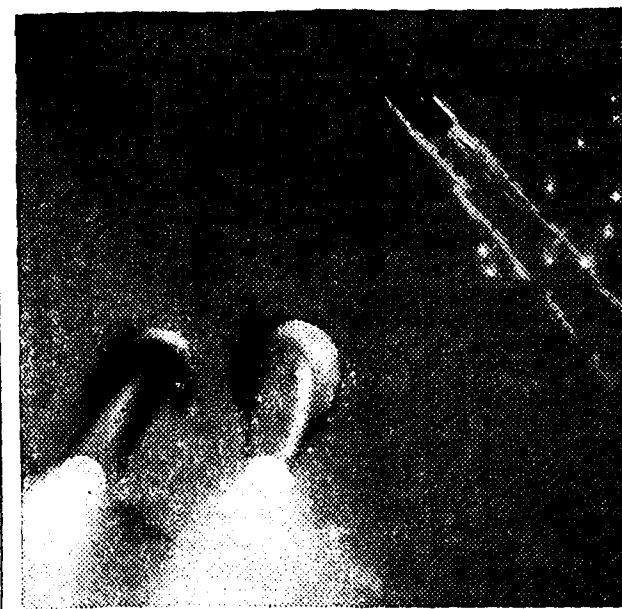
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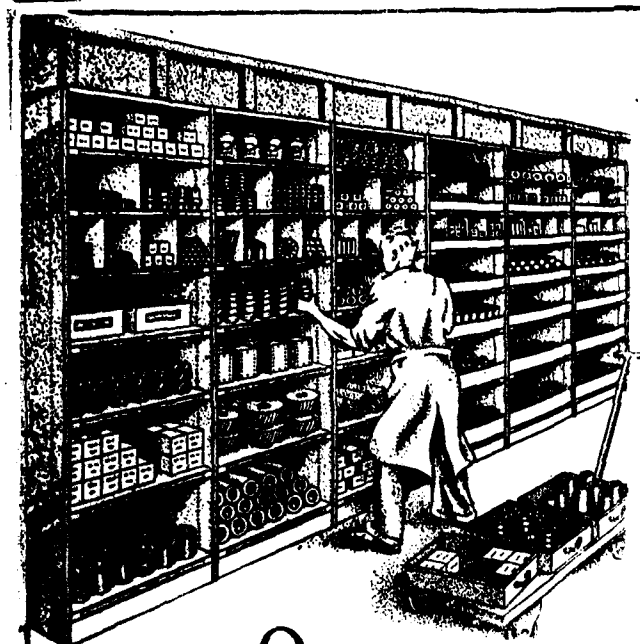
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THE BUSINESS WORLD

Monopoly in Embryo

IT is undeniable that the extensive growth between the wars of restrictive and monopolistic practices has done incalculable harm to British industry by increasing its costs and lowering its output. Agreements to restrict output, to fix prices, or to limit entry into a trade, have been for the most part informal, so that their full extent is unknown, but their effect can be felt only too well, even if it cannot be measured. Formal trade associations have, as a rule, confined their official activities to such wholly laudable aims as the promotion and pooling of technical research and the fostering of co-operation between capital and labour. But, in the circumstances, it is inevitable that many such bodies are open to the suspicion of pursuing other and less-advertised aims. The recent formation of a Hardware Trade Alliance provides a useful opportunity of examining a trade association in its embryonic state. There is no reason to suppose that the Alliance is any worse—or better—than similar bodies. But the frankness with which its promoters have stated their aims provides information which is often unobtainable. The Alliance is also interesting because it aims high in the face of heavy difficulties.

The hardware and ironmongery trade covers a wide field, which includes such products as domestic hardware, builders' ironmongery and various agricultural tools. Its products are sold not only by numerous ironmongers proper, but by multiple and departmental stores, drapers, food stores and bazaars and barrow-men. The number of countable retail outlets is at least 7,500 and possibly as many as 12,000. The bulkiness and variety of the products increases the number of factors (wholesalers) needed to supply small retailers, whose stocks need frequent replacement. The great number and differing interests of the firms and individuals involved must inevitably make it difficult to establish a comprehensive combine, and, *a fortiori*, effectively to control trading conditions. Nevertheless, the Hardware Trade Alliance is a vertical combine, which includes manufacturers, factors, and retailers alike, and whose proposed aims are extensive and ambitious. It is backed by all the main existing hardware associations, such as the National Federation of Ironmongers (with a membership of 2,500 retailers), the National Steel and Hardware Association, and the Federation of Hardware Factors. Many factors and a vociferous section of direct retailers are among the scheme's strongest supporters, but the attitude of the multiple stores is decidedly hostile and that of a great number of small retailers is unknown.

The Hardware Trade Alliance was recently inaugurated, but it has not yet adopted a constitution or elected officials. The draft of a possible constitution was circulated at a meeting of the trade, but the chairman, Mr W. Trevor Heaton, emphasised that it was purely tentative, being designed to show "the kind of ideas we have in mind." The objects of the Alliance, as laid down in this preliminary draft, include the co-ordination of activities of existing organisations in the trade, the improvement of wages and labour conditions, the fostering of research and collection of statistical data, and the provision of a channel through which the trade can approach Government departments. Casually placed in the middle of these unexceptionable objects is one aim which is as comprehensive as it is ominous:—

To establish a code of self-government within the Trade and classify the various types and grades of distributors and to regulate trading terms and conditions.

Speeches by prominent supporters of the Alliance have elucidated the ways in which trading conditions might in practice be regulated. They urge that unrestricted competition should be stopped, and devices such as coupon gift schemes prohibited. The suggestion that the Alliance will act as a price-fixing body has been denied. But it is at any rate hoped that the Alliance will safeguard the position of every section of the trade by establishing some scale of profit margins, which would amount to much the same

thing. The failure to receive adequate assurances on this point has led to strong opposition from multiple stores, who at present place bulk orders for their own lines of non-proprietary goods direct with manufacturers. A system of controlled trade discounts would prevent the stores from obtaining factors' or bulk-purchase terms, and would, inevitably, compel them to raise the price of their goods to the public.

One reason for the formation of the Alliance has been the desire of the hardware trade to speak with a single and authoritative voice in its dealings with the Government. This desire is natural enough. But here also there are proposals to use the Alliance's influence for restrictive purposes. It was suggested last March by Mr Rowley, one of the promoters of the Alliance, that, in appropriate circumstances:—

it could make suitable representation to the Government as to the type and quantity of goods which it was necessary to import, and furthermore, as to the best arrangements for their distribution.

At the inaugural meeting of the Alliance, Mr Fletcher, chairman of the Federation of Hardware Factors, suggested that if only factors were given as attractive a margin by home as by foreign producers, they would react patriotically. It is indeed a strange world where imports are to be reduced by raising the cost of British goods.

If the Hardware Trade Alliance does attempt to control trading terms, it will inevitably be faced with the problem of non-member firms. In dealing with this problem, the equivocal and even contradictory attitude of the promoters



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While the war lasts, the resources of Barclays Bank will be devoted to the fullest possible extent to helping the war effort of the nation.

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of the Alliance can be seen. They clearly wish to base the Alliance on fair and non-discriminatory principles, but the nature of their aims compels discrimination. Thus, Mr Rowley emphatically denied that any "legitimate distributor" selling at a "legitimate price" would be penalised, but significantly added that in course of time some sort of "most-favoured nation" clause might be evolved between the members of the Alliance. Again, Mr Boulton, chairman of the drafting committee, emphasised that there would be no compulsion to join the Alliance, but added that he doubted whether anyone eventually would be able to afford to be outside the scope of the organisation.

It must be emphasised again that the Hardware Trade Alliance has as yet no constitution and no aims. The intentions or hopes expressed by its supporters in no way commit it. But there can be little doubt in practice that the creation of the Alliance is largely due to the wish to secure an adequate remuneration for every section of the trade by means of restricting competition. The euphemisms with which this policy is cloaked, such as establishing "fair trading" and "legitimate prices"—phrases which continually recur—or "organising orderly methods of distribution," however sincerely felt by their sponsors, cannot disguise the fact that its real effect is to better the trade as a whole at the expense of the consumer, and to protect existing interests in the trade at the expense of new or expanding enterprise. To prevent any reduction of prices being obtained by short-circuiting the distributive process may seem an example of fair trading to the various interests who would otherwise be superseded or undercut, but will look like very unfair trading to the consumer, from whose viewpoint the lower the cost of distribution the better. Indeed, any guarantee of a fixed profit margin to each type of distributor could not fail by itself to raise costs; and its effect has already been indicated in the case of the multiple stores, who very naturally would resent any interference with their right to buy in the cheapest market, or to distribute their goods in the cheapest way. Perhaps worse, the prevention of price-cutting would remove both the stimulus and the means to increased efficiency, by reducing alike the rewards for seeking it and the penalties for ignoring it.

The Hardware Trade Alliance, to repeat, has been cited as an example. The opposition inside and outside the trade may still be sufficient to prevent it from realising its restric-

tive potentialities, and even if it does, the results will not in themselves be disastrous to the national economy. But the climate of thought from which it emerges is a very different matter. "Orderly methods of distribution," "the elimination of unfair competition," "the fixing of reasonable prices," "the establishment of fair trading methods"—all these fine phrases are to be met with daily on the lips of British businessmen. Each application of them by itself means nothing. Taken together, they are the chief reason why the productivity of British industry is falling so lamentably behind that of other countries. Every price margin that is fixed means that some other industry's costs are raised. If a British manufacturer wishes to erect an efficient plant to compete with other countries' producers, he will find that every item of his costs, from the first brick that is laid in the factory wall to the last electric light bulb that is installed in it, costs him more than it need, because of the almost universal spread of the cancer of restrictionism. He is now being put on notice that his hardware will cost him more. But the hardware trade should not be unduly blamed; they are only the latest recruits to a very long procession.

It is no exaggeration, but the simple truth, that no single question, neither Social Security nor Full Employment, will so powerfully influence the standard of living of the British people, and the figure that they cut in the world, as this question of restrictionism. This is not the place to repeat the discussion of the remedies which has often appeared in these columns. Sweeping legal prohibitions on the lines of the American Sherman Act are not appropriate for this country. Nor is it reasonable, at this time of day, to condemn the trade association movement lock, stock and barrel. But there is an overwhelming case for an attempt to control all such restrictive practices as price fixing, market sharing, or limitation of entry, and to permit them, by license, only when a clear case can be made out in the public interest. The failure of the Board of Trade to get the Cabinet's assent to its very modest proposals for anti-monopoly legislation is not encouraging—it is said that the opposition came from a coalition of Big Business with the Trade Unions. The chief hope must be that there will be a renaissance in Parliament of the liberal spirit which places the interest of the community above that of any of its sections, and, joined with it, a clearer and wider understanding of the conditions of industrial efficiency.

Business Notes

French Financial Programme

The financial programme of the French Government is slowly taking shape. Far and away its most important achievement so far is the successful issue of the Liberation Loan. The final results were given this week. The total subscribed was Frs 162,000 million from metropolitan France and Frs 2,500 million from the Empire. The metropolitan total includes Frs 72,000 million subscribed in notes, Frs 53,000 million from bank accounts and Frs 37,000 million by the conversion of Treasury bonds. It has also been announced officially that the note circulation has declined from Frs 640,000 million on October 5th, when it presumably reached its peak, to Frs 572,000 million on December 28, 1944. On this evidence, the loan must be counted a success. There is some criticism in the French press to the effect that the subscriptions came from the patriots and that the notes hoarded by black marketers and collaborators remain undisturbed in their hidden recesses. But as long as they stay hoarded, no damage will be done.

The task of bringing these ill-gotten gains to light will probably be facilitated when the French Government decides to replace the existing Bank of France note issue by the new notes printed in England and the United States on the orders of the de Gaulle administration during the course of 1944. The greater part of this large tonnage of new notes has arrived in France and the conversion operation only awaits the completion of the technical arrangements. These, it should be added, may take a considerable time. It is not the intention of the French Government to make this conversion the occasion for a deflationary operation *à la belge*, but abnormally large individual holdings of notes will receive keen scrutiny. The more ill-gotten boards may never be handed in for conversion and would thus be written off as the old notes lose their legal tender rights. The operation should eliminate the franc notes taken out of France by Germans and collaborators, for

which an active market has developed in neutral centres, where the rates quoted are anything but flattering to the franc and cannot strengthen confidence in the official rates of 200 to the pound and 50 to the dollar. At the end of October, the last date for which rates are available, French bank notes of 5,000 francs were quoted in Zurich at 70 Swiss centimes per 100 francs and notes of 1,000 francs, 85 centimes per 100 francs. Converting these figures at the official Swiss franc-sterling rate, the quotation for 5,000 franc notes would give a cross rate of 2,480 French francs to the pound and that for 1,000 franc notes, a cross rate of 2,040 French francs to the pound. Too much importance should not, however, be attached to these very special rates.

Another item in the French financial programme which is likely to be put into operation soon is the requisitioning of French nationals' foreign assets. The decrees in question are expected towards the end of this month. Little can be lost by this delay or by advertising this measure well in advance because the bulk of the assets in question, being held in Britain and America, are immobilised. The French sterling assets now vested with the Custodian for Enemy Property have been estimated at close on £150 million. Adding to this the substantial amounts held in the United States it is evident that the proposed requisitioning will greatly strengthen the French central reserves of foreign currency.

Opencast Coalmining

Comparisons between British and American productive efficiency are almost invariably depressing, and the comparison made by the Opencast Coal Mission to the United States is no exception. Starting from scratch at the beginning of the war, opencast working has now achieved an annual rate of production of about 12 million tons, and represents a

measure of compensation for the declining output from deep mines. Yet, the Mission concludes, unless Britain is supplied with modern equipment and adequate spares, it will be difficult to maintain increasing production during the next twelve months. According to its report at least a third of the British equipment in use is incapable of further efficient production, unless it is dismantled, rebuilt and equipped with spares. While the average capacity of British machines is under 1 cubic yards, compared with over 8 cubic yards in America, the American method of centralised operation and the "salvage" basis, under which contractors are responsible for the whole preparatory and engineering work, as well as the actual extraction of coal, make for maximum efficiency. The cost of fixed explosives is only 5½d. per lb. in America compared with 1s. 2d. in this country.

It is not surprising, under all the circumstances, that output per manshift should be as high as 18 tons of prepared coal in America. The most disconcerting feature of the report is the statement that the majority of the machines received from America are "old machines, far inferior to those seen on sites in the USA." The Ministry of Works issued a subsequent statement that the US machines were the best available and were sent at considerable sacrifice—in other words, one did not look a gift horse in the mouth. None the less the position is serious and calls for further investigation. Now that this frankly critical report has been published, it is surely time to publish the suppressed report of the US mining Mission to this country. Frankness on both sides would contribute to the general clearing of the air.

Joint Maritime Commission

One of the most active and successful bodies set up by the International Labour Office is its Joint Maritime Commission, which has been meeting in London this week. The Commission, which last met in June, 1942, has decided to approve the International Seafarers' Charter, sponsored by the merchant officers' and seamen's international organisations, with a view eventually to introducing an International Convention at the International Labour Conference.

The Charter has received very wide publicity and support among seamen and officers, and the need for raising the standards of the lowest-paid and least organised seamen is admitted by the Commission. Many of its recommendations, such as its proposals for establishing minimum standards of manning, recruitment, training, accommodation, safety, hours and welfare, could properly be adopted in an international convention. But when it comes to adopting an international minimum wage—the suggested minima are £18 a month for an able seaman and £22 10s. for third mate and fourth engineer—the wisdom and practicability of such a move are open to question. Though it is true, as the Charter points out, that wages are easier to standardise in shipping than in other industries, because seamen perform the same work, spend most of their earnings in foreign currency and do not necessarily work under their own flags, yet it is difficult to envisage a minimum rate of wages applicable equally to the Lascar and to the American seaman.

Welfare in British Ports

The Seamen's Charter refers to conditions on board ship, but it is equally important to improve the provision for seamen while they are on shore, and this could well be taken up by the ILO. Much progress has been made in Britain since Mr Bevin set up a Seamen's Welfare Board in 1940. It is significant, for example, that the number of beds provided in British ports was about doubled between 1938 and 1943. The Committee on Seamen's Welfare under Mr Graham White, appointed by the Ministry of Labour in July, 1943, after reviewing the wartime developments, suggests that permanent welfare machinery should be created.

The committee recommends the setting up of a statutory Merchant Navy Welfare Board, with regional committees, composed of representatives of shipowners' and seamen's organisations, and financed by a levy on the industry. The Government would be absolved of direct responsibility for

seamen's welfare, though it would exercise a general supervision over the Board's activities. The Board would be empowered to review the facilities for accommodation and recreation and to initiate schemes where necessary. It would co-ordinate the work of voluntary organisations, represented on a Standing Joint Advisory Council, and it would keep a register of all seamen's charities and control appeals, so as to avoid overlapping and ensure their *bona-fides*.

Thomas-Baldwins Issue

In conformity with the fusion scheme, Richard Thomas and Baldwins are replacing £2,917,182 4 per cent prior lien debenture stock of Richard Thomas by £2,500,000 3½ per cent loan stock 1945-55. There is no specific security for the new stock, but the company undertakes not to contract debts ranking *pari passu* with or in front of the 3½ per cent stock, except for strictly temporary purposes. The stock is repayable by ten annual instalments, but with power to the borrower to anticipate repayment. The operation will end control in so far as it was vested in holders of the prior lien stock, and control will cease at the end of July next, after a period of seven years. The new stock is one in which few but institutional investors will be interested. It is being placed with Baring Brothers, and the question naturally arises whether they will, in the near future, apply for permission to deal. Except for the different appeal of the security, the position seems to be on all fours with that under the General Electric issue. The market will be rather more restricted in the case of a ten-year stock with an optional repayment at an earlier date, but it is not clear that this difference is sufficient to justify the granting of permission to deal.

It may be asked why the company is using almost £500,000 of its resources in part redemption of the Prior Lien stock. It is, beyond question, in a strong liquid position, but it seems probable that it will require over the coming years all the cash it can find for further modernisation and extension, in particular for its share in the new strip mill and the cold reduction and electrolytic tinning plants which will be required. Since, however, it appears to be a general requirement of the Treasury that conversions should be accompanied by part repayment, whenever the funds are available, the company is no worse off in this respect than any other concern. Whether it is desirable to expedite repayments is a matter of fact to be decided in each particular case, and in this instance the information to reach a conclusion does not exist.

The GEC Ban

With reference to statements which appeared on page 23 of last week's issue, *The Economist* is assured on the best authority that there is no question of either the Capital Issues Committee or the Bank of England having in any way directed the General Electric Company to the brokers or the issuing house which it should employ in making the issue of new preference shares. It is further understood that, in the view of the authorities, the Committee of the Stock Exchange was acting well within its rights in refusing leave to deal, even though no objection had been officially raised. There is, it is said, no question of any conflict.

On the latter point, it is scarcely necessary to state that, if bans on dealings are to be imposed in all similar cases, issuing houses will be prepared to give on any new "placing" even less favourable terms than those recently exacted. On the question of "direction," it is a fact that the belief is now firmly rooted in the minds of many responsible people that every particular of many issues is subject to official influence. It is, perhaps, an inevitable concomitant of control by suggestion that, since it has no visible boundaries, it should be considered to have none in practice.

On the really critical question of why the Treasury should think it necessary to dictate the means of raising money—once the permission to raise it at all has been granted—there is still not an atom of official guidance. This matter is crucial, because it means that British industry, which has already a sufficiency of handicaps to contend with, is being forced to pay more for accommodation, which has official sanction, than is necessary and with benefit only to an arbitrarily selected group of financial institutions. City opinion has seldom been so much of one mind as it is over this matter and there is little chance that it will be satisfied by less than a full explanation, or a reversal of policy.

Expanding Electrical Business

No explanation has been given by the company itself of the great increase in the gross profits of E. K. Cole, which for the year ended June 30, 1944, total £423,124 against £263,401. Both profits and turnover reached record totals. Despite the inevitably heavier incidence of taxation—£245,000 against £142,000—earned for ordinary works out at 120.8 against 70.8 per cent. The ordinary dividend, however, is raised only from 15 to 20 per cent, and over £50,000 is added to carry forward. General reserve and carry forward together thus total £365,000 against a total issued capital of all classes of £636,000. The company's strong position for expanding activities is also shown by the fact that net liquid assets exceed £450,000.

Pre-war, E. K. Cole's main concern was with the radio trade, although it was also interested in the manufacture of bakelite mouldings and in 1937 and 1938 acquired further interests in the manufacture of electrical appliances. Ordinary dividends rose from 20 per cent in 1934 to 30 per cent in 1935 and 40 per cent in 1936, although the company's earnings then suffered severe reductions and did not revive again until 1941-42. The reason for E. K. Cole's renewed prosperity is hard to determine. The extensive demand for the company's products—radio, lamps and electric appliances—should certainly yield substantial dividends as soon as normal production is resumed, but the company is probably still mainly engaged in meeting special wartime orders. E. K. Cole completed during 1943-44 the acquisition of Ensign Lamps, but that company's net profits of £15,167 have not been taken in. A major source of E. K. Cole's high profits may lie, however, in its increasing interest in the manufacture of plastics.

The expanding field of E. K. Cole's activities is illustrated by the Board's proposal to alter the objects of the company. It is suggested that the company should be authorised to trade in radio, radar, television, tele-communications, electrical goods, plastic materials of all types, electric lamps, and a number of new lines such as cabinet-making and metal stamping, glassware, and household goods of all types, as well as carrying on business as manufacturing and consulting engineers. All these activities are likely to prove highly profitable in the post-war period, and the proposed new activities are of a sort which can be combined advantageously with the existing business.

Labour for the Cotton Industry

The cotton industry is likely to suffer from an acute shortage of labour in the immediate post-war period, and it has been stated that at least 17,000 more operatives are needed at once, to meet war requirements and to enable the process of deconcentration to be started. But though an addition to the labour force would help the industry through its immediate troubles, the long-term difficulties will still remain. Cotton, like mining and agriculture, which also suffered severely in the depression years, failed to keep up recruitment during the interwar period and, like these industries, the cotton industry will itself have to take steps to offer such conditions of work and prospects of advancement as will attract new entrants, in a highly competitive labour market.

This was the tenor of an address by Mr. Bevin at a conference with the Cotton Board's Recruitment and Training Committee last week-end. The most practical decision that emerged from the meeting was the establishment of a sub-committee, to deal specifically with the training of new adult labour, including disabled workers, and to provide refresher courses for workers transferred back from other industries.

One of the points raised by Mr. Bevin was the need for the industry to estimate the total labour force it would require after the war. He said that the full number of 175,000 workers who had been withdrawn since the beginning of the war would be needed. This may be so, but

it should be pointed out that, if the cotton industry were to increase its productivity, to make the use of modern plant and machinery universal and to work a double shift system, a smaller labour force, and perhaps a very much smaller labour force, would be needed than before the war.

War Damage Accounts

The accompanying table reproduces the published accounts under the three schemes of war damage compensation since their inception in the spring of 1941. The total deficit up to March, 1944, on the land and buildings scheme was nearly £40 million, and very few major repairs have been undertaken so far. The total of claims outstanding is not yet known, but it may well be in excess of the £200 million fixed as Government liability. The Business Scheme is administered by the Board of Trade, and although it was £50 million in hand in March, 1944, claims to be paid at a date to be specified by the Treasury

WAR DAMAGE RECEIPTS AND PAYMENTS
(£000's)

	Year ended March 31			Total
	1942	1943	1944	
Under Part I of the War Damage Act (Land and Buildings) :—				
<i>Receipts :—</i>				
Contributions received by the Commissioners of Inland Revenue	34,628	38,912	39,653	113,293
<i>Payments :—</i>				
Salaries, etc.	393	808	892	2,093
War damage payments	44,887	59,025	46,476	150,388
	45,280	59,833	47,368	152,481
<i>Excess of payments over receipts</i>	10,552	20,921	7,716	39,189
Business Scheme :—				
<i>Receipts :—</i>				
Premiums, less refunds.	45,932	16,145	11,112	71,189
Other receipts	16	125	154	295
	45,948	16,270	11,266	71,484
<i>Payments :—</i>				
War damage payments	6,926	8,686	3,661	19,273
Other payments	267	1,100	522	1,889
	7,193	9,786	4,183	21,162
<i>Excess of receipts over payments</i>	38,755	6,484	7,083	50,322
Private Chattels Scheme :—				
<i>Receipts :—</i>				
Premiums, less refunds	5,081	4,943	2,799	12,823
Other receipts		9	12	21
	5,081	4,952	2,811	12,844
<i>Payments :—</i>				
War damage payments	8,428	7,417	3,986	19,831
Other payments	139	499	266	904
	8,567	7,916	4,252	20,735
<i>Excess of payments over receipts</i>	3,486	2,964	1,441	7,891

amounted to £48,641,000, while unsettled claims outstanding were estimated at £16 million. Under the Private Chattels scheme, £26,484,000 of claims are to be paid later, and claims outstanding at March 31, 1944, were estimated at £3,500,000.

None of the figures includes claims for damage caused by flying bombs and other new weapons, and it remains to be seen how far they will swell the deficits. The Treasury will probably specify a date after the end of the war for the settlement of the larger part of war damage compensation. It would be well, however, to bear in mind that as reconversion of industry proceeds some businesses might be prevented from acquiring premises or machinery because their only capital is a non-negotiable Treasury promise. The solution might be to allow banks to give credit in suitable cases against war damage compensation.

Banking Profits

The results of the English banks for last year conform closely to the main lines of expectation. Profits are higher—although in some cases by very little—and dividends are in every case unchanged. It is doubtful how far a closer investigation is really useful as an indication of actual earning power, but it may be interesting as a key to the outlook of the managements. It is, therefore, worth noting that the

percentage rise in disclosed profits is only about four-fifths of the secured in 1943, but that it nevertheless amounts to some £365,000 for the seven large and independent English banks. Possibly the most interesting point which emerges from the preliminary statements is the use that is made of profits, for total allocations to reserve funds have jumped from £600,000 to £1,400,000, while provisions for other so-called reserves have fallen from £2,060,000 to £1,660,000. Three banks, the Midland, Lloyds and Martins, are responsible for the change and it would seem that these managements at least believe that the time has come when specific provision for contingencies arising out of the war can be drastically cut. It is of some interest to note that the allocation by Lloyds of £500,000 to reserve is the first for some years and that it raises the fund for the first time above the level from which it was reduced in 1932. Possibly some light on the general view regarding reserves and also on the obscure question of taxation will be shed by the speeches of the bank chairman. Meanwhile, any addition to free reserves is particularly welcome if only on account of the great increase in deposits.

Cheque Clearings Record

For the third consecutive year the total of cheques and bills cleared at the Bankers' Clearing House in 1944 created a new high record. The grand total was £62,644,564,000, representing an increase of £5,537,455,000, or 9.7 per cent, on the figure for 1943, the previous record. On the basis of the clearing bank deposit figures for the first eleven months of the year the expansion in deposits in 1944 is likely to amount to about 15 per cent as compared with 1943. It would, therefore, appear that a small decline occurred last year in the velocity of circulation of credit. This is all the more true because part of the increase in the central clearing was due to the diversion to it as and from July 12, 1943, of certain clearings previously handled by the provincial clearing houses.

	Total for 1944		Changes on 1943.	
	£000's	£000's	Per cent	
Birmingham	90,201	18,582	17.0	
Bradford	94,055	3,088	3.1	
Bristol	34,139	749	2.2	
Hull	30,403	885	2.9	
Leeds	59,912	2,585	4.5	
Leicester	41,451	59	0.1	
Liverpool	264,679	29,040	12.3	
Manchester	170,732	244,776	58.9	
Newcastle	88,596	8,828	11.0	
Nottingham	21,004	1,349	6.0	
Sheffield	47,861	780	1.6	

This diversion was particularly important in the case of Manchester, where the provincial clearing area was so large that cheques had to be sent to the clearing by post. Wherever this was the case the cheques in question were transferred to the central clearing. The combined total of the eleven provincial clearings for 1944 was £943,033,000, a decrease of £224,869,000, or 19.2 per cent, on 1943.

War Borrowings Compared

The *Federal Reserve Bulletin* for November contains specially rich fare—so rich as to appear almost oppressive to those of its readers whose diet of central banking literature is largely made up of the austere Statistical Summary of the Bank of England. Apart from the usual routine features, this issue contains three full-length analytical articles of quite outstanding importance. The first is an estimate of the gold and dollar reserves of the most important countries of the world which was summarised, on the basis of cabled reports, in *The Economist* of December 23rd. The second is a discussion of US international trade prospects which makes the point that the promise and enactment of a full employment policy in the United States would be of great help in getting American farmers and business men to accept the readjustment in tariffs that will be necessary if the United States is to maintain a substantial flow of exports after the war.

The third is a painstaking analysis of war-time borrowing in the United States, the United Kingdom and Canada. In each country the expansion both in the total and the service of the national debts is related to the corresponding figures of national income. In addition, the composition of the increased national debts has been analysed and compared, and some attempt has been made to compare the distribution of ownership of the three national debts.

In the five fiscal years which ended in 1944, the United States raised \$156,736 million by borrowing as against \$86,942 million by taxation. For the United Kingdom the comparable figures were £11,423 million and £9,769 million and for Canada, \$7,142 million and \$7,336 million. Despite this much greater dependence of the US on borrowing, the national debt last year was no more than 29 per cent greater than the corresponding national income, while in the United Kingdom it was 146 per cent greater, the corresponding figure for Canada being 25 per cent. The exceptionally low average rate of interest at which new debt has been created in the United States is evident from the fact that the relation of annual interest payments to national income in that country has risen from 1.4 to 1.7 per cent only between 1939 and 1944. For the United Kingdom the comparable movement has been from 4.5 to 4.8 per cent, and for Canada, from 3.1 to 2.8 per cent. The computed average rate of interest on the American national debt fell from 2.534 per cent in 1939 to 1.924 per cent in 1944, in the United Kingdom from 3.092 per cent to 2.441 per cent and in Canada from 3.714 to 2.751 per cent. The main reason for these particular differences is the greater reliance of the United States on short term borrowing.

Debt Ownership

Among the more interesting tables given in the article is the following, showing the increase in interest bearing national debt by type of holder in each of the last five fiscal years.

(In millions of currency units indicated)

Type of Holder	Fiscal Year					Total	
	1940	1941	1942	1943	1944	Amount	Per cent.
United States:							
Commercial banks	\$853	\$3,545	\$6,315	\$26,048	\$16,042	\$52,803	33.9
Fed. Reserve Banks	—85	—282	461	4,557	7,699	12,350	7.9
Government agencies	1,184	1,412	2,129	3,700	4,765	13,190	8.5
Other investors	586	2,198	12,865	28,650	33,071	77,370	49.7
Total	\$2,538	\$6,873	\$21,770	\$62,955	\$61,577	\$155,713	100.0
United Kingdom:							
Commercial banks	£150	£550	£330	£600	£400	£2,000	17.8
Bank of England	311	40	186	183	215	935	8.3
Government agencies	250	500	120	10	50	930	7.4
Other investors	56	1,345	2,062	1,827	2,167	7,457	66.4
Total	£767	£2,435	£2,668	£2,620	£2,732	£11,222	100.0
Canada:							
Commercial banks	\$111	\$217	\$117	\$728	\$434	\$1,607	22.6
Bank of Canada	38	328	70	433	317	1,186	16.7
Other investors	238	303	1,578	858	2,030	5,007	70.4
Repatriation	—79	—181	—357	—72	—3	—692	—9.7
Total	\$308	\$667	\$1,408	\$1,947	\$2,778	\$7,108	100.0

This shows how relatively small has been the volume of borrowing from the banks in the United Kingdom. One reason for this is that Britain has financed a large part of its war expenditure by overseas disinvestment, British holders of foreign securities being given the option of exchanging them for Government securities.

Cheaper Antimony

The Ministry of Supply reduced the price on January 1st of antimony metal 99 per cent pure from £120 per ton to £105, and for crude antimony from £100 to £90. The

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old rates had been in force for two years, and the reduction is due to lower costs of imports and increased supplies. Before the war, slightly over one-half of world supplies came from the Changsha area in China, which has been isolated for over two years. The United Nations have not been seriously short of antimony, owing to the large stocks in the United States and the stepping-up of production in Latin America, particularly in Mexico and Bolivia. As their production costs are higher than those of China, it is doubtful whether they will be able to retain their strong position after the war.

The main use of antimony has always been as an alloying agent, particularly for lead. Antimonial-lead is normally used chiefly in battery plates, type metal, bearing metals, cable coverings, and so on, and in war-time it goes into shrapnel-balls and bullet cores. The non-metal uses of antimony were small and confined to pigment and enamelling production. Recently, however, antimony has assumed more importance in non-metal industries. For example, in the United States in 1943, 10,329 short tons of primary antimony went into non-metal products and 9,179 into metal products. The chief reason for this extraordinary development is the part played by antimony in flame-proofing tent canvas, tarpaulin and other warlike stores. For the rest of the war, the textile industry is likely to be the largest antimony consumer. Although flame-proofing is unlikely to continue to be, as it now is in the United States, the leading use for antimony after the war, its retention as a standard outlet for antimony may help to raise demand for the metal permanently.

Hyderabad Deccan Purchase

A full statement has now reached this country in the form of a memorandum on the purchase of the shares of the Singareni Collieries from the Hyderabad (Deccan) Company by HEH the Nizam's Government. A comment in *The Economist* of July 22, 1944, at a time when negotiations had not been officially concluded, stated that the price offered gave a value to the Hyderabad shares almost double any recent quotation and suggested that the reason for so generous an offer might lie in an excess of sterling balances. The memorandum makes it clear that the purchase price was not unduly high, judged by the standard of the worth of the collieries to the Nizam's Government. The discrepancy is due to the fact that, while the Hyderabad Company pays UK income tax the local Government does not. It remains to be considered, however, why the Nizam's Government were unwilling or unable to take advantage of the unfortunate position of the Hyderabad Company to obtain the shares of the colliery company at less than their real worth. The answer would appear to be that, owing in part to the difference in the level of taxation, the Singareni shares stood higher in India than they did in London and that certain interests in India were considering a purchase of shares held by the Hyderabad company. Thus, the main cause of the operation was a question of taxation, but it is possible that the existence of a superfluity of sterling in the hands of Indian interests—other than the Nizam's Government, which is understood to have held very little—may have been a contributory factor in determining the price paid.

Machinery Licensing Simplification

A new method of granting licences for the acquisition of machinery is to begin on January 15th. Hitherto, individuals wishing to acquire machines have had to apply direct to the Board of Trade. Under the Machinery, Plant and Appliances (Control) (No. 9) Order (SR & O, 1945, No. 6), the Board is empowered to license machinery manufacturers to supply the home market with specified amounts of machinery. In cases where capacity is still severely limited, and individual acquisition must continue to be controlled, application will in future be made by the manufacturer. In addition, reconditioning is no longer to be controlled. The Order does not include machine tools, which are controlled by the Ministry of Supply, and will need separate consideration.

The new procedure is made possible by the machinery manufacturers' increasing capacity to supply the home market with machinery for non-war production. As this capacity grows, it is important that administrative barriers to increased output should be removed. Machinery, after all, must be available before industries producing consumer goods for the home and export markets can begin their conversion to ordinary industrial production. Lack of

machinery is likely to prove as much a delaying factor as lack of labour and materials. The simplification of licence control will be welcomed by both suppliers and their customers as a primary and essential step towards reconversion, although it must not be forgotten that mere administrative relaxation cannot produce goods without labour and materials.

Ministry of Food, 1944

It would scarcely be an overstatement to say that no year tested the flexibility of the Ministry of Food as much as 1944. Its work was complicated by the calls on food and shipping resources to feed the invasion armies and to build stocks of food for liberated Europe. Other problems were presented by a harvest not as good as in previous years and population movements consequent upon enemy air activity.

In spite of all these difficulties, the Ministry was able to introduce relaxations in some directions. Oranges were made available to ordinary consumers, and lemons appeared for the first time since 1940. Imports of apples improved supplies. Sardines were more plentiful and the invaluable onion was freed from control. The ban on ice-cream was lifted. The preserves and sugar ration was larger on the whole than in previous years. The bacon ration was increased for two months during the summer. Bread became whiter. Extra rations were granted for Christmas. Although ordinary consumers got less milk than in 1943, consumption as a whole increased, and half the supplies went to priority consumers.

The points ration was increased and adjustments within the scheme were usually to the advantage of the consumer, so that traders in difficulties were granted additional points. A new scheme to adjust retailers' points credits to keep them in line with changes in population was begun on January 7, 1945.

The Ministry of Food was able to cope with the extra strain imposed by the invasion. No revolutionary changes in rationing were expected, nor would they have been possible. It is enough that civilian diet should have been kept at the high level of nutrition and quantity achieved. The bonus of additional variety was welcome, but the additions were, perhaps more than warranted by the general war situation. The renewed warnings of a serious shipping position make it more than ever necessary for the Ministry to exercise the utmost caution.

Shorter Notes

The Park Gate Iron and Steel Company propose to write down the ordinary shares from £1 to 10s. each on the ground that the present value of the works, of which Thos. W. Ward have made a formal valuation, does not exceed £1,150,000, whereas they stood in the latest balance sheet at £2,283,000 after depreciation. The writing down is little more than a book-keeping transaction and merely undoes the effect of a scrip bonus of 200 per cent given when the present company was formed in 1919. The writing down is regarded as an essential preliminary to a constructive programme of post-war expansion.

The reduced trading profits of the Lancashire Cotton Corporation for 1943-44 do not reflect the experience over the last year of the industry as a whole. A sample analysis shows that the average profit of 63 spinning mills was £8,490 against £7,959 (for 62 mills), and the average dividend of 101 spinning mills was 11 per cent against 10.38 per cent. Another 13 concerns which combine spinning and weaving show a higher increase in dividend from 6.83 to 7.21 per cent. There is also an increase in the average credit balance of over 100 companies examined, only four of which as against six last year show a debit balance.

The Agricultural Wages Board has proposed that the national minimum wage for male farm-workers over 18 should be increased by 5s. to £3 10s. a week, and overtime rates for men by 1d. an hour. This decision follows the recommendations of a majority of the county agricultural wages committees. The union had asked for a minimum of £4 10s. Although minimum wages for men in agriculture will now be raised to more than twice their pre-war level, they are still low in comparison with other major industries. In addition, the national minimum wage for women farm workers, still kept at 48s., is shockingly low.

COMPANY MEETINGS

FIRST GARDEN CITY, LIMITED

VALUE OF LETCHWORTH IDEALS

SIR ERIC MACFADYEN ON THE FUTURE

The forty-first ordinary general meeting of the First Garden City, Limited, was held, on the 4th instant, at the Great Northern Hotel, King's Cross, London.

Sir Eric Macfadyen, M.A., J.P. (chairman of the company), presided.

The chairman said: Ladies and gentlemen, I am glad to be able on this occasion to put before you a summary comparison of the chief items in the accounts with the corresponding items for 1939, and, in that way, to give you some idea of the development of our business during the war years. Taking the liabilities side of the balance-sheet first—our issued share capital remains at £400,000. Our loan capital, which amounted to £833,598 in 1939, now stands at £1,017,768. The increase is almost wholly accounted for by capital outlays in connection with our public utility undertakings. Sundry creditors at £70,749 compare with £63,295 on account mainly of provision for increased taxation.

A NEW DEPARTURE

The next item in the balance-sheet represents a new departure. Your directors have decided to follow an increasingly common practice in companies' accounts of showing as a liability in the balance-sheet the net cost to the company of the dividend they are recommending in respect of the period covered by the accounts.

To the next item also there was nothing corresponding in 1939. In addition to the statutory income-tax liability as at September 30th we now reserve £22,300 for our estimated net liability for income-tax on profit earned up to date but not assessable until 1945-46. You will, I think, agree that, with taxation at its present level, it is only prudent to set aside this provision.

The insurance fund reserve is now £18,611, as against £14,900, and the depreciation and renewals account is up from £295,926 to £466,130—following the very substantial increase in fixed assets over the five-year period. The valuation surplus account has been reduced by the amount of certain payments under the War Damage Act from £56,427 to £46,212. The contingency reserve has been increased from £7,158 to £27,158. The balance to credit of profit and loss account comes out at £33,420, as compared with £30,087.

DETAILS OF ASSETS

To turn now to the assets, freehold property (in which is included the gas, water and electricity undertakings) at £1,897,217 compares with £1,572,781. The increase, as you will have gathered, is largely in respect of the public utilities. We supplied during the year now under review 587,018,000 gallons of water, 194,587,000 cubic feet of gas and 41,677,085 units of current, against 338,816,000 gallons, 140,046,000 cubic feet and 22,675,992 units in the earlier year. When I tell you that the capacity of the power station has had to be increased by 70 per cent, you will realise that Letchworth has been a busy place.

The only other item on the assets side of the balance-sheet calling for comment is sundry stocks—which have risen from £18,452 to £50,338. Increased volume and higher prices have both contributed to this increase.

MANY ATTRACTIONS

The extension of the town has been temporarily arrested by the cessation of house-building. The town is full; numbers come in daily from the surrounding villages. As Professor Abercrombie observes in the newly published "Greater London Plan, 1944," it has become "the obvious indus-

trial centre for this part of the region" covered by the Plan. Letchworth, of course, is not only a thriving industrial centre. Situated in beautiful country and protected by its agricultural belt, its residential attractions are many.

Our friends of the Urban District Council are anxious to embark upon a housing programme as soon as conditions permit. Jointly with them we are engaged in planning the layout of a substantial extension to the town area. This will be no mere "housing estate" but will constitute a complete and self-contained neighbourhood, although in organic union with the existing town. It is being planned to provide for its own community centre.

POST-WAR REBUILDING

The ideals to which Letchworth was designed to give material shape are of greater significance and value today than ever before. Britain is about to be largely rebuilt. When house-building can be re-started some six years of arrears will have accumulated. To these will have to be added the building up of entire areas which have been flattened out by enemy action, and the replacement of many congested areas in the centres of our big towns. No previous experience of housing programmes can give us any measure of the national effort which will be called for if we are to take full advantage of this unprecedented opportunity.

It is not only a question of numbers of dwellings—a new standard must be set of better equipped, better designed and more spacious houses, where people may have access to the social, recreational and cultural facilities of an up-to-date community; and may live within reasonable distance of their places of work instead of spending half their leisure in daily journeys to and fro.

Letchworth has shown—and has not, of course, provided the only demonstration—that prosperous new towns can be established which can conform to such a standard. With public credit made available there would be no financial obstacle to the building of many Letchworths. Apart from new towns, moreover, there are country towns of moderate size all over England in which new forms of industry, bringing increased population with them, can profitably be domiciled in this age of electric power and motor transport. We shall have ourselves to blame if the old process is repeated of big towns growing ever bigger: their growth involving, at the centre, ever-increasing congestion both of people and of traffic, and, at the circumference, ever-extending sprawl of dull, monotonous suburb.

THE GREEN BELT

In the past house building has been mainly by private enterprise and I imagine it will be so in future, but the responsibility for allocation of the land to be used for the purpose rests with local authorities. Each of these, naturally, extends its own built-up area; creating for itself new rateable values in doing so. Towns extend until they run into each other; and the farm land which used to separate them is smothered with bricks and mortar. Howard puts his finger on the spot with his emphasis on the Green Belt. But if the process of conurbation is to be checked the problem of rehousing our people must be conceived in wider terms than those of the individual local authority. And of such wider conception, on the part of the central government, there is as yet no sign. Great plans like Professor Abercrombie's will remain nothing more than academic exercises if the initiative to put them into effect is not

forthcoming; and the historic opportunity may pass us by. Housing will inevitably be the first priority after this war; in the absence of imaginative planning on a wider scale we may look to see a repetition of the many blunders of the 1920's and 1930's. The report and accounts were adopted and the retiring directors re-elected.

BANK OF MONTREAL

POST-WAR PROSPECTS

The one hundred and twenty-seventh annual meeting of the Bank of Montreal was held, on the 4th ultimo, at Montreal. Mr George W. Spinney, C.M.G., the President, occupied the chair.

The President, in the course of his address, discussed the "real basis of national welfare" and emphasised the need for production on the broadest possible scale and the freest possible exchange of the resultant products within Canada's own borders and beyond them.

Mr Spinney pointed out that the reconversion of industry to civilian production, the re-employment of peace-time pursuits of those now in the Armed Forces and in war work and the restoration of our external trade on a satisfactory basis, would involve problems of tremendous magnitude.

CONFIDENCE IN CANADA'S FUTURE

As to Canada's post-war possibilities, Mr Spinney declared that he was "no pessimist." Canada, he said, would start out into the post-war era with great advantages. He mentioned the nation's better balanced and diversified economy due to the stimulus of war production, adding that "we have been able to accomplish our vast mobilisation of material resources without subjecting our economy to the stresses and our people to the cruel injustices of inflation"; to him it seemed that "our hope of achieving our post-war plans depends in large measure upon maintaining these advantages."

Discussing the post-war relationship between government and individual enterprise, he expressed the view that a supine dependence on government would represent the negation of the qualities most necessary to an enterprising and democratic economy. And, if these costs of government were distributed in such a way that incentives were diminished or corporations were thereby discouraged or deterred from entering into productive undertakings, "then the net result would be a loss to the Canadian people in terms of employment and living standards."

The subject of inner or contingent reserves was discussed at length by Mr Spinney during the course of his address. Declaring that discussions of the matter during the recent decennial revision of the Bank Act of Ottawa had revealed many basic misconceptions, he said the test of experience in all countries had proven that the practice of adding to such reserves when it was possible to do so, in order to "cushion" less favourable periods when loans might unexpectedly become bad and the value of assets might shrink, was the only safe policy to protect the interests of depositors.

TAX ADJUSTMENTS AND EARNINGS

B. C. Gardner, general manager of the bank, in reviewing the accounts, pointed out that, while gross earnings for the past year had shown an increase, net earnings after federal taxes (which amounted to \$3,725,000) were somewhat lower than for the previous year at \$3,194,000 as compared with \$3,303,000. The reduction in net earnings resulted, he said, from the adjustments in taxation. Gross earnings had increased despite a lower average yield on investments and a reduced level of commercial loans.

He enumerated the important changes in the Bank Act and stated that although the new interest limitations will make it difficult to handle some types of personal loans at a profit, the bank would continue to make every effort to meet the credit re-

requirements of worthy borrowers whether transactions were large or small.

It was hoped, he said, that, within reasonable limits and subject to appropriate safeguards, it will be possible to extend credit of a somewhat longer term, particularly in the approaching period of conversion from war-time to peace-time production.

Stating that business activity in the country continued at high levels throughout the past year, Mr Gardner added that the business outlook is influenced by uncertainty as to the extent and nature of war production requirements. It is probable, he said, that in the ensuing twelve months major problems of reconversion of industry from war to civilian output will become an important element in the business picture.

Mr Gardner concluded his address by paying a tribute to the staff and reviewing plans for reabsorption of those employees now on military service; it was planned, he said, to provide for refresher training to all for readjustment to civilian life.

The report and accounts were adopted.

UNION BANK OF AUSTRALIA, LIMITED

STRONG POSITION

The annual general meeting of the Union Bank of Australia, Limited, will be held at 71 Cornhill, London, E.C., on the 29th instant.

The following is an extract from the statement by the chairman, Major General Sir John H. Davidson, K.C.M.G., C.B., D.S.O.: In both the Commonwealth and the Dominion of New Zealand control of banking has continued without change, regulating all such matters as deposits, advances, investment, profits, etc. The trading banks in loyalty doing their utmost to further the war effort have willingly accepted this control, which is very complete in its application, but I regret to observe recent indications, arising more particularly in Australia, of a desire in certain quarters to perpetuate this control as a measure of nationalisation. I trust that both Governments will give the most careful and unbiased consideration to

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this subject before introducing legislation. Both Australia and New Zealand, still young countries and undoubtedly, their future progress can best be served by attracting outside population and capital and giving the utmost encouragement to private enterprise in the post-war development of their natural potentialities.

The general trend of the figures disclosed in the balance-sheet last year has continued. The item deposits, bills payable, etc., is more by about £8,000,000 and is reflected in the increase of approximately £7,000,000 in our special war-time deposit with the Commonwealth Bank of Australia, which now stands at £16 million. The position disclosed is particularly liquid and strong, but our earning capacity is obviously limited as a result of Government control exercised over our operations. The net profit amounts to £177,274, which, together with the amount brought forward, makes £340,612 available. The interim dividend of 2½ per cent., less tax, absorbed £71,458 and we have declared a final dividend of 3½ per cent., less tax, leaving £166,487 to be carried forward.

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GOVERNMENT RETURNS

For the 6 days ended Jan. 6, 1945, total ordinary revenue was £64,733,000, against ordinary expenditure of £96,094,000 and issues to sinking funds of £128,812. Thus, including sinking fund allocations £10,438,210, the deficit accrued since April 1st is £2,498,555,000 against £2,455,175,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	April 1 to Jan. 6, 1944	April 1 to Jan. 6, 1945	Six Days ended Jan. 6, 1944	Six Days ended Jan. 6, 1945
ORDINARY REVENUE					
Income Tax	1,300,000	554,187	623,778	40,003	28,266
Sur-tax	80,000	26,502	22,958	6,150	4,900
State, etc.	100,000	74,106	81,796	2,230	2,460
Duties	19,000	13,760	11,115	20	20
Stamps	500,000	23,738	25,297	760	670
N.D.C.	369,097	381,266	13,278	8,556	
E.P.T.	1,000	498	192	160	10
Other Ind. Rev.					
Total Ind. Rev.	2,000,000	1,061,798	1,146,402	62,601	44,862
Customs	564,900	422,015	447,250	14,754	13,017
Excise	472,900	362,500	378,400	4,105	2,600
Total Customs & Excise	1,037,800	784,515	825,650	18,859	15,617
Motor Duties	27,000	8,947	9,644	3,487	3,819
P.O. (Net Receipts)	4,850	3,190	3,270	...	...
Wireless Licences	800	730	720	...	...
Crown Lands	7,350	4,541	5,215	...	...
Receipts from Sundry Loans	24,000	60,858	64,353	2,268	435
Miscell. Receipts	310,180	192,458	205,524	87,216	64,733
Total Ord. Rev.	3,101,880	1,924,580	2,052,524	216,731	164,733
SELF-BALANCING P.O. & Broadcast	112,370	84,000	89,050	1,700	1,500
Total	3,214,250	2,008,580	2,141,574	218,431	166,233

Expenditure	Estimate, 1944-45	April 1 to Jan. 6, 1944	April 1 to Jan. 6, 1945	Six Days ended Jan. 6, 1944	Six Days ended Jan. 6, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	283,449	326,049	...	15,177
Payments to N. Ireland	9,000	5,668	6,445	332	356
Other Cons. Fund Services	7,000	6,650	6,737	2,348	2,347
Total	436,000	295,767	339,232	2,680	17,881
Supply Services	550,139	407,371	420,413	140,643	78,215
total	986,139	703,138	759,645	142,723	96,094
SELF-BALANCING P.O. & Broadcast	112,370	84,000	89,050	1,700	1,500
total	1,098,509	787,138	848,695	144,423	97,594

A change has been made in the method of showing a excess of Post Office Expenditure over the Post Office revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £123,751 to £3,487,732, the other operations of the week (no longer shown separately) raised the gross National Debt by £31,605,023 to £22,094 million.

NET ISSUES (£ thousands)	
various Trade Guarantees	12
O. and Telegraph	120
NET RECEIPTS (£ thousands)	
the Act, 1936	140

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1944				
Jan. 6	1210-0	Not available		
Oct. 7	1430-0	"		
" 14	1430-0	"		
" 21	1440-0	"		
" 28	1450-0	2300-0	497-0	1705-0
Nov. 4	1460-0	"	"	5952-8
" 11	1470-0	"	"	
" 18	1470-0	"	"	
" 25	1470-0	2305-5	513-8	1700-5
Dec. 2	1470-0	"	"	6017-3
" 9	1470-0	"	"	
" 16	1470-0	"	"	
" 23	1470-0	"	"	
" 30	1470-0	587-7	59-2	1794-5
1945				
Jan. 6	1430-0	Not available		6247-4

TREASURY BILLS

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate	Per Cent. Allotted at Min. Rate
1944					
Jan. 7	90-0	206-4	90-0	20 2-76	26
Oct. 6	110-0	227-1	110-0	20 0-27	31
" 13	120-0	227-0	120-0	20 0-30	35
" 20	120-0	227-5	120-0	20 0-36	34
" 27	120-0	221-3	120-0	20 0-69	37
Nov. 3	120-0	211-3	120-0	20 0-62	41
" 10	110-0	206-1	110-0	20 0-43	35
" 17	110-0	209-7	110-0	20 0-43	36
" 24	110-0	217-5	110-0	20 1-83	30
Dec. 1	110-0	232-4	110-0	20 0-72	23
" 8	110-0	221-7	110-0	20 1-33	32
" 15	110-0	219-1	110-0	20 1-03	28
" 22	110-0	205-4	110-0	20 1-50	27
" 29	110-0	208-0	110-0	20 0-67	17
1945					
Jan. 5	110-0	224-2	110-0	20 1-81	36

On January 5, applications at £99 15s. Od. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 36 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. Od. for bills to be paid for on Monday were accepted in full. £110 millions of Treasury Bills are being offered for January 12. For the week ended January 13, the banks will be asked for Treasury deposits to the maximum amount of £25 million.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 1½% BOND SUBSCRIPTION

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
1944				
Oct. 31	4,445	1,745	5,037	436
Nov. 7	4,624	2,258	6,683	410
" 14	4,048	1,973	4,511	1,872
" 21	5,028	1,851	3,882	3,832
" 28	4,064	1,814	4,759	8,012
Dec. 5	4,570	1,708	4,415	10,445
" 12	4,124	1,697	8,352	5,191
" 19	3,926	1,671	3,572	3,156
" 26	2,516	864		
1945				
Jan. 2	4,788	1,617	5,848	8,227
" 9	...	...	5,659	
Totals to date	1,290,128*	777,849*	1,829,003†	48,661‡

* 267 weeks. † 210 weeks. ‡ 10 weeks. Including all Series.

Interest free loans received by the Treasury up to Jan. 9th amounted to a total value of £69,846,108. Up to Dec. 30th principal of Savings Certificates to the amount of £198,820,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. Od. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold	Silver
per Rs. a.	Rs. a.	Rs. a.
1945		
Jan. 4	75 12	130 7
" 5	75 0	129 4
" 6	75 0	129 6
" 8	75 2	126 12
" 9	74 12	128 12
" 10	74 12	129 14

BANK OF ENGLAND RETURNS

JANUARY 10, 1945

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1,231,637,822	Other Govt.	123,197,776
In Bank, Department	18,603,896	Securities	780,351
		Other Secs.	6,774
		Silver Coin	1250,000,000
		Amt. of Fid.	241,718
		Gold Coin and Bullion (at 168s. per oz. fine)	1850,241,718
			1250,241,718

BANKING DEPARTMENT

Proprs' Capital	14,553,000	Govt. Secs.	254,967,964
Res.	3,331,034	Other Secs.	11,173,440
Public Deps.*	9,448,542	Advances	13,873,706
		Securities	25,047,145
Other Deps.:		Notes	18,603,896
Bankers	222,171,821	Gold & Silver	1,510,718
Other Accts.	54,645,126	Coin	304,149,523
			304,149,523

* Including Exchequer, Savings Banks' Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

	1944		1945	
	Jan. 12	Dec. 27	Jan. 3	Jan. 10
Issue Dept.				
Notes in circulation	1075-3	1238-6	1238-4	1231-6
Notes in banking department	24-9	11-6	11-8	18-6
Government debt and securities*	1099-9	1249-1	1249-1	1249-2
Other securities	0-5	0-9	0-8	0-8
Silver Coin	0-0	0-0	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00
Deposits:				
Public	11-9	5-1	16-4	9-4
Bankers	188-2	260-7	251-4	222-2
Others	54-0	52-3	56-4	64-6
Total	254-1	305-1	324-2	286-2
Banking Dept. Secs.:				
Government	224-5	305-1	300-8	259-0
Discounts, etc.	15-9	5-1	15-2	11-2
Other	246-5	322-8	328-5	384-1
Banking depart. res.	25-6	13-6	13-5	20-1
" Proportion "	10-0	4-2	4-1	7-0

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on December 4, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands				
	(Week Ended)		(Aggregate from Jan. 1 to)	
	Jan. 8, 1944	Jan. 6, 1945	Jan. 8, 1944	Jan. 6, 1945
Working days :—	6	5	6	6
Birmingham.....	2,870	2,665	2,870	2,855
Bradford.....	2,550	1,817	2,550	1,817
Bristol.....	827	796	827	796
Hull.....	826	834	821	834
Leeds.....	1,445	1,405	1,445	1,405
Leicester.....	1,218	1,220	1,218	1,220
Liverpool.....	5,363	4,874	5,363	4,874
Manchester.....	4,316	3,321	4,316	3,321
Newcastle.....	2,105	1,618	2,105	1,618
Nottingham.....	371	728	371	728
Sheffield.....	1,971	1,533	1,971	1,833
Southampton.....	227	140	163	140
12 Towns.....	24,079	20,881	23,819	20,881
Dublin*.....	7,834	6,152	381,093	396,791
Jan. 1, 1944, and Dec. 30, 1944.				

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Jan. 4.....	5,696	5,401	113-4	136-4	3-05	3-67
" 5.....	5,283	5,329	113-6	136-5	3-05	3-66
" 8.....	7,011	7,128	114-0	136-4	3-04	3-65
" 9.....	5,565	5,508	114-2	136-5	3-04	3-65
" 10.....	5,199	5,401	114-4	136-5	3-04	3-65

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116-9 (Aug. 9); lowest, 103-0 (Feb. 26). 20 Fixed Int., 1944: highest, 138-4 (Feb. 23); lowest, 134-0 (Jan. 3).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

1926 = 100.

1944	Average	Transactions	1945	Average	Transactions
Dec. 28	128-2	1,232,000	Jan. 1	130-5	1,341,000
" 29	130-0	1,894,000	" 2	130-5	1,341,000
" 30	130-0	1,016,000*	" 3	131-8	2,164,000

1944: High, 131-8 (July 14). Low, 113-8 (Feb. 8). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1944		Dec. 20 1944	Dec. 27, 1944	Jan. 3, 1945
	Low Mar. 15	High July 12			
364 Industrials	95-1 (a)	108-4	107-0	105-5	109-7
20 Rails	88-9 (a)	116-8 (d)	116-8	115-7	120-7
28 Utilities	85-0	93-5 (c)	92-4	91-9	93-5
402 Stocks	93-6 (a)	105-7	105-3	104-0	107-8
Av. yield %†	4-84 (b)	4-43	4-64	4-71	4-53

COMPANY RESULTS (December 20, 1944, to December 31, 1944)

CENTRAL BANK OF IRELAND				
Million £'s				
	Jan. 1, 1944	Dec. 16, 1944	Dec. 23, 1944	Jan. 3, 1945
ASSETS				
Gold	2.65	2.65	2.65	3
British Govt. securities	23.41	28.34	28.39	28
Sterling balances	1.76	2.25	2.27	2
LIABILITIES				
Notes in circulation	28.06	33.36	33.38	33

UNITED KINGDOM: MONTHLY STATISTICS

Unit of Measurement	Monthly Average						1943			1944						
	1929	1932	1939	1940	1941	1942	1943	Oct.	Nov.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.
Population mid 1939, 47,676,000; Area: 95,030 sq. miles; (244,000 sq. kms.)																
1. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1942=100	...	...	96	98	97	100	117	119	129	106	110	105	105	...	...
2. " " Other merchandise		...	...	100	105	98	100	100	92	120	92	102	107	109	...	...
3. " " Total		...	...	97	101	98	100	109	106	126	96	107	106	106	...	...
4. Registered unemployed G.B. (a)	Thousands	212	2,755	1,514	963	350	123	74	...	...	63	...	...	93	...	...
5. " " United Kingdom		1,275	2,813	1,690	1,035	392	144	87	...	...	78	...	...	81	...	...
6. " " London		114	566	239	214	59	29	14	...	...	8	...	...	11	...	...
7. " " E. and S. England (b)		50	142	93	99	28	10	2	...	...	4	...	...	4	...	...
8. " " S.W. England (c)		69	157	76	53	16	5	1	2	...	3	...	...	3	...	...
9. " " Midlands & N. Midlands (d) (e)		165	371	153	92	48	7	3	...	...	5	...	...	6	...	...
10. " " N.E. England (d)		280	692	381	255	30	8	2	...	...	3	...	...	4	...	...
11. " " Northern Ireland		285	562	309	149	54	15	10	...	...	8	...	...	11	...	...
12. " " Scotland		...	...	139	89	37	13	3	8	...	8	...	...	11	...	...
13. " " Wales		156	378	217	125	51	24	6	17	...	16	...	...	19	...	...
14. " " Northern Ireland		116	228	127	89	41	14	4	11	...	10	...	...	12	...	...
15. " " Northern Ireland		36	68	76	75	42	21	6	13	...	15	...	...	12	...	...
16. Industr. disputes. No. days lost		676	541	107	78	87	126	151	160	363	131	64	124	189	232	124
Wholesale Prices: Economist;																
17. Cereals and meat	1929=100	100	70.4	76.2	93.9	102.4	110.1	113.1	111.7	111.0	111.6	112.1	108.9	109.9	110.3	110.0
18. Other foods		100	72.8	76.4	94.4	111.0	118.3	125.0	125.3	126.1	125.1	125.1	125.1	125.1	123.2	123.2
19. Textiles		100	53.4	63.8	93.0	100.7	100.7	100.6	99.1	99.5	99.7	112.8	112.5	112.5	112.5	112.5
20. Minerals		100	76.3	100.0	125.0	135.7	139.2	142.0	142.1	142.1	142.1	147.2	152.2	152.2	154.6	154.6
21. Total, incl. miscellaneous		100	67.8	80.3	104.3	114.4	120.1	123.5	122.9	122.8	123.1	127.2	127.3	127.3	127.6	127.6
Cost of Living: Min. of Labour;																
22. Food		100	81.8	92.4	107.2	108.7	104.9	107.9	109.1	109.1	109.1	109.8	110.4	109.8	109.1	109.1
23. Total		100	78.8	96.4	113.1	121.4	121.9	121.2	121.3	121.3	121.3	122.6	123.2	123.2	122.6	122.6
24. Industrial sermities, Fin. News	Jul. 1, 1936=100	102.0	64.0	78.1	113.2	74.3	82.9	100.7	102.0	101.1	103.1	116.7	112.0	109.7	111.5	112.1
25. Fixed interest	1928=100	96.8	113.6	116.8	122.8	129.6	133.9	134.8	134.3	134.2	134.1	134.1	134.5	134.6	135.3	137.0
26. Govt. Revenue, cumulative (f)	Mill. £'s	815.0	827.0	1132.2	1495.3	2174.6	2922.4	3149.2	1499.3	1709.5	1919.1	877.2	1099.3	1392.6	1611.1	1811.2
27. " expenditure (f)		829.5	859.3	1408.2	2307.0	7487.6	35739.9	5689.1	3350.1	3737.0	94308.5	1931.1	2374.3	3301.2	3479.8	3925.1
28. Bank of Eng.: Notes in circ. (g)		362.3	258.5	509.9	568.6	651.3	808.9	101.5	954.0	1012.2	1552.6	1135.1	1146.8	1150.4	1161.4	1078.6
29. " Bankers' deposits (g)		62.9	81.3	102.8	110.1	121.1	136.3	160.3	157.4	160.1	177.4	197.7	182.3	187.4	185.4	191.1
30. " Gov. sec. B'king Dept. (g)		55.9	64.0	107.0	143.1	142.8	150.7	181.1	189.7	166.4	209.7	248.5	193.0	200.7	202.6	225.9
Clearing Banks: (h)																
31. " Deposits		1,738	1,791	2,248	2,484	2,970	3,376	3,680	3,813	3,864	4,032	4,121	4,161	4,251	4,342	4,398
32. " Cash & bal. with B.E.		194	187	244	265	311	344	386	394	403	422	426	439	443	453	460
33. " Discounts		229	306	255	366	231	235	186	181	184	135	213	211	209	170	198
34. " Treasury Deposit Receipts		...	...	...	...	...	...	1,602	1,135	1,187	1,307	1,310	1,337	1,444	1,567	1,545
35. " Advances		991	844	691	944	495	642	760	740	724	758	742	758	758	758	758
36. " Deposits excl. B.E.		285	288	508	659	919	1,069	1,147	1,138	1,167	1,154	1,175	1,180	1,183	1,172	1,192
37. Interest Rates: Bank rate	Per cent.	5.498	3.048	2.24	2	2	2	2	2	2	2	2	2	2	2	2
38. " Three months' bank bills		5.26	1.87	1.18	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
39. " Day to day loans		4.47	1.61	0.87	0.76	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
40. " Yield on 2½% Consols		4.61	3.75	3.76	3.40	3.12	3.00	3.09	3.13	3.13	3.16	3.16	3.15	3.16	3.13	3.05

(a) From March, 1942, figures are exclusive of men classified as unsuitable for ordinary industrial employment, and women unsuitable for normal full-time employment. Since January, 1943, the figures have been published at quarterly intervals. (b) From January, 1940, includes former Southern and South-Eastern divisions. (c) Includes Southern division before January, 1940. (d) From September, 1939 Grimsby and Lincoln included in North Midlands instead of N.E. England. (e) From December, 1941, High Peak Parliamentary Division of Derbyshire included in North Midlands instead of North-Western England. (f) Ordinary and Self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (g) Average of weekly figures. (h) Annual figures for 1929 and 1932 do not include District Bank.

(Continued from page 60)

United States. \$ (4-86) 4-024-054; mail transfers 4-024-054. Canada. (4-86) 4-43-47; mail transfers 4-43-47. Switzerland. France 17-30-40. French Empire. France 1974-2004. Syria. p. 8-81-85. Sweden. Krona (18-159) T.Y. 16-85-95. Dutch West Indies. Florida (12-11) P. 58-62. Portugal. Escudos (110) 90-80-100-20; mail transfers 99-80-100-50. Panama. 94-02-04; mail transfers 4-02-044. Brazil. 82-8456-4 (buying); Uruguay. 7-6597-9 (buying)

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. Turkey. Piastres 520. Italy. 71.25 lire.

Market Rates.—The following rates remained unchanged between January 4th and January 11th.

Egypt. Piastre (97½)	97½.	India. Rupee (18d. per rupee)	37½—38½d.
Belgian Congo. Franc	174½.	China. National	\$3-3½.
		Braz. Rl.	128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

[illegible]

* Official Buying Rate 29.78. † Free Rate. § Did.

COMPANY RESULTS (December 20, 1944, to December 31, 1944)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Or in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Associated British Milksters	Aug. 31	£ 292,364	£ 12,226	£ 90,830	£ 127,403	£ 32,590	£ 15,000	0	50,000	+ 6,670	£ 229,177	£ 102,794	10
rickwood & Co.	Sept. 30	645,358	...	74,329	151,159	10,530	71,295	171	...	+ 7,466	469,374	99,226	14
Penney (Produce) & Sons	Sept. 30	208,083	30,799	39,750	93,160	3,937	27,000	334	10,000	+ 813	175,839	39,856	34
Noakes & Co.	Sept. 30	64,203	1,055	10,597	24,167	6,250	5,500	50	...	+ 1,153	64,567	13,781	50
Financial, Land, &c.													
Bovril Australian Estates	Jan. 31	41,730	4,675	2,025	5,089	...	...	...	...	+ 2,023	34,564	Dr. 4,681	NH
Brooklands (Weybridge)	June 30	22,542	...	1,938	6,294	1,500	...	...	...	+ 138	11,064	3,285	NH
Charterhouse Investment Trust	Nov. 11	99,119	...	45,971	67,563	18,403	22,031	5	...	+ 5,952	64,070	28,318	5
First Garden City	Sept. 30	86,952	...	22,093	53,420	3,750	6,250	5	10,000	+ 2,795	86,771	22,014	5
Hesketh Estates	Feb. 29	70,059	...	6,118	19,416	3,750	...	...	...	+ 2,532	59,994	4,366	NH
N. Zealand Loan & Mercantile Agency	June 30	569,258	26,390	66,022	164,832	32,500	25,000	3	...	+ 8,529	600,490	72,579	5
Peel River Land & Mineral	June 30	132,714	1,175	33,793	49,137	21,600	10,000	...	10,000	+ 2,193	110,808	7,106	30
Raleigh Cycle Holdings	Nov. 30	159,544	...	156,533	159,880	30,000	125,000	20	...	+ 1,533	158,158	155,575	20
Rio de Janeiro Land Mortgage	Dec. 31	41	...	Dr. 2,316	49,599	...	...	...	...	+ 2,316	Dr. 2,316	...	NH
United Motor Finance	Mar. 31	75,910	...	9,682	10,266	7,115	...	...	...	+ 2,075	49,760	7,561	NH
Whiteley Stevens (Holdings)	Aug. 31	11,731	...	11,687	19,096	3,300	4,125	71	2,500	+ 1,782	15,457	15,414	71
Motor, Aviation, &c.													
Airspeed Limited	July 31	35,151	15,047	8,044	13,452	6,390	360	6	...	+ 784	36,014	7,250	6
Briggs Motor Bodies	Dec. 31	371,822	...	98,769	141,546	...	35,000	7	60,000	+ 3,769	326,522	43,180	7
Dennis Brothers	Sept. 30	146,280	15,230	95,889	271,452	...	93,005	125	...	+ 1,264	149,725	98,400	125
Elswick-Hopner Cycle & Motor	July 31	45,972	5,120	15,303	22,000	1,790	6,641	121	7,500	+ 628	45,366	11,222	121
Henlys Limited	Aug. 31	223,666	1,407	23,301	104,935	7,332	4,500	20	10,000	+ 2,569	153,600	20,792	20
Hobson (H. M.) Aircraft & Motor	Sept. 30	119,827	10,694	43,769	82,659	39,000	15	15,000	...	+ 769	120,786	45,299	15
Smith (S.) & Sons (England)	Aug. 5	705,785	59,388	73,579	138,160	50,438	19,201	571	...	+ 3,920	662,333	81,178	571
Oil													
Apex (Trinidad) Oilfields	Sept. 30	544,659	237,065	165,266	309,749	...	165,000	30	...	+ 266	646,035	102,377	30
Rubber													
Dissona Rubber	June 30	964	...	Dr. 8,176	Dr. 43,830	...	...	...	...	+ 8,176	1,757	Dr. 10,261	NH
Dia Plantations	Dec. 31	11,806	...	1,793	8,577	3,293	...	...	...	+ 1,590	11,879	144	NH
Kuala Lumpur Rubber	June 30	1,284	...	4,551	1,285	...	...	...	...	+ 4,551	1,725	453	NH
Litsea (Java) Rubber	Aug. 31	1,040	...	Dr. 747	8,955	...	...	...	...	+ 947	650	Dr. 2,537	NH
Malaya General Co.	Aug. 31	1,518	...	2,914	3,596	...	2,436	21	...	+ 478	2,378	Dr. 8,288	21
Rim (Malacca) Rubber	June 30	1,010	...	5,991	16,147	...	...	...	...	+ 5,991	1,272	Dr. 3,630	NH
Tali Ayer Rubber	June 30	2,362	...	3,589	21,184	...	...	...	...	+ 3,589	2,406	1,345	NH
Tanjong Rubber	June 30	228	...	Dr. 700	528	...	...	...	...	+ 709	565	Dr. 7,263	NH
Shops and Stores													
Cooper & Co.'s Stores	Oct. 10	82,259	...	59,759	111,986	28,000	10,999	21	15,000	+ 6,759	81,727	53,887	21
Easterns Limited	Aug. 31	27,217	...	842	Dr. 171,393	...	...	...	...	+ 842	26,735	Dr. 20,329	NH
Harrods (Buenos Aires)	Aug. 31	400,595	39,080	257,925	536,402	211,500	50,114	11	8,275	+ 8,034	371,821	243,932	11
Tea													
Lanka Plantations	June 30	42,534	...	11,471	14,967	1,800	9,000	6	...	+ 671	42,678	11,379	6
Scottish Assam Tea	Dec. 31	53,781	...	4,101	8,201	3,979	10	...	...	+ 122	60,345	4,035	7
Textiles													
Holroyd (John) & Co.	Sept. 30	59,495	...	23,433	66,219	...	15,000	23	...	+ 6,493	58,297	34,796	23
Tramway and Omnibus													
London Transport	Sept. 30	159,790	35,544	39,600	43,449	8,400	20,000	20	10,000	+ 1,200	166,094	32,617	20
Last Kent Road Car	Sept. 30	349,850	60,090	60,804	86,485	13,000	36,000	8	10,000	+ 1,804	381,693	81,094	8
Trusts													
Army & Navy Investment Trust	Nov. 30	32,946	...	22,780	60,930	9,337	10,375	10	2,590	+ 556	32,770	22,691	10
Eden (Percy) Investment Trust	June 30	23,055	...	3,932	5,989	3,025	900	3	...	+ 7	23,174	5,365	3
Foreign Securities Investment Trust	Oct. 15	4,797	...	1,997	4,611	1,760	225	1	...	+ 2	4,572	1,896	1
Kulvin Investment Trust	Sept. 30	13,533	...	7,406	18,809	...	6,000	8	...	+ 1,406	11,712	6,578	8
London & New York Investment	Oct. 31	46,347	...	39,855	50,285	15,453	15,375	10	10,000	+ 1,024	44,832	29,460	10
New Mercantile Investment Trust	Dec. 1	87,589	...	62,052	66,738	27,757	25,937	5	15,000	+ 365	87,303	61,783	4
Scottish Allied Investors	Nov. 15	35,663	...	11,709	28,268	8,000	2,117	2	549	+ 1,043	32,796	10,507	2
Scottish Consolidated Trusts	Nov. 30	81,385	...	23,174	40,755	12,000	7,000	41	2,500	+ 1,478	74,755	19,095	41
Scottish Stockholders Investment	Nov. 30	55,361	...	25,370	37,850	19,900	2,400	1	...	+ 3,070	51,354	24,450	1
Other Companies													
Associated Talking Pictures	June 30	16,422	...	2,244	Dr. 183,581	...	...	...	...	+ 2,244	39,435	1,155	NH
Bigwood (Joshua) & Son	Sept. 30	20,865	5,783	13,544	19,888	3,240	3,750	10	...	+ 6,554	20,417	11,395	10
Calwell Paper Mills	Sept. 30	115,581	25,000	26,781	50,755	8,375	13,000	8	5,000	+ 406	141,367	21,567	8
Carronvoss Paper	Sept. 30	106,443	20,000	30,064	45,627	11,000	8,438	71	10,124	+ 442	118,452	17,818	71
Geogent Bank Co.	July 31	1,294	784	Dr. 3,464	Dr. 8,574	...	...	...	...	+ 1,961	56,612	4,026	NH
Golden Chemical	Mar. 31	63,803	...	1,965	Dr. 34,755	...	...	...	...	+ 1,965	65,768	...	NH
Ortman & Co.	Aug. 31	84,492	...	37,655	82,675	6,125	18,750	10	39,000	+ 3,190	122,798	20,796	5
Wascogues (Reading)	Sept. 30	20,349	...	8,791	22,569	5,255	15	...	...	+ 3,166	24,793	7,845	15
General Cable Manufacturing	Oct. 31	83,483	3,326	20,799	23,670	4,500	11,250	15	5,600	+ 49	84,655	20,490	20
Heenan & Froude	Aug. 31	58,525	...	25,368	32,972	...	23,500	15	...	+ 2,668	49,624	25,467	15
Word Limited	Oct. 31	149,265	...	110,766	143,182	38,000	71,775	121	...	+ 91	133,404	97,904	121
Leeds Firecly Co.	June 30	71,444	...	11,894	38,851	20,000	...	...	Dr. 8,600	+ 106	95,111	35,000	4
Joyd's Packing Warehouses	Sept. 30	208,055	23,156	54,126	119,546	5,990	17,277	5	30,000	+ 850	154,183	63,881	5
Marco Refrigerators	Sept. 30	33,641	1,604	3,465	8,391	1,312	21	...	...	+ 2,151	34,567	3,699	5
Murray (D. & W.)	July 19	46,043	...	44,168	76,988	19,427	23,361	5	...	+ 1,389	43,889	42,007	5
Skinner (Thomas) & Co.	Mar. 31	32,752	...	4,180	8,734	5,260	...	...	...	+ 1,070	19,874	8,991	NH
Stevenson, Hardy & Co.	April 30	27,612	...	12,612	32,282	...	10,000	10	...	+ 2,512	16,508	9,099	10
St. Martin Baking Co.	Mar. 31	32,089	2,976	7,059	33,269	6,719	61	...	...	+ 550	31,745	6,793	61
Sun Electrical Co.	Oct. 31	19,121	...	11,814	16,634	9,375	2,143	...	...	+ 150	22,360	11,718	...
United Match Industries	Oct. 31	14,756	...	5,925	17,467	4,397	1,031	...	...	+ 213	18,456	5,481	...
Weston Foods	June 30	114,635	9,069	103,586	121,049	45,000	...	...	30,000	+ 6,095	108,429	98,540	10
Woodhead (Jonas) & Sons	Aug. 31	104,717	...	14,737	32,251	1,129	13,118	10	...	+ 430	54,587	13,991	10
Wright's Ropes	Sept. 30	41,865	13,000	27,365	47,692	1,875	10,000	10	15,000	+ 490	38,957	21,637	81
Wright Saddle Co.	Aug. 31	9,270	...	9,021	12,034	3,750	15	5,000	...	+ 271	9,230	8,980	15
Totals (1914's)													
Dec. 29, 1941, to Dec. 31, 1944	72	7,648	697	2,374	3,699	741	17,661	...	380	+ 92	7,290	2,079	...
Whole Year, 1944	2,232	430,251	39,997	174,892	293,090	41,095	104,492	...	21,581	+ 7,799	327,577	165,321	...

COMPANY RESULTS (January 1, 1945, to January 10, 1945)

Breweries, &c.														
Wenlock Brewery Co.	Oct. 31	210,048	...	34,017	147,592	7,500	30,000	10+	-	3,483	150,740	55,890	10+	
Rubber														
Gei Kari (Siam) Rubber	June 30	82	...	Dr. 180	Dr. 2,272	...	...	...	-	180	82	Dr. 82	NH	
Shipping														
Line	Dec. 31	98,648	...	28,537	74,995	12,375	20,625	7 1/2	-	4,463	49,046	34,886	4+	
Tea														
Tea Produce	June 30	83,429	...	16,387	24,831	8,100	8,200	5	...	+	87	71,306	16,021	6
Textiles														
Ben & Son	Nov. 30	39,316	...	14,457	19,193	...	14,050	20	443	+	24	56,874	14,874	20
Ben Mill Co.	Nov. 30	49,194	...	49,194	90,069	40,200	12,500	5	-	3,505	51,874	51,874	5+	
Yashie Cotton Corporation	Oct. 31	528,970	225,000	210,351	388,634	11,823	96,462	7 1/2	-	1,200	696,532	277,782	7 1/2	
Trusts														
Claro Investment Trust	Nov. 30	164,686	...	59,571	158,437	31,550	27,344	6 1/2	...	+	677	159,325	56,862	6 1/2
Other Companies														
ed Bakeries	June 30	198,547	26,540	171,615	299,637	38,171	69,910	10	50,000	+ 13,534	179,371	147,224	10	
lish Cakes, Govering, Fochin	June 30	229,468	4,087	73,327	221,815	2,812	2,812	2 1/2	20,650	+ 3,860	257,669	64,494	2	
nekeys Limited	Oct. 9	80,518	3,300	46,885	58,261	8,500	32,430	18	5,000	+ 983	79,834	46,470	17	
idley (C.) & Co.	Sept. 30	144,605	7,587	9,357	24,561	1,426	6,088	25	2,900	-	152,430	9,421	25	
aim (Michael) & Greenwich	Dec. 31	151,223	...	147,425	216,477	...	146,296	12 1/2	...	+ 1,129	150,800	147,653	12 1/2	
arner & Newall	Sept. 30	2,513,915	215,716	535,665	635,122	55,604	366,671	12 1/2	107,000	+ 13,390	2,710,861	543,292	12 1/2	

† Free of Income Tax

THE ECONOMIST

ESTABLISHED 1843

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Export or Die

WHEN a Cabinet Minister finds himself in the difficult position of having to make a speech on a subject of urgent public importance on which His Majesty's Government has nothing to say, he has two alternative courses of action open to him. One is to take one or two little scraps of administrative action and dress them up as major decisions of policy. The other is to indulge in generalised moral exhortation to the public to cultivate a new spirit, to eschew selfish contriving, to be up and doing, and generally to relieve the Government of its awkward responsibilities. When Lord Woolton spoke at Bristol on Saturday last on the subject of exports and industrial policy, he found himself in just such an awkward fix and he decided to play safe: he chose both alternatives at once. There were the titbits: the limit for export credit guarantees is to be raised from £75 to £200 million (by not much more, in fact, than the rise in prices); 800 applications for licences to make prototypes for post-war models have been approved and 512 business men have been allowed to go abroad; the Government is making studies of overseas markets. And there were also the customary beatitudes—the spirit of adventure . . . unity of purpose . . . combined operations . . . initiative . . . enterprise. It is all a little reminiscent of the time when Lord Baldwin tried to win a General Election on the double ground that he could be trusted

and that there was an increase in the production of broccoli in Cornwall.

So many problems are nowadays described (and rightly) as crucial and urgent that it is difficult to establish an order of precedence in the public mind. Yet if there is one matter which, second only to victory, should be regarded as vital to the future welfare of the British community it is the restoration of international trade. Unfortunately, it is currently the fashion among one school of economists to cast some doubt on what should be beyond question. Their argument derives largely from the fact that dry cargo imports into the United Kingdom, which were 55 million tons a year before the war, have been successfully reduced to less than 23 million tons in 1942 and to not much more than 25 million tons in 1944. If this large reduction could be achieved at the same time as a great expansion in almost all forms of industrial activity, surely, it is argued, the country could get along even in peacetime with fewer imports than it had before the war—not perhaps with a saving of 60 per cent as in wartime, but with a saving of 30 per cent?

This argument is wholly fallacious. Of the total reduction in imports, over 10 million tons is accounted for by timber, wood pulp and paper alone. If the country is to have a building programme and a free press, these imports will have to be restored. But in any case weight is the

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The Senate invite applications for the University Readership in Logic and Scientific Method (tenable at the London School of Economics and Political Science) (salary not less than £800). Applications must be received, not later than first post on 26th February, 1945, by the Academic Registrar, University of London, Richmond College, Richmond, Surrey, from whom further particulars should be obtained.

UNIVERSITY OF GLASGOW

STEVENSON LECTURESHIP IN CITIZENSHIP.
The University Court will consider in April next an appointment to the Stevenson Lectureship in Citizenship, tenable in the first instance for a maximum period of five years from 1st October 1945, or from such date as may be arranged. The appointment will be full-time. The stipend will be £800 per annum, with superannuation. All who may be interested are asked to communicate with the undersigned, who will supply further particulars.

ROBT. T. HUTCHESON,
Secretary of University Court.

January, 1945.

CITY OF JOHANNESBURG

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NOTICE IS HEREBY GIVEN that in order to prepare the interest due 1st March next, the BALANCES of the several accounts in the above-mentioned Stock will be STUCK on the night of 28th 1st February, and that on and after the 2nd February the Stock will be transferable ex dividend.
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of war work done by women in this country express the wish to be enrolled.

Hitherto, these hardships and difficulties have been borne in good humour. Complaints have been the exception rather than the rule. Members of the Government, too, have shown a praiseworthy degree of restraint. But there is a limit to French patience. And that limit is in sight. If there is no visible improvement in the material conditions of life, if unemployment continues to increase, and if there are no adequate opportunities to serve in the common cause, there will be a sense of frustration and a feeling of being neglected. Faced with a growing volume of discontent, the Government's position might be weakened; it will have to explain, and, inevitably, it will tend to divert the public anger to the Allies and blame them for all the difficulties. It is clearly in the common interest that France should not become the neglected Ally.

The exceptional material and moral difficulties of France cannot wholly or even mainly be laid at the Allies' door. But they are in a large measure due to the assumption made by the military experts last summer and autumn that the war against Germany would be over before Christmas. On the basis of this assumption, Allied policy was sound. It was logical to concentrate entirely on the war, even if this meant temporary hardship for the civilian population of France; nor was there any case for training a large French army. But the assumption has proved to be wrong; even if there are good reasons for the hope that the war may be over in a few months, such hopes should not be allowed to form the basis of Allied policy towards France. It would be far wiser to err on the side of pessimism and to base policy on the assumption that the war will continue until the latter part of this year.

Such an assumption would inevitably involve a complete reversal of policy towards France. It would be in the common interest to absorb France more fully into the combined war effort, to bring her as an equal partner into the work of the Combined Board of Great Britain and the United States, on the military as well as on the economic sides. If the principle of equality were accepted, France would play her full part; not only in the formulation of strategy, but also in the allocation of resources. But such a decision could only be taken at the highest level, that is by Mr Churchill and President Roosevelt. Even if this would not immediately solve France's material and moral difficulties, it would go a long way towards avoiding the danger of unrest that is inherent in the present policy; and it would undoubtedly contribute to the common cause.

Promise of Disarmament

THE speech delivered to the United States Senate last week by Senator Vandenberg is a political event of some importance, which deserves close attention in many countries other than the United States itself. Senator Vandenberg is an elder statesman of the Republican Party, and of the greatest influence in its counsels. His attitude in the early months of the war has often been described as "isolationist." The description, however, may be misleading. Senator Vandenberg showed none of the frenetic and masochistic isolationism of a Nye or a Lindbergh; he was rather of the company that needed to be convinced that the United States had more to win than to lose by pouring its blood and treasure into an open war. There is every indication that the Senator's conviction, by the events that culminated in the attack on Pearl Harbour, has been genuine and that his present advocacy of international collaboration is as sincere, even if it is also as moderate and cautious, as his former attitude.

It is an axiom that American foreign policy cannot be without the active consent of both major parties.

But even if the principle of equality were accepted, it would still be necessary to take speedy measures to solve the immediate difficulties created by the shortage of consumer goods and raw materials, and by the rise in unemployment. These, as has often been stated, are largely a matter of transport, that is, of shipping as well as of inland communications. France's shipping tonnage is now less than a third of its former total of 3,000,000 gross tons; and three-quarters of this reduced fleet—including all the best ships—are in the Allied shipping pool, in whose allocation France has no voice. The number of locomotives and goods wagons is barely two-fifths of its pre-war total, and of the reduced volume of rolling stock a large proportion is used for military purposes. The number of lorries and vans has been reduced to half the pre-war total of 480,000 units, and many of them are in barely serviceable condition.

There can, of course, be no question of a sudden and large increase in supplies to France. The French public fully recognises the prior claims of the war. All that they expect is a steadily rising volume of supplies. This need not involve any change in high strategy for any wholesale withdrawal of ships from the Pacific, for example. The ships that are needed could be found by a temporary reduction of imports by the United States and by this country of commodities of which substantial stocks have been accumulated or of which civilian consumption is still at high levels. But since imports into Great Britain have already been cut to the bone and as its stocks are less plentiful than those of America, the United States could reasonably be called upon to make the bigger contribution. But if Great Britain can contribute only pence to America's pounds, that is no argument for waiting upon American action. The British pence should go at once.

The need for easing the material difficulties of France—and of other liberated countries—has been recognised by Great Britain and the United States. The announcement in Washington on Monday that Mr Stettinius, US Secretary of State, and Mr Richard Law, British Minister of State, had agreed on "interim measures" for the increase of supplies to liberated Europe suggests that both countries are alive to the problem. Again, cabled reports from Washington give rise to the hope that the revised French import plan, drawn up in consultation by M. Jean Monnet, by Shaeff, and by British and American Government officials, may at last be put into operation. Finally, the decision of the Provisional French Government to call to the colours certain age groups—no doubt based on promises of American military equipment—has done something towards the avoidance of a sense of frustration. The emphasis should now be on speed—and on graciousness—of performance.

One of the things that went wrong after 1919—indeed, in the ultimate analysis, the chief thing that went wrong—was that the settlement of Versailles was presented as the exclusive handiwork of the Democratic Party and, on those grounds, assailed by the Republicans. President Roosevelt has shown by many signs that he means to avoid this mistake. Any pronouncement by a Republican of Senator Vandenberg's eminence is, therefore, of interest. It helps to indicate how far the Republicans will go, and that, in its turn, helps to show how far the United States will go.

The pith of Senator Vandenberg's speech was a proposal that, irrespective of the fate of the Dumbarton Oaks proposals for the machinery of an international organisation, the United States should enter into a "hard and fast" commitment with its present allies for the specific purpose of preventing any breach, by either Germany or Japan, of the disarmament that is to be enforced upon them when they have finally lost the war. The Senator further proposed that, in the execution of such an alliance, the President for the time being should

be specifically exempted from any obligation to obtain Congressional sanction in advance. He should be as free to implement the agreed policy of enforcing German and Japanese disarmament as he is now free, in wartime, to carry out the strategic plans he forms as Commander-in-Chief. For a Republican Senator during a Democratic Presidency, this is a large concession.

The Vandenberg proposal is of importance for two separate reasons. In the first place, this is one of the very first specific pronouncements that have been made by any practical American politician of standing about future American foreign policy. Hitherto, virtually all the discussion, which has been mountainous in volume, has related to the constitution of the future international authority, the document that is to replace the Covenant of the League. On the side of the Administration, this concern with machinery, as distinct from the policies for which the machinery is to be used, has been virtually exclusive. All attempts to draw a statement of policy from Mr Cordell Hull during his tenure of the Secretaryship of State could produce nothing more than a collection of almost painfully empty generalities. Mr Stettinius has contributed, since his accession, only the negative point that the United States will not guarantee any European frontiers (including, presumably, the British). The silence on policy has been so complete that Mr Roosevelt's recent statement that

We cannot and will not shrink from the political responsibilities which follow in the wake of battle

could be greeted as an advance on what had gone before.

It is not even quite certain, in spite of the educative efforts of a number of publicists and newspapers, whether some of the Democratic leaders appreciate that there is any difference between the constitution of a Security Council and the policy it is to pursue. Senator Connally, the Chairman of the Foreign Relations Committee, reacted to Senator Vandenberg's proposal as if it were an alternative to the Dumbarton Oaks plan and were being set up in rivalry to it. The development of any such rivalry would be a great tragedy. The two are, of course, quite separate and distinct proposals on different planes of action. It would be possible to have a fully constituted Security Council without its members having any idea of the policies for which they were to cast their elaborately calculated votes when it met. Or if the Great Powers were at one on their ideas of the policy to be pursued, it could be put into effect without there being any special machinery at all other than the ordinary diplomatic channels. Or thirdly, and best of all, there could be both a Security Council and a policy for it to apply. Unless this distinction between machinery and policy can be clearly grasped, and firm agreement can be secured under both heads, there is little better prospect of an enduring peace than there was with the League of Nations.

The second point of importance in Senator Vandenberg's initiative, and the one that deserves the closest attention in Great Britain, lies in the nature of the policy it proposes. The senator did not make it explicit that, in proposing an alliance to enforce disarmament, he was ruling out the possibility of an alliance to do anything more. But this is fairly clearly implicit, especially when it is taken with Mr Stettinius's refusal, almost unanimously applauded in America, to guarantee any frontiers. It is a long and a difficult journey from a speech, however well applauded (and Senator Vandenberg's speech has drawn very wide praise in America), to an enacted commitment, and those who are familiar with the present state of American politics would not be prepared to lay any large wagers on the Vandenberg proposal taking final shape. The odds must be regarded as being heavily against anything more far-reaching being accepted. In effect, what the Vandenberg speech and its reception mean is that there is a fair chance of the full weight of American strength being committed to the automatic enforcement of German and Japanese disarmament, but that there is much less chance

of any American promises to support any other policies upon which the present Allies may enter.

Indeed, the argument goes further, partly in explicit terms and partly by necessary implication. Not only would an American commitment to enforce the disarmament of Germany and Japan carry with it no implied support for other policies, it would be likely to be weakened and conceivably even withdrawn if some other policies were developed. Senator Vandenberg made it clear that, in his view, the adoption of his proposal would render unnecessary such examples of "unilateral or bilateral" action as the "partition of Poland" and the Anglo-Soviet and Franco-Soviet treaties. This line of argument obviously could not be carried to the extreme of requiring the other Powers to accept an American guarantee of permanent German and Japanese disarmament as being the sum total of what was necessary to guarantee peace. But every contract entered into by the United States—or by any other country where there is popular control of foreign affairs—inevitably has an unspoken proviso about the good behaviour of the other parties, who must take this into account in making their own calculations. They would probably be wise in assuming that policies which, however much they might offend the perfectionists at the start, nevertheless worked out over the years to the manifest advantage of world peace, would not be held by American opinion to be incompatible with the prompt implementation of a guarantee of disarmament. A good-neighbourly association of the Western European states would, it might be hoped, be one such policy. But policies which will lead over the years to a continued volume of rancorous controversy and which, when passions are stilled, will arouse honest doubts in reasonable men about the justice of the Allied action, will have a disastrous effect on the willingness of the Americans (and, let it be said in all frankness, of other democratic peoples) to honour their pledges with any promptness or enthusiasm.

Such are, beyond question, any annexations to other countries of undeniably German lands, any forced expulsions of German populations, any partitioning of the German homeland, and the imposition of any economic disabilities which have the effect of permanently lowering the German standard of living. A limited and short period of penalties imposed on the German people is a different matter; they will not arouse controversy, save of a historical kind, in 1960. Enforced and unilateral disarmament, such as Senator Vandenberg is now proposing to support, will also pass the test, since there will probably be few American or British voices, even in 1960, to question its necessity or justice. But other policies that are both penal and permanent will raise controversy and breed doubts and disunity. They will provide admirable arguments for all the lazy, the irresolute and the wishful thinkers who want to slough off the heavy burdens of enforcement. The fact that some American political leaders, notably Mr Morgenthau, have identified themselves with proposals for the savage repression of Germany should not be allowed to mislead. These proposals carried with them no promise of firm commitments by the United States to enforce them; and if any such promise were made by the Administration it would be certain to be repudiated by Congress. To indulge in righteous anger is one thing; but to make hard and fast promises of heavy contributions for years to come is quite another.

To those who can see present events in an historical context, the Vandenberg speech should be taken both as a promise and as a warning. It is a promise in that it suggests the possibility of the United States undertaking specific commitments much beyond anything that has ever been done in the past. It is a warning in that it puts a condition of moderation upon the offer. If a moderate and permanently maintainable settlement were against the interests of the other Allies, an attempt to impose it as the price for an American guarantee of German and Japanese disarmament would be properly resented. But since such a settlement is manifestly in line with what British policy always has been and soon will be again, such reinforcement from America should be something for which full gratitude can be expressed.

Domestic Service

BEFORE the war the "servant problem" was an un-failing source of music-hall humour. Quips about the inconstancy and hery independence of a new generation of servants—in much better taste than the wordy parlour-maid anecdotes so popular with the Victorians and Edwardians—drew attention to a serious dislocation in the supply and demand of domestic service. The problem was a new one. In the nineteenth century the supply of servants had always exceeded the demand for them. They were cheap and their status was low.

In the years between the two world wars certain forces tended to preserve the *status quo*. The reduction in the size of the average family, particularly in the size of the average well-to-do family, inevitably reduced the demand for domestic servants. The electrification of houses and the development and mass-production of labour-saving devices tended, similarly, to depress the market for domestic service. But these developments were more than neutralised by contemporary changes directed towards a more equal distribution of the national income. The real wages of the poor improved; the rich were taxed more heavily; and the social consciousness of the nation became more acute. Though the number of wealthy families gradually declined, the number of professional and salaried workers steadily increased. By 1939 there were fewer families that could afford to employ more than one servant, but more families than ever before anxious to engage a part-time help or a maid-of-all-work. The demand for domestic workers (a more accurate name than "servants") has almost certainly increased during the past thirty years.

The supply, on the other hand, has decreased very markedly. Domestic service is a blind-alley occupation, poorly paid, unorganised and often tedious and uncongenial. The modern girl of working-class origin finds work in a shop, office or factory a much more attractive proposition than work in someone else's home.

This reaction is in itself a sign of social progress. But the reaction itself does not eliminate the problem. Domestic service is essential in peace as in war. It is uneconomic only when it is abused—when it allows employers to live in parasitical idleness. A worker who, by performing the daily round and common task of others, sets them free for valuable enterprise is a key-worker with an important rôle in society. Domestic service is essential, too, when it ministers to the needs of the sick, the aged, the incapacitated and the overworked. It has a very necessary function in the division-of-labour system on which the economic life of the community is based.

The history of domestic service during the war is worth recording. In 1940 the supply of domestic workers practically disappeared. There were complaints from mothers of large families, invalids and elderly people, but their problems seemed insignificant among the major problems of mobilisation for total war. The conscription of women and the absorption of many into part-time work (by the middle of 1944 900,000 were engaged on part-time work in industry and 300,000 in part-time civil defence) brought home to a larger part of the population than ever before the fact that domestic work is an important and difficult occupation.

As the war progressed, the shortage of domestic workers among the civilian population spread to the hospitals and became so acute that it could not be ignored by Parliament or the press. The Hetherington Committee was appointed to consider the question of wages in hospitals and similar institutions, and after its recommendations for national minimum rates had been accepted in November, 1943, the Ministry of Labour was able to direct women to such work. The same month, two typical examples of shortages were cited in the House of Commons. At the Harefield Sanatorium, with a patient and staff population of over 1,400, the kitchen staff consisted of an assistant cook and three daily women. At the Hillingdon General Hospital the domestic staff were 40 below establishment.

Nurses everywhere were having to do domestic work in addition to their nursing. Many institutions were closed down.

A year later, another storm broke out. Mr. Bevin's statement on the staffing of hospitals—by this time more London hospitals had been compelled to reduce their beds—showed that the supply of domestic workers had been further disrupted by the flying-bomb attacks and the imperative need to provide hostel accommodation for bombed-out civilians and the army of repair workers. He promised a speedy return to normal conditions, but hinted that the voluntary hospitals could help themselves by improving their personnel management and their methods of staffing. These he described as antiquated.

Mr. Bevin's criticism was important, for the retorts which it drew from the London hospitals reveal the crux of the domestic service problem. The hospitals complained that the Ministry sent them unsuitable people who either could not, or would not, do the work. A matron said that no member of her domestic staff had sufficient intelligence to use an electric scrubbing machine. The secretary of another hospital declared that their applicants began by saying that they could not do any scrubbing and did not want to do heavy polishing. It was said that recruits to the service were of two classes—those who could do the work and mental defectives. The former invariably left after a few days.

For many years now, in Britain, the belief has persisted that domestic work can be done by people who are too dull-minded to do anything else. The mistake has had unfortunate results. The cumulative effects of the war have greatly increased the demand for domestic workers in hostels and hospitals, but the employment exchanges have no classification to guide them in the task of direction.

It may be thought that with the return of a free market after the war the domestic service problem will disappear. Given some form of organisation there is no doubt that the bargaining power of domestic workers should be strong enough to ensure considerable improvement in their working conditions and remuneration, for they will enjoy a sellers' market for several years at least. But this is only one part of the problem. From the point of view of the nation as a whole it is essential that man-power and woman-power should be disposed so that the productivity of each unit is at its maximum. During the war women have made a notable contribution to the war effort. Indeed, nothing has been more remarkable and praiseworthy than the smooth and efficient way in which Britain's "hidden reserve" of labour has been mobilised and set to productive work.

That the harnessing of this extra power has been possible is due very largely to the communal sharing of domestic responsibilities. Canteens, crèches and schools have relieved the housewife of many duties. There has been, too, a welcome improvement in the domesticity of males. Even so, war work has put a very great strain on all married women—a hardship that could not be tolerated under conditions of peace. It is very necessary, therefore, that everything possible should be done to reduce the burden of domestic work for as many women as possible.

There are three parts to the solution. First, domestic work itself should be reduced and lightened. This can be effected by improvements in the design and lay-out of houses, by progress in electrification, by the multiplication and widespread adoption of labour-saving devices, and by the extension of communal services. Secondly, there should be a new attitude, within the family unit, to the duties of household management. It is surely time that the Victorian male's selfish conception of the division of domestic labour was superseded by an arrangement more equalitarian. The new attitude develops very slowly. Suitable propaganda might produce some acceleration.

Thirdly, and perhaps most important, it is necessary to reform the conditions of paid domestic service. The service will not attract the necessary recruits of the right type until people can be persuaded that it is a worthwhile occupation with satisfactory status, opportunities for advancement and reasonable security. In the pre-war years young women and girls would take almost any job in preference to that of a domestic worker. The primary reason was not the low standard of remuneration or the feared lack of freedom—though both were contributory—but the belief that to become a "servant" was to take a definite step downwards in the social scale.

Those who argue that the fault has been with one side or the other—with the employer or the worker—are a hindrance to any improvement. There are no common standards, at least none is known, on which to base generalisations. It has been suggested that a Domestic Worker's Charter is needed—to regulate conditions of employment and the machinery of their implementation. Such a charter would prescribe reasonable hours of work, minimum rates of pay, definite holidays and standards of accommodation. But in an occupation where so many of the standards are subjective, and which is dispersed into so many of the smallest units, there would be formidable difficulties to either in defining or in conferring such a charter. An employer could observe all the formal stipulations and still be a poor employer. And a fully certificated worker, with the wrong personality, could be more nuisance than help in an ordinary home.

Yet it remains true that the suitable training of recruits

could do much towards raising the standard of domestic service. It should be possible to devise courses of instruction that would prepare workers for advancement to higher posts in hostels, hotels, hospitals, and holiday camps. Subjects not always associated with domestic work, such as child care, gardening, motoring, might be included in such courses. Many Government training centres will be maintained after the war. They should provide opportunities for young people to prepare for respectable careers in domestic service and those attaining a prescribed standard of efficiency should be awarded diplomas guaranteeing them the minimum wage.

In the past central and local government authorities and private profit-making and non profit-making bodies have all had some share in the piecemeal organisation of domestic service. Their efforts have been uncoordinated and tentative. A comprehensive plan should be now evolved to cover the domestic service needs of the whole country. For most occupations there is fairly adequate statistical material on which to base schemes of reconstruction. For domestic service there is none; and the planning now needed—which must aim, in the first place, at the readjustment of supply and demand—must be done almost entirely in the dark.

The Ministry of Labour is even now considering a plan by Miss Violet Markham for raising the status of domestic workers and organising the service. It would be well if the scheme could be published so that the problem, which has been submerged for so long, should be brought into the full light of public discussion.

Selection of Pupils

THE great weakness of the present method of selecting pupils for secondary or higher education is that it is highly competitive. The present secondary school curriculum is certainly not suitable for all children, and perhaps not even for the majority of children; but the great social advantages which such schooling confers and the lack of suitable alternatives has produced a scramble for the few free places in secondary schools. The entry examination to secondary schools takes place at the age of 11. Selection at 11 would be far too early even to decide finally what type of further education a pupil should receive. But at present the system, as the Director of Education for Hertfordshire has recently written, is "catastrophic," in the sense that

a child's whole future education (and consequently future career) is decided on the way he or she answers a certain number of relatively simple questions in the basic subjects on one spring morning.*

It is small wonder that the elementary school curriculum is governed by the entry examination to be taken at 11.

But the secondary school curriculum is similarly determined by the School Certificate or matriculation examination to be taken at 16, which acts not merely as a qualifying test for University entrance but as a valuable aid in gaining suitable employment. Thus the present system of education is governed by two examinations, one of which is highly competitive and the other very difficult to many pupils because of the wide range of subjects in which proficiency is required. The resulting forcing and coaching of pupils, the strain on pupils and teachers, and the restriction of the curriculum to examination needs, are well-known facts.

The revulsion against this examination system led the Norwood committee to urge its complete rejection. The committee proposed that children should be given

*"Willingly to School." By John Newsom (SCM Press Ltd. 96 pages. 2s. 6d.). Mr Newsom's book stands out among works on education as much for its sprightly avoidance of the usual sermonical vocabulary as it does for its sound common sense.

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an appropriate type of secondary education in accordance with the records of their teachers and the wishes of their parents, supplemented, if necessary, by intelligence or other tests. The School Certificate should do no more than indicate the pupil's standard in each individual subject. Eventually, it should be abolished altogether and be replaced by an internal school-leaving examination, set and marked by the pupil's own teachers. Pupils and teachers would thus be released from any slavery to external examinations in either primary or secondary education. Both would be set free to follow their natural bent instead of being forced into a mould. Pupils would be relieved of the intolerable strain of competing in examinations in which large numbers are unsuccessful; and teachers would be able to experiment with their own methods and curricula. As the Norwood report puts it

The time has come when the teaching profession should have the chance to shoulder its own responsibilities and thereby gain its freedom and enhance its prestige.

The picture painted by the Norwood report is in many ways ideal. It envisages a world in which secondary education is provided for all in accordance with their needs and abilities and without the strain and limitations of competitive examination; or in other words it takes as its starting point the equality of secondary education which it is the aim of the Education Act of 1944 to create. But it is just this assumption which is at the least premature. The new Act promises, in due course, to all alike a full secondary schooling up to the age of 16, followed by compulsory part-time education up to 18. This will end the present intolerable system under which secondary education with all its great advantages, is available only to those who can pay for it and to the small minority of elementary pupils—less than 10 per cent—who are awarded it on merit. But the mere extension of secondary education to all will not have the effect of making all types of secondary school equally sought after. On the contrary it may have the initial effect of heightening the already intense competition for what are regarded as the "best" schools; for the argument may run that, since it will be compulsory to stay at school until the age of 16, it is all the more important to employ the time profitably. Thus any differences in the standards reached by the different types of school may be accentuated; and few can doubt that there will in practice be very great differences in standard for at any rate a long time.

During a period of great shortage of teachers and equipment, secondary education will have to be provided for the nine-tenths of children who at present attend only "senior" schools. Many new buildings will be needed most urgently in the case of those "senior" schools which are still housed jointly with elementary schools. The most difficult task will be to find and train enough good teachers to go round. Even when initial difficulties have been overcome, the new secondary schools, whatever they are termed and whatever their curricula, will certainly not enjoy parity of esteem with existing ones unless their staff, accommodation and management are equally good—and even then there may be fences of social preference to surmount. This is the goal which should be tirelessly and urgently worked for. Only through its realisation can each child be given the fairest educational start in life of which he is capable. But the process will inevitably be very slow. The standards set by existing grammar schools are very high and it will be hard work to catch them up. The prestige and opportunities associated with them will perhaps linger still longer.

The Norwood recommendations ignore these facts. In attacking the examination system, they mistake the symptom for the disease. The disease is in fact the limited amount of first-rate secondary and higher education available, which must inevitably give rise to fierce competition. External examinations are not a useless and out-dated nuisance like the human appendix but a fairer way of deciding such competition than any other that has yet been suggested. The crucial external examina-

tions taken at 11 and 16 are conducted with great skill and impartiality by impersonal boards, who are well aware of the danger of pupils passing by means of artificial coaching or "forcing." The alternative method of selection by means of teachers' reports and parents' wishes is both unworkable and unfair where there is any competition. Even if teachers' reports were presented in standardised form and were accepted as reliable, it would be impossible to judge fairly between pupils in different schools because of the different standards and outlook obtaining. The solution of making the Ministry of Education's inspectors responsible for the co-ordination of teachers' reports would be clumsy and would still leave the decision on a personal plane. Parents' wishes are still more unreliable and even in some cases, unfair to their children. A valuable report by a sub-committee of the Essex Education Committee finds that

for every 200 children there are at least seven able to profit from higher (e.g. secondary) education who are withheld by their parents from taking the entrance test.

Such reluctance is of course dictated by economic circumstances, but in any case the aim of democratic education must be to give each pupil the education he himself deserves and wishes. The same report states that out of 306 elementary school heads who were questioned, 218 gave unqualified and 78 qualified approval to the examination system, while with few exceptions the secondary heads also

prefer the present examination system to any combination of intelligence tests and school records.

This is striking confirmation of the necessity of external examinations from the very people who are most affected by their demands and inconveniences.

It is not suggested that present external examinations could not be improved. Their tendency to restrict the freedom of both teachers and pupils by dictating the whole syllabus, thus leaving little time for non-relevant subjects, could be reduced by broadening the scope and increasing the number of individual subjects. Schools could be left much freer to compose their own curricula, without removing the safeguard of an objective external test of the standard reached in the subjects chosen—a test which is valuable for the comparison it draws between schools as well as between pupils. An increasing use should certainly be made of school records, which should be standardised as far as possible, and also of personal interviews and carefully framed intelligence tests. But it must be repeated that school records can only replace external examinations as a method of selection very gradually as the gap between the "worst" and the "best" secondary education narrows.

The present selection of pupils made at the age of 11 is virtually irreversible, apart from the opportunity for a small number of "senior" school pupils to transfer to secondary schools at the age of 13. When the school-leaving age is raised to 16, this selection will still have to be made at 11 or not much more. Since so much depends for each child upon this selection, it is vital that there should be adequate opportunities for the transfer of pupils between different types of secondary school. It is, anyhow, impossible to decide finally at such an early age for what type of secondary education a child is best suited. Many "late developers" only show their ability later than 11 or even 13, and any method of selection inevitably produces a proportion of misfits—for instance, grammar-school pupils who would be happier at a junior technical school. There are, however, great difficulties in the way of frequent transfers. One is the loyalty of the pupil to his existing school and perhaps his teachers' reluctance to lose him; another is the reluctance of teachers and parents to sanction transfer to any type of school that carries less prestige; and others are the technical difficulties and psychological upsets involved in such movements. One possible solution to these difficulties lies in the development of "multilateral" schools, in which all types of secondary education would be carried on side by side and in which

transfer from one branch to another could be easily and smoothly effected by the decision of the teachers concerned. There are of course many other arguments for and against multilateral schools which cannot be discussed here; but the task of fitting the appropriate educational cap on each child points straight in their direction.

To bring all types of secondary education to a common and high level must be a major aim of educational progress in the next few decades. But no one should underestimate the width of the gulf that lies at present between, for instance, the grammar school and the "senior" school from which in practice the new "modern" school must initially evolve. The selection of pupils for different types

of secondary education must be based, eventually, purely and simply upon their own various needs; and these needs can doubtless be ascertained from school records. But, so long as there is a "better" and a "worse" in secondary education, it would be grossly unfair were the selection of pupils for the "better" secondary schools not to take place by open competition, held on as impartial and objective a basis as can be devised. Only when there are not merely secondary schools for all, but the right place in the right school for each child, can the strain and disappointment of competition be replaced by the harmony and continuity of natural educational development.

NOTES OF THE WEEK

Russia Strikes

With the launching of a sevenfold Russian offensive in Poland, Germany is facing the supreme crisis of the war, a crisis in some respects even more threatening than the collapse last September of the German defences in the West. The Russians have before them the open Polish and German plain with no Siegfried Line to cover the German frontier. The Russian armies, whose thrusts have been timed and co-ordinated with clockwork precision, are not likely to outrun their supplies and communication lines for some considerable time. The Soviet High Command has certainly used the long lull on the Polish front to build up a tremendous striking power with vast reserves behind it. The Russians are also reaping the harvest of the Hungarian campaign—the German divisions diverted to the defence of Austria cannot be swung back to support the Wehrmacht in Poland. Only central reserves and some units from the western or Italian front can be switched to the battlefields in the east. But Rundstedt can now rightly claim that his Ardennes offensive, though ostensibly it has failed to achieve any success, has nevertheless averted the immediate danger of co-ordinated Allied offensives on all fronts, a danger which would have spelt certain doom for Germany.

Nobody can yet prophesy whether the Russian offensives by themselves will have enough momentum to give Germany the knock-out blow. The armies of Zhukov, Rokossovsky and Koniev are marching with the slogan: "To Berlin!" The whole of Poland is likely to fall to Russia. So, too, may East Prussia, which is virtually outflanked by the capture of Warsaw; Upper Silesia, too, may be lost, for Marshal Koniev is already knocking at its gates. The best the Germans can still hope for is to hold the Oder line; they can perhaps hope, too, that the Germans' long instilled fear of Russia will produce the courage of despair. If these hopes fail, Berlin's Brandenburger Tor may see before very long the victorious march past of the Red Army.

Truce in Greece

The "cease fire" has sounded in Greece. ELAS forces are withdrawing not only from the Athens area, where they were defeated by British arms, but from Salonika, where they were in complete control. The demarcation line gives the British roughly the same area as that which was effectively occupied by the Germans. ELAS are retiring to the hills where guerilla activities can for a time continue to fight much more strongly armed forces. They have exchanged prisoners of war on an equal basis, which leaves a large balance of ELAS prisoners still in British hands. On the other hand, ELAS have taken hostages away to their own areas. Clearly, the truce is a state of unstable equilibrium only, a breathing space in which to prepare new policies.

The great question before the British Government is what policy will now be pursued. There are broadly two alternatives. One is to regard ELAS and EAM as a defeated and dissolving coalition, without popular support, a band of rebels who tried to conquer the state violently and who, having failed, can now be wiped out by the imperial and republican Greek Government of General Plastiras. Evidence and support for this view are sought in the announcements made by some members of the ELD (the Union of Popular Democrats) that their party has

renounced EAM and its extremist leadership, and in the action of seventeen trade unionists who formally thanked the British Ambassador for the intervention of the British Army. It appears to be the policy of General Plastiras himself, for he has refused an amnesty and promises punishment to the leaders of EAM. He also announced British support for the creation of a large Greek national army. This army is, it is true, to be recruited to fight the Germans, but it is difficult to see how it could do so with at least two-thirds of Greece still under EAM control. It is therefore a fair assumption that its first task would be the "purge" of EAM announced by General Plastiras.

But there is another possible policy for Greece, a radically different one. It is the policy outlined by Mr Eden in the House of Commons on December 20th, and which, until it is contradicted, ought still to be the policy of His Majesty's Government. It is quite simply to use the truce to bring EAM back into the Greek Government on the basis of an agreed settlement of the disarmament problem and an agreed policy on eventual free elections.

The logic behind this policy is the fact that the ELAS forces still control most of Greece and that any policy short of conciliation can only lead to prolonged civil war. It is far from certain that the evidence for the disintegration of EAM is correct. The Athens spokesmen both of ELD and the trade unions are all unknown men. Neither the president nor the secretary of ELD signed the declaration. No news can come from ELAS sources, for the British and American journalists are denied access to ELAS leaders. Finally, although the Plastiras Government may aim at impartiality, and the British military authorities certainly do, last Sunday's demonstrations in Athens should have served as a shrewd reminder that to preserve impartiality in Greece the British must be as watchful of the Right as of the Left. The bulk of the demonstrators were EDES men—the right-wing guerillas—and Monarchists.

If the British Government allow the drift of events to manoeuvre them into accepting the policy of reprisal and repression, they will find themselves fighting as partisans in a renewed civil war. Their only course is to compel negotiation. To a very large extent, the Plastiras Government is of their making. It is dependent upon British arms. It is therefore essential that there should be no departure from the earlier declared policy of the British Government—truce, negotiation, the rebuilding of the coalition, agreement on disarmament and finally free elections.

Lord Swinton Reports

The House of Lords debate on the International Civil Aviation Conference provided a good opportunity for a full official statement of British policy at Chicago. Lord Swinton's report was well received and the wisdom of his appointment endorsed.

The explanation of the point of view supported by delegates from the British Commonwealth and an account of the progress and achievements of the negotiations brought little new information to light. It did serve, however, to bring together in a comprehensive form the substance of the day-to-day reports. Possibly, some fuller explanation might be made, through the medium of press conferences and for the benefit of the American public, of the British argument that, in Lord Swinton's words,

... wasteful, unlimited competition is a breeding ground of waste and ill-will, and the best breeding-ground of subsidies you can have.

The extent to which this reasoning remains entirely unappreciated among the United States public is, in view of the clear lesson provided by pre-war civil air transport, quite surprising. If, as Lord Rothermere suggested, public opinion in America was not really behind some of the policies put forward at Chicago, it might have been even less so if objective information had been more readily available. To remedy this lack is the quickest and surest method of bringing American opinion round to renewed negotiations on the regulation of fifth freedom traffic.

Lord Swinton concluded with the announcement that a permanent Commonwealth Air Council of a consultative character had been established during the discussions at Montreal. The value of such a body, meeting from time to time in different parts of the Commonwealth, is obvious, particularly at the present time, when so much preliminary work needs to be done on routes and methods of joint operation.

On the question of Newfoundland, whose Commission of Government at first reserved its signature to the first two freedoms (thus refusing general permission in advance to foreign aircraft to land, even for refuelling), Lord Swinton's explanation was reassuring. From the American point of view, this move looked at first like a British attempt to control transatlantic airlines, and to use the pawn of the Newfoundland stepping-stone to gain concessions from the United States. That the Commission of Government has now reversed its decision will help towards dispelling American suspicions of Britain's sincerity in advocating full international co-operation in the expansion of civil air transport.

Canadian Elections

The skill with which Mr Mackenzie King surmounted the Parliamentary crisis over conscription in November and December has, it is now clear, won him only a brief respite. Faced with what looked like an irreconcilable quarrel within the ranks of his Cabinet and his party between those who insisted on conscription for overseas service at once and those who would not have it at any price, he contrived to secure a large vote of confidence from the House of Commons at the cost of only two Ministerial resignations (one on each side) and a handful of defections among his followers.

Given time, the Prime Minister might yet heal the breaches, as he has done many times before. But time is the one thing he cannot have, since the present House of Commons must be dissolved in April at the latest. General McNaughton, the new Minister of National Defence, is standing in a by-election for the House of Commons, where he has no seat at present. He is being opposed by the Co-operative Commonwealth Federation (or Socialist Party) whose votes contributed to Mr King's majority last month, and there is apparently doubt whether he will be returned. The Prime Minister has now announced that Parliament will be prorogued at the end of this month, and that further action will depend upon the result of the by-election on February 7th. The clear implication is that if the General is defeated, Parliament will be dissolved at once.

The prophets are finding it unusually difficult to predict what the result of the General Election will be. It seems almost impossible that the Liberals should secure another overall majority. They have been losing ground in almost all the English-speaking provinces, and in Quebec the Government's ambiguous stand on conscription has probably cost them the province's support. It may well be, however, that the Quebec seats will go to a local party,

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, and this may mean a gap of many months before the despatch of copies can be resumed.

which would support the Liberals—*faute de mieux*—on all other issues. Whether the Progressive-Conservatives or the CCF will gain the more seats west of Quebec is an open question. And what their policies would be in international and Commonwealth matters is still more unknown. The CCF has strong isolationist, or at least nationalist, elements, and the Conservatives (though not their new Progressive allies) are the traditional loyalists of the imperial connection. Canada is on the verge of Great Power status, and the developments of domestic politics in the next few months will have perceptible effects on world affairs.

Oil Pipelines

The secret of the oil pipelines, which had been well kept, has been revealed this week. Since 1942 many hundreds of miles of pipeline have been laid in England by the Petroleum Board at the cost of the state. The original purpose was to avoid the necessity for tankers to come up the Channel, or into the North Sea, and the first line was laid from western ports to the London area. The second was from the Mersey to a junction with the first line. Thereafter, however, the purpose somewhat changed, and further pipelines were laid to distribute fuel to the bomber stations and to the south coast in preparation for the invasion of France.

The idea of a network of pipelines is not, of course, at all new; it is one of those obvious things, like summer time and universal suffrage, that are never done except in wartime. But having been done, the question of the future use arises. Some of the pipelines—those from the ports to the centres of population—will be as useful in peacetime as in war. Others have been laid to destinations which will be of less importance when there are no active bomber fleets to maintain. Without knowing the exact locations, it is legitimate to suppose that, with relatively slight further expenditure (the whole process is not very costly), a fairly complete network could be developed.

How should this state-owned pipeline be used? Pipelines can be treated as common carriers, handling any oil that is presented to them without admixture. But in this country, where the production and distribution of oil is so highly cartelised, there are really only two solutions. Either the pipelines should be sold to the industry, to be operated by it co-operatively. Or else the public ownership of the pipeline should be made the basis for a considerably wider state intervention in the domestic petroleum industry—that is, in all operations carried on in this country subsequently to the import of the oil, crude or refined—than has hitherto existed. There is more to be said for the latter solution than might appear at first sight. The problem of domestic refining is shot through with the public interest. And the distributive system by which the major companies have competed with each other by costly advertisement campaigns—costly, that is, to the consumer—but not by price or quality, makes as good an abstract case for Socialist reform as any of the familiar textbook examples.

Uneasiness in Japan

The American advance in Luzon and the heavy raids by Super-Fortresses on the Japanese mainland are causing a wave of extreme uneasiness in Japan. The Diet is to meet on January 21st, and it is likely that it will insist upon a change of policy and possibly a change of government as well. This Diet, elected in 1942, although it still contains many of the members from the old Constitutional parties, the Seiyukai and the Minseito, has an extremist element of deputies elected by the semi-totalitarian Imperial Rule Assistance Association. The President of the Association, Admiral Kobayashi, has held conferences with group leaders and local directors, and it is known that the Members of the Diet are pressing for a radical change in policy.

Any changes will certainly be in the direction of more complete economic mobilisation—there are complaints of slackness, of a falling munitions output, and general incompetence—and of more ruthless political action. Japan is still carrying on its politics on a semi-normal constitutional basis. There are no mass arrests or executions. The extremist elements probably think the time has come for a more energetic "rallying" of public opinion. The phase reached by Germany in 1943 is approaching in Japan, and the Japanese are probably looking for a Himmler to stiffen their resistance.

Science in Industry

Last week the scientists of the British Association left their laboratories to discuss "The Place of Science in Industry," and in doing so they made a gesture of good will that the business man ought swiftly to reciprocate.

Before the war, the scientist's rôle in industry was extremely restricted. He was very much the junior partner, and his activities were regarded by most industrialists with a complete lack of enthusiasm. This discord prevailed because science and industry did not understand each other: they spoke different languages. Lacking knowledge even of the rudiments of science, the average business man was unable to grasp the significance of the scientist's work. And the scientist, for his part, seldom tried to speak in the terms of the industrialist—in terms of costs and production. The gap should have been filled by interpreters, by scientists operating at the development level and able to work in harmony with the technicians. But the inadequate provision for scientific education precluded this in most cases. Scientists, pure or applied, were far too rare.

During the war the position has been vastly improved. The tasks of science have been clearly defined and a sense of urgency has inspired the efforts of scientists and industrialists alike. The record of progress outlined in the various speeches at the conference shows how profitable this close partnership can be.

Nothing could contribute more usefully to reconstruction than the perfecting of this partnership. It is surely time that the fine words and promises heard so often during recent years should be translated into facts. The first need is for a great increase in expenditure on scientific training of all kinds—but, above all, on training for industrial research and development work. As Mr W. C. Devereux pointed out to the conference:

There is a lack at present of suitable men for the higher posts in research management and administration. Unless the universities turn out a sufficient number of men qualified to interpret the new knowledge to industry, other countries, particularly the United States, will reap the benefit of the brilliant work being done in our university research laboratories.

The provision of the necessary funds for this purpose is clearly a duty of the state. It is essential, too, that the state's taxation policy should be so devised that industry is encouraged to spend wisely on all branches of research.

There remains the all-important task of reforming the attitude of industry towards science; and it is clearly a reform that must proceed from within. The direction and management of industry should be strengthened by men who combine at least a background of scientific knowledge with their business acumen; and they should be able to consult the expert scientist at every stage of their work. Until these requirements are met, it is impossible for British industry to mobilise and employ all the resources at its command.

The Yugoslav Dilemma

King Peter of Yugoslavia has put on record his objections to the agreement between Premier Subasich and Marshal Tito on the form of the Yugoslav Government. The King vetoes the candidates for the Regency proposed by the Prime Minister and the Commander-in-Chief and insists on his right to appoint the Regents. He also protests against the transfer of "unrestricted legislative power" to the Anti-Fascist Council of National Liberation. It is not very easy to see clearly the rights and wrongs of this dispute. Some reports from Yugoslavia suggest that the monarchy in Yugoslavia is not much more popular than it is in Greece. The victims of Alexander I's dictatorial and pan-Serb regime in pre-war Yugoslavia must have read with some scepticism the King's reference to "the democratic traditions of his forefathers" and to his own constitutional attitude. He is at least open to the suspicion that his democratic scruples may be a cloak for a policy of restoring the centralised Serb hegemony of pre-war years. This certainly is the interpretation put upon his statement by Marshal Tito and presumably by the Russian authorities as well.

Quite apart from the King, however, the objections to the Marshal Tito's regime cannot be dismissed lightly. The King's suspicion that the Subasich-Tito agreement "suggests a transfer of power to a single political group" is shared by non-Royalist politicians. The exiled representatives of the peasant parties, Serb and Croat, have put on record their protests against Marshal Tito's totalitarian practices in words not very different from the King's. As

in other countries, the campaign of hatred waged in Yugoslavia by the Communists against all their political opponents may result in artificial coalitions between the authoritarian Right and the moderate Left; and Allied policy is all too likely to be faced with the unenviable choice between two rival extremisms.

Tory Plan for Housing

The opinions of the Conservative Party on the housing problem make a valuable addition to pre-election literature. The provision of homes, particularly for bombed-out families and demobilised Servicemen, is going to be one of the major issues both of local and national elections, and the methods and principles declared by each party are bound to be critically examined. The latest Conservative reconstruction report, although it claims to be part of a "general survey" of post-war problems, is written with a careful eye on the gallery.

The report adopts a target figure of 750,000 houses, to be built in two years after the end of the war. This compares with 300,000 permanent houses proposed by the Government. The report, correctly, emphasises that, in order to meet the nation's vast housing needs, "non-traditional" methods of construction and pre-fabrication will have to be extensively applied. The Conservative committee was greatly impressed with the results of the Northolt experiment in prefabrication, and urges that it should be extended. It further proposes that local authorities should provide estimates of their immediate housing needs, with a view to compiling a national survey, that architects, townplanners and building craftsmen should be given priority of release from the services, and that all available temporary accommodation in camps and hostels should be utilised.

This is all very necessary in the emergency period. But when it comes to the question of agencies and finance for the longer term, the report is on less firm ground. It is an admirable objective to say that

private enterprise . . . must make up its mind to build houses to let in far greater numbers than heretofore.

but merely to raise the upper limit of the value of houses

An Invitation
THE
PRIME MINISTER
has said:
"We must make exertions to
restore our export trade."

The Midland Bank invites all who are making plans for business with other countries to take advantage now of the Bank's co-operation.

The Overseas Branch of the Bank in London and the Foreign Branches in various provincial centres have a vast fund of information and experience, and through many thousands of banking agents in all parts of the world facilities are available for handling every type of transaction.

The Manager of any of the Bank's 1,800 branches will welcome the opportunity of discussing problems related to foreign trade.

MIDLAND BANK
LIMITED

for which subsidies can be granted will not by itself achieve very much. The report proposes that any house with a floor area not exceeding 1,750 square feet should be subsidised, and that the subsidy should be half the amount by which building costs after the war exceed the 1939 level. No such programme, even with its pious admonition, could possibly induce private enterprise to forgo the attractions of building houses to sell instead of to let. Moreover, a subsidy given on the excess of natural cost over a fixed figure has been proved to be the most wasteful of all methods.

Apart from some useful, though cautious, suggestions—the strengthening of bye-laws controlling sub-lets and the employment of estate managers on housing estates—the contribution of the report to an adequate solution of the complex problem of housing is seriously limited by its unwillingness to contemplate central enough control of the forms of building. If anything is to be learnt from the miserable past of Government housing policy, it is that new methods of administration, no less than new methods of building, can hardly do worse than the old ones.

Ruthenia and the Soviet Union

The occupation of Sub-Carpathian Ruthenia by the Red Army has been followed by demands raised in Kiev for the incorporation of that country into the Soviet Ukraine. When Dr Nemetz, the Czechoslovak Government's delegate, arrived in Ruthenia he found his authority defied by local authorities claiming Ruthenia's right to join the Soviet Union. These claims probably reflect a genuine popular mood. Over two thirds of Ruthenia's 750,000 inhabitants are Ukrainian. Ethnically and socially, the country is far closer to the Bukovina and eastern Galicia than to Bohemia and Moravia. The woodcutters and shepherds of this remote and neglected province live in the utmost poverty, and even before the war they were powerfully attracted by the Soviet Ukraine.

To-day, when all Ukrainian lands are gathered together within the Union and a well-equipped, well-fed and modern Ukrainian Army is on Ruthenian soil, the Ruthenians compare Soviet standards very favourably with their own. Dr Benes' Government may not be anxious to make an issue of recovering Ruthenia (which was annexed by Hungary in 1939), but they can hardly find Russia's methods of raising the matter very reassuring.

Russo-Czech Friendship

The Ruthenian issue may have a wider significance. Although Moscow has officially taken a non-committal attitude and has conveniently relegated the matter to the "independent" Government of Kiev, the Soviet Government is clearly ready to encourage Ruthenian irredentism. This attitude is in sharp contradiction to Russia's pledge to restore Czechoslovakia within its pre-Munich frontiers. It is even hard to reconcile with the much publicised sincerity of Russo-Czech friendship. Has a cloud gathered to disturb the earlier serenity?

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

It is also significant that the Czechoslovak Government has not yet followed the Soviet lead in recognising the Lublin Administration. This omission has certainly caused irritation in Moscow, where it was expected that the Czechs, like the French, would at least establish *de facto* relations with Lublin. Now whether or not the new Russian campaign over Ruthenia is a method of "putting the heat" on Czechoslovakia, it at least underlines the capriciousness and instability of a policy in which the pledge given one year can be rescinded the next. The Czechs have tried very hard to keep in step with Russian policy; and they might have hoped to earn some security against its sudden and bewildering variations.

Argentine Diplomacy

When in the near future the Foreign Ministers of the American republics meet in Mexico City to discuss, among other things, their relations with the one absent republic, Argentina, they will find themselves faced with the difficulty which obstructs the diplomacy of other nations in their dealings with that country. All may well deplore the structure and policy of the Argentine Government. But what, short of war, can be done from outside to change them? The Argentinians have manoeuvred the charges against them on the ground of internal politics. The retiring Foreign Minister, General Peluffo, has on several occasions strenuously denied that Argentina is the enemy of hemisphere collaboration. He argues that his Government has broken with the Axis and would support all genuine measures of hemisphere defence. Thus when he despatched a Note asking for a special Pan-American Conference to consider Argentina's case, he protested against his country's "arbitrary exclusion" from the American community. His government, the Note continued, "will not close its doors to any understanding on an honourable basis."

The sting of the Note lies, however, in the statement that internal measures affecting Argentina's "juridical and institutional regime" cannot be discussed in an international conference. The strategy behind these moves is obvious. Argentina is attempting to gain Latin American sympathy as a supporter of hemisphere solidarity who nevertheless will fight any encroachment on national independence and sovereignty. There can be no doubt that this is potentially a popular line. The difficulty is that it is precisely Argentina's internal policy which seems to offer the gravest threat to the pan-American ideal. The break with the Axis has been formally correct but in letter rather than spirit. And the ban imposed on Axis newspapers has been accompanied by vexatious restrictions on American newspapers and agencies. The nationalism and authoritarianism of the regime are unashamed and under the energetic leadership of Colonel Perron who is now Vice-Premier, War Minister and Secretary for Labour, the Army has been doubled in a year. The Argentine Government has already felt impelled to reassure Chile that it has no warlike intentions, but internal politics belie its words.

Under such conditions, how can the other republics fail to be interested in the "internal" affairs of Argentina? Equally, how can they take any effective action to reduce the threat? From exile, the veteran Argentine socialist leaders, Dr Nicolas Repetto and Dr Alfredo Palacios, have appealed to public opinion, but the Argentinians at the moment are economically prosperous and politically apathetic. They show no signs of "democratic resurgence." Yet if they do not move to change their government, it is hard to see what outside Powers can do.

Winter Generally

It is wise, perhaps, when describing the British climate in print to use the vaguer terminology of geography. But such phrases as "Equable" and "Cool Temperate" are grossly misleading if they are applied to the average winter. The British people find the weather a subject for almost daily lamentation, yet they can seldom be induced to take sensible avoiding action. This fact is not without economic significance, and the moment is opportune for paying it some attention.

The extent to which snow hinders communications is not generally realised. Many main roads in northern England are rendered impassable every year through snow or ice obstruction on their summit sections. In the northern and eastern Pennines there is an average annual hindrance to traffic, on roads at 1,000 feet, of between 30 and 35 days;

and roads are completely blocked by drifts for between seven and ten days. At 1,500 feet in the same regions the average road blockage is 20-30 days. While it is unusual for heavy lorry and rail traffic to be interrupted completely by snow conditions, the same is not true of the business man in his private car. This fact has an important bearing on the relative accessibility of industrial and commercial premises—and consequently on their location. In countries where the severity of winter is predictable, precautions are taken against such interruptions of traffic. In Norway, for example, the summit districts of main roads are protected by drift screens.

Every winter brings unnecessary hardships, sufferings and expense to the British people. Inevitably at this time of year there is a plague of burst water-pipes, caused, no doubt, by the exhibitionism of native plumbing. It is followed (and preceded) by a series of epidemics—of which the common cold is the most notable—caused, or at least encouraged, by the draughtiness of British houses, buses and trains. How much of sickness and absenteeism can be attributed to these national follies it is impossible to say, but it must be considerable. It may not be necessary to insulate British houses with double windows, as in Russia, but very much more thought should be given to methods of excluding draughts.

Meteorologists, it may be added, predict winters of greater severity during the second half of this twentieth century.

Shorter Notes

The following table gives the number of civilian casualties in air-raids since September, 1939:

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940	1,494	1,980	3,474
Sept.-Dec., 1940	22,282	28,522	50,804
Total, 1941	20,863	21,839	42,702
Total, 1942	3,221	4,149	7,370
Total, 1943	2,357	3,462	5,819
Jan.-May, 1944	1,561	2,916	4,473
June-Aug., 1944	5,479	15,934	21,417
September	170	360	530
October	172	416	588
November	716	1,511	2,227
December	367	847	1,214
Totals to date	58,682	81,936	140,618

Those killed in air-raids during December included 111 men, 192 women and 64 children under 16.

The Wages Councils Bill was given its second reading in the House of Commons on Tuesday. To judge by the very nearly unanimous welcome it received from Members of all parties, the Bill should have a smooth passage through Parliament, unless doubts and criticisms are being reserved for the committee stage. None of the opponents of the original Catering Bill spoke in the debate, which was unspectacular.

According to a parliamentary answer, the total (net) amount borrowed by the Government between September 3, 1939, and December 31, 1944, was £13,975 million. The sum was raised as follows:

	£ million
Small savings	3,003
Subscriptions to public issues (other than floating debt) from non-official sources	4,609
Floating debt from non-official sources (including Treasury deposit receipts)	4,347
Tax reserve certificates	760
Extra-budgetary official funds	818
"Other" debt, including borrowings abroad	408
	13,975

In November, 1944, no detention orders were made under Regulation 18B and 18 persons were released. The total number of persons detained under the regulation at the end of November was 76.

Government Training Centres, which have trained over 300,000 industrial recruits, including 100,000 women, since September, 1939, are to be redesigned and expanded to retrain men and women from the fighting Forces, civil defence and munitions factories for civilian occupations. Priority will be given to ex-Service people, especially those who have been disabled. Retraining is bound to play an important part in the plans for industrial reconversion, and in the longer term context of a full employment policy. Although the bulk of training will have to be given in industry itself, it is satisfactory to know that the Ministry of Labour is making a start and that existing facilities will not be wasted.

The following table, which appeared in Hansard of January 16th, gives the total casualties to all ranks of the British Empire forces from September 3, 1939, to November 30, 1944:

	Killed	Missing	Wounded	Prisoners of War	Total Casualties
United Kingdom*	199,497	39,383	235,207	161,020	635,107
Canada	28,046	4,807	39,010	7,128	78,985
Australia	18,915	6,913	34,336	25,597	84,861
New Zealand	8,919	928	17,115	7,153	34,115
South Africa	5,783	599	11,798	10,765	28,943
India	17,415	13,935	45,224	76,023†	152,597
Colonies	4,493	14,015	3,686	6,752	28,946
Total	282,162	80,580	386,374	294,438	1,043,554

* Including men from overseas serving in these forces, in particular from Newfoundland and Southern Rhodesia.

† Including 22,083 officers and other ranks missing but presumed prisoners of war.

A comparison with an earlier return giving casualties for the first four years of war shows that in the succeeding fifteen months, which include nearly six months of operations on the Western Front, total Empire casualties increased by 56 per cent. United Kingdom casualties increased by 64 per cent and Canadian casualties were nearly three times as heavy as in the first four years of war.

MILK CHOCOLATE & the Nation's Milk Supply

THE contribution of the Milk Chocolate Industry in ensuring Britain's milk supply during these critical war years is not generally realised.

Before the war this industry was using 40 million gallons of milk a year. Cadburys took more than half of this vast quantity. It came from the counties of Hereford, Gloucester, Salop, Stafford, Flint and Denbigh where Cadburys have consistently encouraged dairy farming over a number of years. In these areas they have established four Milk Factories which have greatly assisted in developing milk production. Today these four factories alone collect and distribute sufficient fresh milk for well over a million people.

Cadbury means Quality

Letters to the Editor

Foreign Trade and Employment

SIR,—A prevalent confusion about the relation of foreign trade to home employment has found its way into the Government White Paper on Employment Policy (Cmd. 6527) and, more explicitly, into Sir William Beveridge's book on "Full Employment." It consists in the assumption that the significant factor in foreign trade, so far as home employment is concerned, is—not the amount of exports, but the difference between exports and imports, otherwise the foreign balance.

Sir William Beveridge (p. 139) sets out Great Britain's Actual Employment Outlay for 1938 under the headings:

	£ million.
Private consumption outlay	3,510
Private home investment outlay	420
Balance of payments abroad	55
Public outlay from revenue	725
Public outlay from loans	75
	4,675

The difference between this total and the total estimated capacity of £5,175 million gives the Unused Resources figure of £500 million.

Now the negative foreign balance figure of -£55 million is arrived at by deducting from the total outlay that part of it which represents expenditure on imports (since this does give home employment). The resulting figure correctly represents "employment outlay." But the fallacious inference is drawn that the elimination of the negative foreign balance will increase the total employment outlay and bring unused resources into operation, whether it is effected by increasing exports or by reducing imports. This is incorrect, both economically and arithmetically. An increase of £55 million in exports would indeed both eliminate the negative foreign balance and add an additional £55 million to employment outlay. But a reduction of £55 million in imports, while it would eliminate the negative foreign balance, would also reduce the total home outlay by £55 million of the expenditure on imports which is included in it; unused resources would remain at the same level as before and the total of employment outlay would remain unaffected. Which, indeed, is what one would expect of a change in the amount of that outlay which *ex hypothesi* gives no employment at home.

It is true that Sir William Beveridge slips in an assumption that "home outlay of all kinds is maintained without change." But he does not make it clear that this will not be so, in the circumstances given, unless we are to accept the extreme protectionist doctrine that any import shut out is at once replaced by means of an equivalent outlay in home production. Rejecting that doctrine, we can only say that the immediate effect is as stated in the last paragraph, though there may (or may not) be as a secondary effect some stimulus to home production.

The White Paper (p. 17) similarly argues that since expenditure on imports does not give home employment and foreigners' expenditure on exports does, it is the difference between the two (not, as one would expect, the export figure) which should be treated as one of the constituents of total employment expenditure.

The confusion is avoided if the items are set out thus:

- A. Home outlay on home production.
- B. Home outlay on imports.
- C. Foreign outlay on home production (exports).

It is then apparent that A and C are the factors relevant to home employment, not the difference between B and C. B is the measure of the extent to which home outlay is inoperative in producing home employment. A reduction in this item does not necessarily mean more home outlay which is operative; it may merely mean a reduction in the total home outlay. What gives employment at home is outlay on home production whether by us or by foreigners; outlay on foreign products by us gives employment abroad and not at home, but does not reduce home employment.

The danger of this mistaken emphasis on the foreign balance rather than on the export figure is that it leads directly to the conclusion (see p. 209 of Sir William Beveridge's book) that it is to the advantage of a nation from the point of view of employment to have an export surplus, or in other words to sell and not to buy.—Yours faithfully,

Cambridge

MYRA CURTIS

IDAC

SIR,—In view of the article which appeared in your issue of December 16th, I venture to contribute the experience of my own company.

We were engaged for some years prior to the passing of the Import Duties Act in the importation of specialised and intricate machines from Germany. The nature of the particular machine in question, and the small demand, was such that the continental factory sufficed and a second factory elsewhere would have been redundant. We introduced this machine to the particular industry concerned in this country, and about the year 1932 it was becoming recognised as essential to that industry. The cash value of the machine was fairly high and the number required quite small. It would never in days of unrestricted trade have been an economic proposition to start a factory in this country.

In our early dealings with IDAC all was plain sailing, although of course from the first we had to deposit the duties and reclaim them subsequently under licence. This tied up some of our slender capital. In a very short time, however, difficulties were put in our way. In the first instance IDAC accepted that there was no such machine manufactured in this country. In the course of a year or two an English-made machine was said to be in the offing; IDAC then refused licences on the ground that a machine would shortly be forthcoming. We could not get a licence for spare parts. For a time we convinced them that no such machine existed; then a rival machine did appear, but was discarded by the industry. Nevertheless, our licences were withheld, this time on the ground that there existed a machine, and from then onwards we had to pay duties, although always under protest. Actually we had some hundreds of pounds still at issue when the war broke out. IDAC, arbitrary in death as in life, put up the shutters and has not been heard of since. Our deposited cash is still with the Customs.

Prior to the war we began to make ourselves, as far as possible, self-supporting in the manufacture of spare parts. In this we were influenced to some extent by the duties, but the major factor was the high rate of mark exchange. War broke out, and IDAC's contention of a machine being available in this country was proved completely false, and, but for the machines we had imported and for some which we have built since, the whole industry—an important line in native foodstuffs—would have been gravely handicapped. The British-made machine never came to maturity.

IDAC having been an obstructive and uncertain factor to our business for seven years, we are in a position to judge how its activities reacted on a small specialised industry. We met with painstaking and personally disinterested attention from the staff, but being a small isolated industry not attached to a trade association, we could never secure the attention of the higher ranks of IDAC.

However inferior the English-made machine, in the eyes of IDAC so long as it existed, it might eventually be workable, and therefore deserved protection. IDAC never went to the trouble of inspecting the performance of the two machines.

Our IDAC memorial of those years is a row of office files representing many hours of mostly unnecessary work for both parties. The moral, I think, is that no protection should be granted either on mere intention to produce or subsequently without an impartial survey of the quality of the rival products.—Yours faithfully,

DIRECTOR

AMERICAN SURVEY

The New Call-up

The supplementary message on National Service legislation which Mr Roosevelt is sending to Congress this week may indicate how much pressure the Administration is prepared to put upon Congress to secure universal conscription. The Services, which have always favoured such a measure, have announced a sharp stepping-up in the draft, which will force early action in the civilian field if the new production schedules are to be met. During the next six months the Service intake will total 900,000 men, compared with the 480,000 which would have been called up at the current rate. Mr Stimson has denied, though rather ambiguously, the suggestion that the Army, at least, is already beyond its announced goal of 7,700,000 men and that it possesses a "hidden reserve" of 300,000; what he said was that the Army was "under-strength measured in terms of effectiveness." The new 900,000 must be capable of front-line action. To obtain them, it is believed that it will be necessary to cancel the deferments of most men under 30, as the pool of those under 26 is practically exhausted, with the exception of agricultural deferments. It is estimated that about 700,000 new industrial workers will have to be found, though not all of them will be men.

Bills have already been introduced to provide for the drafting of nurses for the Services, and to apply the "work or fight" provision to all men from 18 to 45, the latter sponsored by Representative May and Senator Bailey, of the Military Affairs Committee. In its present form, it would conscript into Service labour battalions men in these age-groups who changed the occupation for which they were deferred, or refused to undertake work of national importance; and they would be deprived of the financial benefits granted to other enlisted men. These sanctions probably will be dropped in favour of civilian penalties; the Services are no more anxious than they were last year to accept, for disciplinary purposes, men unfit for service overseas. Such a change would modify labour opposition, as would the reported agreement to give the Manpower Commission, rather than the military, the authority to assign men to war jobs.

These signs of early action on partial manpower measures are regretted by convinced believers in more general legislation, who fear they may be regarded as adequate substitutes, rather than preliminaries, to a National Service Act. Mr Walter Lippman, for example, argues with some force that the time when universal sanctions will be most needed is when Germany is defeated and strong measures are required to keep men at the war machines. It is not always remembered that the need for substantial armies of occupation will prevent a wholesale release of manpower.

Civilian Supplies

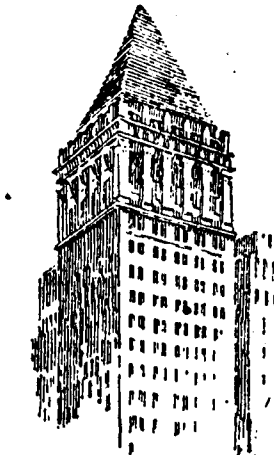
The New Year, which it was confidently expected last summer would bring substantial increases of civilian supplies, has had to be marked by further restrictions. The War Food Administration chose the inappropriate moment of December 24th to announce that 85 per cent of all civilian meat supplies would be rationed, rather than the 37 per cent restricted in December. Outstanding points coupons were cancelled, and some processed foods went back on the ration. Sugar is short; and a cut in the butter ration is forecast. Ration cards are not enough to coax these two from reluctant grocers. In part the dramatic change from the prophesied glut reflects the military disappointment in Europe.

It also reflects a certain happy irresponsibility at rationing headquarters. The Office of Price Administration rather ingenuously explains that meat supplies could not be conserved during 1944 because so much of the meat supply was off the ration. It admits that faulty distribution, particularly east of the Mississippi, kept 76 per cent of the country's consumers short of their proper allocation. A price ceiling on live cattle, for which butchers have gone on strike, has just been granted. The sugar squeeze is partly the result of shipping shortages; but it is not denied that housewives inveigled some 400,000 tons more out of the authorities for home canning than they were entitled to receive.

The "spot authorisation" programme, which it was hoped would alleviate the scarcity of more durable civilian goods like irons, ranges, and vacuum cleaners, is only barely surviving the sudden shortage of materials. In 1944 the total of these authorisations exceeded \$620 million, but they only raised the proportion of non-war goods shipped by manufacturers to 39 per cent of the total as opposed to 38 per cent in 1943. In 1945 this will be reduced to a mere "dribble"; civilian production will not be allowed to rise above that permitted in the last quarter of 1944. Outstanding authorisations are not cancelled; but they will be hard to fill, not so much because of manpower scarcities, as because of the severe cut in allocations of carbon and alloy steel, copper, and other metals.

The Oil Agreement

The Anglo-American Oil Agreement has now been officially withdrawn from the Senate and a substitute document is to be negotiated. This is a substantial victory for the lobbying tactics of the petroleum industry. The Chairman of the Foreign Relations Committee, Senator Connally from Texas, the greatest oil state, has been openly hostile



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to the Agreement from the start, and its formal demise would have occurred before now if the Senator had not received a sharp rap over the knuckles from all the more responsible organs of the press when he revealed his intentions some weeks ago.

What makes the agitation the more remarkable is the fact that the Agreement, as published, was disappointingly innocuous. The consultative body it envisaged seemed to be a very small mouse to emerge from the mountainous labours of a team of no less than four Ministers of the Crown who were sent to Washington in the summer. The overt objection raised by the American petroleum industry was that they saw in the Agreement the shadow of government control over their domestic operations, but it may be that some resentments arising out of the course of the negotiations, which were stormy at times, have also had something to do with it. A new text is said to have been agreed between the industry and the Administration, and is now to be presented to the British. It remains to be seen whether the British Government will be content with a body that can inquire into the disposition of all British-owned oil supplies but into very little of the United States' resources.

The merits of the Agreement apart, it is disappointing to find the first of the post-war schemes to reach the formal stage striking the familiar snag of Senatorial recalcitrance. There are, of course, special circumstances. But will there not be in every case? One experience does not establish a precedent. But does it not legitimately raise a doubt?

* * *

Free Speech in Texas

Once more the Supreme Court has intervened in Texas. Last week, in a 5 to 4 decision, it declared unconstitutional a Texas statute requiring labour organisers to obtain identity cards before being allowed to undertake membership drives. The law was challenged in September, 1943, by Mr R. J. Thomas, vice-president of the Congress of Industrial Organisations, who at a meeting at Pelley, Texas, asked one man to become a member of the Oil Workers' Union, a CIO affiliate. The action of the Supreme Court reverses a decision of the Supreme Court of Texas, which upheld penalties of three days' imprisonment and a \$300 fine imposed on Mr Thomas.

The view of the majority was that, although the State had the right to regulate labour unions in the public interest, this statute abridged the rights of free speech and assembly guaranteed in the Bill of Rights (the first ten amendments to the Constitution). The majority rejected the contention that these rights were left unabridged by the provision that the State authorities could not discriminate between organisers by withholding cards in some cases.

The Supreme Court divided along its established progressive-conservative cleavage, with Chief Justice Stone, and

Justices Roberts, Reed, and Frankfurter dissenting, on the ground that the Court should not "incontinently reject the State's considered view of policy" particularly as the Supreme Court of Texas had found conditions to exist which justified registration of paid organisers.

What these conditions may have been is not specified, but they can hardly have justified imposing on labour organisers a condition not applied to other public speakers, and one so capable of abuse. In recent years there has been a marked tendency to seek from State Governments legislation so hostile to labour that it stood no chance of passage in Washington. This has been particularly true of the Southern States, where organised labour is still weak and prejudice strong. When the Supreme Court insisted last year that Texas might not exclude negroes from voting in the primaries, Texans and other Southerners openly avowed their determination to find a legal loop-hole through which the practice might be continued. The same thing may happen in this case, although Texas, which looks forward to a post-war industrial golden age lubricated by and built upon oil, has little real self-interest in perpetuating the hostility to unions characteristic of the old feudal South.

Shorter Notes

The Senate Foreign Relations Committee has been strengthened by the appointment of three Democrats of enlightened international views. They are Senators Hill and Hatch, of the now-famous B.H. combination, and Senator Lucas, of Illinois. They replace Senators Gillette, Reynolds and Clark. The Republicans have made a less decided break with the isolationist membership of the old Committee by appointing Senators Wiley and Bridges. Their nomination does not, however, affect the general result, which is to give Mr Roosevelt a Foreign Relations Committee sympathetic to ideas of international co-operation rather than the hostile Committee which helped to defeat President Wilson.

The Dies Committee becomes the Hart Committee. Its new Chairman is Representative Edward Hart, of New Jersey, who has connections with the notorious Hague political machine of Jersey City, but who was endorsed by Labour in the election. Other tentative appointments include four Southerners out of the six Democratic seats; and it is reported that the Republicans will send back two members of the old Committee. The new Chairman is said to be equally hostile to Communists and capitalists intent on safeguarding property rights. When to this is added the fact that he voted against the renewal of the Committee, the temptation to hope for a change of heart is almost irresistible.

THE WORLD OVERSEAS

The Russian Zone

SEVERAL months have passed since the Red Army broke into the Danube basin, and brought the whole of south-eastern Europe, with the exception of Greece, under Russian control. Throughout that area Russia's victory has entailed social and political upheavals. The old regimes have collapsed like a house of cards; new governments have sprung up. The impact of the war has shaken the economic structure of the Balkan countries to its foundations.

Under these conditions there must have been important developments in Russia's relations with South-Eastern Europe. Yet it is impossible to say in any detail what they are.

A complete veil of secrecy has fallen over Russian-occupied Europe. Odd hints and pieces of information point to some political tension here and there, and to some extent armed clashes between Russians and local forces. But secrecy has made it almost impossible

to gauge the scope and the importance of the disturbances. Whatever its policy in the occupied countries, the Russian Government is not handicapped by the exacting demands of democratic opinion and parliamentary control. The Russians in Bucharest or Sofia can veto the appointment of ministers without the fear that their government in Moscow will thereby be exposed to searching questions by members of the Supreme Soviet, or to self-righteous criticism from the State Department. While the conflict with the EAM in Greece has deeply stirred opinion in Great Britain and America, the disarming, say, of the Serb Chetniks, or of Maniu's followers in Roumania, has not caused the slightest stir in Moscow.

There is one important difference between the British-American and the Russian zones of operation. Apart from Italy, the British and the American zones are in Allied countries. In the Russian zone only Poland and Jugoslavia

are Allies; the rest are satellite countries that have changed sides in the war. It is obvious that the satellite countries deserve far less consideration than the Allied countries, and that their demands for national sovereignty should be strictly subordinated to the military needs of the Allies.

By a strange paradox, it has been precisely in Allied countries—Poland and Jugoslavia—that Russian policy has so far produced the most acute crises. The conflict between the Russian Command and the Polish Home Army has been quite as sharp as that between General Scobie and ELAS, although the Russian Command has had sufficient military force at its disposal to prevent things in Poland from drifting into an open battle. Detachments of the Polish Home Army—regiments and even whole divisions—have been ruthlessly disarmed, interned and even deported by the Russians, while the Poles have been conscripted for the Polish Armies of General Rola-Zymierski. General Mikhailovitch's Chetniks have been granted an amnesty on condition that they report to Marshal Tito's authorities and lay down their arms. In both countries the administration supported by the Russians is firmly based on Communist nuclei and excludes most of the independent political tendencies.

Satellite Governments

The Soviet-sponsored Governments in the satellite countries—Roumania, Bulgaria and Hungary—seem to be much more broadly based and representative than those of Poland and Jugoslavia. This is even more true of the new Finnish Government. While in Poland the Lublin Government insists on the abolition of the 1935 Constitution, none of the satellite governments in the Soviet sphere has so far embarked upon any constitutional changes. In Roumania and Bulgaria the Russians have been at pains to demonstrate their respect for the monarchies. King Michael of Roumania has received praise from the Roumanian Communists as well as from the Russian members of the Control Commission. In Bulgaria the *coup d'état* of September 9th—a combination of revolution and palace revolt—did not end in the proclamation of a Republic. The old Regents were deposed and new ones—including the Communist Regent Pavlov—have been appointed. Generals who served under Horthy, Antonescu and King Boris head the new Governments. It is, however, true that they are believed to have been opposed to the pro-Axis policies of their former masters. The ruling coalitions nominally include the members of all parties from Right to Left.

Yet it is difficult to say to what extent the representatives of the Right in these Governments can speak on behalf of their traditional following. Quite a number of their followers certainly supported the Axis; and of necessity they are now excluded. This gives a marked predominance to the Left (and inside the Left to the Communists) in the present alignment of forces. The Conservatives and even some politicians of the Centre clearly find it hard to march in step with their Left partners. For example, the Liberal Bratianu and the peasant leader Maniu have withdrawn from the Roumanian Government. In Bulgaria there is friction between the Military League—Zveno—and the National Front. The Roumanian Peasant Party, the National Zaranists, has split into two groups, and only the Left group is now in the Government. Similarly in Bulgaria, Dimitriev, the traditional leader of the Agrarians after Stambuliski's death, seems to be in semi-opposition. To what extent the Left Agrarian groups are really representative of the peasantry cannot be said, since no elections have yet shown the relative strength of the various tendencies.

While the façade of a democratic party system has been set up, the picture behind this façade remains largely unknown. Party controversies are obviously damped by strict military and political censorship, and by a somewhat unreal insistence on national unity. The Russians' task is certainly far from easy. Pro-German and anti-German elements have been closely mixed up in the various Balkan parties and groupings. It is a difficult job to disentangle them and to separate the sheep from the goats; yet some political selection is unavoidable if only for the sake of military security. It is this motive, apart from popular demand, that gives so great an importance to the purge in the Balkan countries. In addition, the party systems in Roumania, Bulgaria, and to a lesser extent in Hungary, were destroyed long ago; even "trustees" more democratically minded than the Russians would probably find it very difficult to re-create genuine democracy under such conditions. And the Russians, obviously, are not so minded.

Russia's immediate policy is dictated by military security. As a rule, this has not favoured free expression of popular will. The Russians are naturally anxious to see "friendly Governments" in the countries under their control. In itself this is a legitimate desire. It implies, however, a dilemma to which no definite solution has yet been found. In South-East Europe the Right has traditionally been anti-Russian because it has been anti-Bolshevik. The Communists' friendship for Russia has borne all the marks of an almost religious zeal, on which the Russians can most safely rely. The question to-day is whether in Roumania or Hungary or Poland a pro-Russian policy can be pursued by non-Communists, or whether the Russians can rely only on the Communists to guarantee friendship with Russia. For the time being the Russians have not found any definite solution of this problem. Their policy is largely empirical and experimental. It attempts to secure Russian influence on a socially conservative basis in one country while destroying that basis in another. It tries to maintain control on occupied territory by using the monarchy and the officers' corps where possible, and by "appealing to the people" when necessary. But everywhere it is guided by old suspicions as much as by new policies.

The new policy demands that the non-Communist elements should be spared and won over; the old suspicions, however, demand newer and bigger purges which tend to upset the political life of the occupied countries.

The dilemma is repeated in almost every sphere. "Efficiency" demands that the old administrative machines should carry on their work and that no attempt should be made to set up Soviets. Yet the old administration is, usually with reason, regarded as unreliable. Officials charged with carrying out the armistice terms in Roumania and Bulgaria have been found to be former associates of the Iron Guard or simply collaborators. A Minister of the Interior in Roumania was caught hiding anti-Russian legionnaires from the Allied Control Commission; when this caused a reshuffle of the Cabinet, Communist influence accordingly increased. Again, members of the new Societies of Friendship with Russia turn out to be the members of the former Societies of Friendship with Germany. The purges become a vicious circle under these conditions. "Military expediency" cannot be non-political.

Economic Problems

In economic matters the problems are no easier. All satellite countries have to pay indemnities out of their shrunken resources. The terms of the indemnities are on the whole ill defined. Whether they are more or less exacting depends on a variable Russian reading of their terms. In Roumania the Russian officers of the Control Commission are engaged in recovering the loot carried away by the Roumanians from Transdnistria and in tracing German property which has, according to the terms of the armistice, to be handed over to the Russians. Industrial equipment, railway trucks, raw materials and cattle are dispatched to the devastated areas of the Southern Ukraine. The Minister of National Economy together with the managers of many industrial establishments have been accused of concealing looted or German property. In the course of this "restitution of property," some of the equipment of the Roumanian oil refineries has also been carried away to Russia. It is hardly possible to say how far the campaign has been kept within the limits of a legitimate restitution of property and how far it has inflicted unjustified damage on Roumania's economy. In Finland, the Russians have

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interpreted the terms of the indemnity to mean that all reparations in kind are to be valued at 1938 prices. Recently however they have modified the terms by allowing the Finns to fix the prices of goods delivered to the Russians at a level 10 to 15 per cent above that of 1938. The problem of indemnities is bound to weigh heavily upon the political relations of Russia with the vanquished satellites; ruthless exactions will clearly not promote closer friendship.

After the war, Russian policy in South-East Europe faces two alternatives. If the Russians decide to exercise control in such a manner that the national sovereignty of each small state is seriously impaired, then they will be able to rely only on the Communists and ideological *Gleichschaltung* will be the result. If on the other hand they are content to exercise the strong but indirect influence which geography and strength combine to give them, they should be able to avoid direct interference in the domestic concerns of South-East Europe. The evidence so far does not indicate clearly which alternative the Russians will choose.

Eire's Overseas Trade

[FROM OUR DUBLIN CORRESPONDENT]

THE annual estimates of the Balance of International Payments, published in the *Irish Trade Journal*, demonstrate clearly the effects of the war on Irish economic life. Visible imports fell from £43,415,000 in 1939 to £26,082,000 in 1943. As the price of imports practically doubled during the period, the fall in volume was very considerable. Detailed figures of Irish imports are not available, but the recently published statistics of British exports throw some light on the decline of imports of many articles into Eire. For example, if the years 1938 and 1943 are compared, exports to Eire of beverages and cocoa preparations declined from 56,000 to 14,000 barrels, home-made spirits from 229,000 to 63,000 proof gallons, wrought iron from 4,547 to 227 tons, iron and steel and their manufactures from 55,000 to 15,000 tons, and unbleached cotton yarns from 5,095,000 to 1,735,000 lb. Similar decreases took place in almost every other commodity. The reduction of imports of coal, petrol, tea and other articles commonly consumed in large quantities has caused the greatest inconvenience. The reduction in the imports of fertilisers and feeding stuffs has seriously dislocated agricultural production.

Visible exports were £27,480,000 in 1943, compared with £26,892,000 in 1939. As there has been a rise in prices, their volume must have steeply declined. Export prices did not rise so much as import prices. The terms of trade moved against Eire. Among invisible exports, income from investments abroad increased from £13,600,000 to £13,800,000. While emigrants' remittances from the United States and other foreign countries declined from £2,226,000 to £1,639,000, remittances from the United Kingdom increased from £600,000 to £10,950,000. This remarkable increase reflects the emigration of large numbers of Irish workers to Great Britain for war work of various kinds. Total ex-

ports were estimated at £48,775,000 in 1938, and at £61,250,000 in 1943. Total imports in the same years were estimated at £51,511,000 and £36,258,000 respectively. The balance of payments changed from a debit balance of £2,736,000 in 1939 to a credit balance of £24,992,000 in 1943. In fact, the credit balance was probably greater because some exports have been underestimated and others have proved impossible to estimate. The credit balance in 1943 may have exceeded £30 million. Smaller, but substantial, credit balances were experienced in 1941 and 1942.

Large Sterling Assets

Those considerable credit balances naturally increased Eire's external assets. The capital items in the balance of payments are hard to trace with any great accuracy because of the large dealings by Irish residents on the London Stock Exchange of which no records are available. The accumulation of sterling assets can, however, be traced in the public accounts and in the banking statistics. Large increases took place in the sterling holdings of the Post Office Savings Bank Fund, the Saving Certificates Reserve Fund, the National Health Insurance Fund, and other Government funds. Between September, 1939, and June, 1944, British Government securities in the Legal Tender Note Fund of the Central Bank rose from £7,372,000 to £24,132,461. Between the September, 1939, and the June, 1944, quarters, the net sterling assets of the Irish banks increased from £61,357,000 to £123,613,000. Sterling cash and balances with London agents and other banks increased from £8,413,000 to £30,706,000, money at call and short notice in London from £7,583,000 to £19,357,000, and investments in British Government securities from £63,599,000 to £137,930,000. Holdings of sterling securities by private investors also increased by an unknown amount.

The Report of the Banking Commission published in 1938 expressed anxiety at the growing debit balances in the Irish balance of payments. The war has interrupted this trend, but the interruption is only temporary. As soon as peace returns the pre-war trend will almost certainly reappear. The remittances from workers in Great Britain will be reduced as the war-time employment of imported labour declines, and the demand for imports of all kinds will be very intense. It is, of course, realised in Eire that many goods will be in short supply, and that the British war controls will continue to operate. It is hoped, however, that with the gradual return to normality, more and more commodities will be available for export, and that Irish needs will be satisfied. It is not irrelevant that the Irish holdings of sterling have been accumulated in respect of private transactions, and do not represent inter-Governmental debt. There should, therefore, be no question of their being funded or otherwise frozen in any way. It must also be remembered that trading relations between Great Britain and Ireland have always been very close and intimate, and that British business men will be keen on regaining their Irish custom. It may be concluded that the sterling holdings will prove to be a valuable asset after the war as soon as circumstances allow British production to be adapted to peacetime requirements.

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THE BUSINESS WORLD

Capital for Reconstruction

THE machinery for financing industrial reconstruction after the war is beginning to take shape. Within the next few days details should become available of two projects designed to fill special categories of the post-war demand for industrial capital. It should be emphasised, at the outset of any discussion on the nature and scope of these specialist institutions, that they, and any others that may follow them, are not at present intended to supplant the open capital market. Rather it is their objective to fill the gaps in that market and to supplement it by handling positions which, in existing and prospective conditions, would lie outside the sphere of the unaided open market. As far as it can be discerned, official policy in this matter is still that a borrower able to raise capital at reasonable terms on his own merits should be encouraged to do so. It should further be emphasised that, whatever machinery may be devised for meeting the capital needs of industry, some form of over-all control of capital issues will be necessary for a period probably covering some years after the war. The demand for new capital to overtake arrears of expenditure on plant and equipment and to embark on new developments, will be such as to require control both of the flow and, within certain limits, of the direction of investment. Unless the money flow of investments is thus equated to the physical capacity of the capital goods industries there would be a scramble to borrow which would undermine the whole of the Government's cheap-money policy—and much else besides.

The first deficiency in the supply of capital is one which is familiar from the discussions of the past dozen years. First authoritatively defined in the Macmillan Report, it is often known as the "Macmillan gap." It covers two separate needs, that for "intermediate credit"—too long for bank credit, too short for the new issue market—and that for "small man" capital—where requirements are not large enough to be handled economically by the new issue market. Many institutions, from merchant bankers to hire-purchase houses, have endeavoured to fill this "Macmillan gap," and the lack of success that has attended their efforts has repeatedly suggested that the gap was, in fact, far smaller than had generally been supposed—on the assumption, of course, that only serious propositions were allowed to rank (there is never a scarcity of demand for credit from rash and unsound borrowers). The belief in the existence of the gap may be far more the result of *ex hypothesi* reasoning than of practical observation. Its smallness may well be due to the fact that British banks, which are not quite so rigidly orthodox as they would like the public to believe, have seldom hesitated to meet the medium-term credit requirements of their good industrial customers. The accommodation has not been specifically granted for a term of years that would rank the operation as a medium-

term investment, but it has, in effect, remained undisturbed for far longer periods than the strict canons of deposit banking would tolerate. Many large British industrial units have been built up from modest beginnings with the help of bank credit, often granted on little security other than the personal qualities of the borrower.

The oft-proven smallness of this gap has, however, proved no argument against making yet another attempt to fill it. This time it is to be done on a more grandiose scale than before, by a special institution whose capital is to be subscribed by all the important deposit banks in Great Britain. It is expected to have a capitalisation of about £20 million. It is divulging no secret to say that the consent of some of the participants was obtained only after considerable persuasion. The new institution will cater primarily for the medium-term to long-term credit needs of the "small man." The case for setting it up is largely a political one: that of proving that finance, and the banks in particular, are not holding back in the tasks of post-war reconstruction and that the needs of the small man are receiving their due consideration. It is a reasonable surmise that the participating banks will not divert to the new specialised institution any large part of the good medium-term credit business now handled by them. All the participating banks have announced their intention of catering for their "small man" clientele after the war, and one may rest assured that those plans stand. There is, therefore, a danger that the new institution may become the proverbial dustbin into which all the less desirable business will be thrown and that, even so, it may find some difficulty in employing the capital resources and borrowing powers with which it will be endowed. It would certainly be unwise to expect a great deal from this first of the two contemplated projects.

The second is the product of a more ambitious and potentially much more significant idea. It is an institution designed to satisfy the long-term capital needs of firms or industries whose requirements should, in the national interest, be satisfied but where the position of the borrower would render an approach to the open market too expensive, or even put it completely out of court. This institution will be owned by a large group of insurance companies, investment trusts and other organisations normally interested in long-term investment, under the leadership of the Bank of England. It will have a substantial share capital—probably in excess of that of the first institution—and in addition, will have borrowing powers of several times the share capital. The deposit banks will probably participate in the financing of this institution, not by taking up



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PRINCIPAL LONDON OFFICE:
75 Cornhill, E.C.3

PRINCIPAL LIVERPOOL OFFICE:
3 Water Street

Subscribed Capital £10,560,428 Paid-up Capital £2,976,428
Reserve Fund - £2,976,428 Deposits - £169,736,171
Total Assets - £179,018,710
30th December, 1944

EVERY BANKING FACILITY

share capital but by providing the resources on which the borrowing powers will be exercised.

It is fascinating to sketch out the rôle which such an institution, launched under such auspices and commanding such resources, might play in the regeneration of the more needy and deserving British industries—coal, cotton, steel, shipbuilding. It would be a larger and more ambitious version of the Bankers' Industrial Development Company, but with the emphasis on development and not on salvage. The BID was called in as a lender of last resort. This new company should seek out its own spheres of activity and not wait until the corpses are brought in. The BID existed largely in the minds of two men. It had no records, no organisation of its own, no real independent entity. Its success was due to the flair with which it chose the right men to handle the particular jobs passed to it. The new institution should be wholly independent, managed by the ablest available executives, having at its command men with high technical, engineering and industrial qualifications such as many American and Continental banks command but who have, at present, no counterparts in the personnel of British banking. Although some of the temporary financing of the new institution would be done by way of the issue of debentures and similar securities, it is possible to visualise it as a link between the vast volume of savings from small investors who require, above all, safety of capital and regularity of income, and the provision of capital for industry in the most desirable form, namely through participation in the equity of the business. Given vision and ability in its management, the new institution should be able to turn over its resources fairly rapidly, helping to rescue old industries and to develop new ones, then, by refinancing

operations, passing each of its investments over to the open market when the success of the project had been assured. Its power to satisfy the capital needs of industry would not, therefore, be measured by the sum total of its resources. It would be a temporary investor, and only in the case of its failures would it have to remain a permanent repository.

The project is hedged by certain difficulties. The industries to be financed would, by definition, be too poor a risk, or too small and obscure, for the open market at the moment of intervention. This might tend to weight the scales against the new corporation's profits, and as a measure of self-protection it might have to refuse to extend its facilities in equity form, but insist on a fixed-interest lien. If so, its usefulness would be limited. The alternative might be a Government guarantee, but there would be obvious and serious objections to such a guarantee. Or, again, within a single industry, such as cotton, there are immense diversities of efficiency. Would not the efficient be penalised by the financial help given on specially favoured terms to the inefficient? There would also be danger of political pressure being brought to bear on the corporation to extend its help in cases where healthy bankruptcy and not salvage is the remedy required by the national interest. Most real of all the dangers is perhaps that of the new institution, being a joint partnership, having the pace of its policy and initiative dictated by the slowest and most cautious of its participants.

It would be wrong, however, to take a crabbed view about such an interesting new initiative. There is an unquestionable opportunity, and if the new institution is given wise and forceful leadership it should be able to surmount the obstacles in its way.

Egypt and the Sterling Area

THE new financial arrangements with Egypt, which are now disclosed in detail in a White Paper (Cmd. 6582), are an instructive example of the manner of co-operation which the sterling area makes possible. As the Egyptian Minister of Finance emphasised,

these arrangements, based as they are on common agreement . . . provide clear evidence of Anglo-Egyptian collaboration and mutual confidence.

The present practice under which Egypt surrenders to the United Kingdom, against payment in sterling, all foreign currencies obtained in its international transactions will remain in force during 1945. As hitherto, the United Kingdom will supply Egypt with sterling area currencies on demand. Currencies outside the sterling area are divided into the two categories of "easy" and "difficult." "Easy" currencies, for instance those of liberated Europe, will be provided without any strict limit, on the understanding "that this latitude will apply only to imports of the real needs of Egypt," but "difficult" currencies

—perhaps the most important of these being United States Dollars, Canadian Dollars, Swiss Francs, Swedish Kronor, and Portuguese Escudos—

cannot be made freely available against sterling.

It is therefore necessary for Egypt, in common with the rest of the sterling area, to continue to limit imports which have to be paid for in these currencies.

The target figure for "difficult" currencies to be made available to Egypt has been fixed, by mutual agreement, at a maximum of approximately £15 million (the Egyptian pound is approximately at par with sterling), which includes a special provision of £3 million for non-recurrent wheat imports owing to harvest failure; £2 million for North American fertilisers, if their delivery can be arranged; and a special contingency reserve of £1,000,000. The Egyptian Government will have the right to demand an upward revision of the target figure in a number of special cases, particularly (a) if prices in the United States should rise by more than 10 per cent (smaller increases are to be met out of the contingency reserve of £1,000,000); or (b) if the prices of major items at present scheduled to come from easy currency areas should prove to be over 10 per cent in excess of the prices ruling in difficult currency areas. A standing joint Anglo-Egyptian Committee is to be set up to examine any problems that might arise in connection with these arrangements. British experts will be made available to the Egyptian Government and

the British Embassy would on request place freely at the disposal of the (Egyptian Import) Licensing Department all

available information regarding supplies, and such other assistance as it might have available or could procure from sources such as the British staff of the Middle East Supply Centre.

Egypt's imports from countries outside the sterling area amounted to £25 million in 1938. This total includes imports from European countries which are not at present open to trade, and also imports from countries outside the sterling area which are now deemed to be "easy." Whether the figure now agreed upon for Egyptian imports from hard currency areas during 1945 represents generous or niggardly treatment of Egypt's claims is impossible to say without fuller knowledge of the sterling area's foreign exchange position than is at present publicly available. The Egyptians, at any rate, appear to be well satisfied with the arrangement. They appear to feel that their urgent requirements have been met by it, and that, in full co-operation with their sterling area partners, they will be able to buy enough within the area to relieve their need for purchases outside. They are safeguarded against being charged excessive prices "inside" by the proviso (above referred to) that in case of the excess being above 10 per cent they all be allotted more hard currency.

On some interpretations of the term, this arrangement could be held to be a "discriminatory" one. Egypt will make every effort to buy as little as possible from some countries, and as much as possible from others. It is therefore not surprising that the Egyptian Minister of Finance found it necessary to emphasise that these arrangements do not prejudice the right of the Egyptian Government to adhere to any such international convention as that of Bretton Woods,

which implies that the arrangements may not be *ipso facto* compatible with Bretton Woods. They are, in fact, permissible only during the "transitional period" lasting from three to five years which the Final Act recognises. But they are certainly incompatible with the system toward which transition is to be made, a system of free convertibility all round without recourse to any "discriminatory" currency arrangements and multiple currency devices.

The words "Sterling Area" do not occur in the Final Act of Bretton Woods, and an uninitiated reader of the document might well conclude that no such thing as a sterling area existed at all. A careful analysis of the text, moreover, makes it clear that, whether or not some form of sterling area is compatible with the system which the Bretton Woods proposals are designed to establish, the particular variety of sterling area exemplified in the Anglo-Egyptian Agreement is excluded. Under the Bretton Woods

system Egypt, for instance could not pool its foreign exchange resources with those of the United Kingdom and other sterling area countries. If dollars became scarce, the sterling area countries could not pool their dollars; and apportion them amongst themselves by agreement; and countries within the area with a surplus of dollars could not restrict their own dollar expenditures so that sterling area countries with a dollar deficit might be able better to maintain theirs. Adjustments of exchange rates could not be made by the sterling area as a group, but only by each country singly, after consultation with the Fund. Nor could the sterling area act as a group in its dealings with the Fund—for instance, by allowing London to act as the common representative, since

each member shall deal with the Fund only through its Treasury, central bank, stabilisation fund or similar fiscal agency and the Fund shall deal only with or through the same agency.

The framers of the Bretton Woods proposals no doubt believed that the existence of an International Monetary Fund as such would make such dollar-rationing arrangements within the sterling area as are exemplified by the new Anglo-Egyptian Agreement unnecessary and even undesirable. The Agreement, therefore, exemplifies very clearly the choice that will have to be made. The special economic ties which connect the United Kingdom with the rest of the sterling area have, if anything, been strengthened by the war. The large sterling balances which these countries have piled up in London, and the large future sales which they hope to be able to make to this country give them a special vested interest in the strength of sterling and, what is the same, in the recovery of British export trade. Is there to be no mechanism through which this special community of interest will be able to express itself? If the sterling area, as it now exists, is to be liquidated in favour of "non-discrimination," what is to take its place?

Worldwide international arrangements have their usefulness, and Bretton Woods is to be welcomed as such. But they are naturally limited in the field they cover to whatever common ground, whatever community of interest, willingness to collaborate, and mutual confidence can be taken to exist between each and all. They must be based on the highest common denominator in these matters, which in a troubled world is a pretty low one. Worldwide international agreements, therefore, by virtue of their comprehensiveness, must necessarily leave unused a large amount of the existing willingness of nations to co-operate, to share, to render mutual aid, to trust each other. They are a positive factor if they merely prescribe a certain minimum of confidence and collaboration for all. But they become a negative and restrictive factor if they attempt to standardise the relationships between each and all, and, instead of prescribing the minimum attainable by all, prescribe the maximum attainable by some. In international, no less than in national, relations there should be room for co-operation on numerous levels. It is not enough to establish an International Authority to bring order into some fields in which individual nations, acting on their own, are unlikely to avoid serious clashes. The task is to foster every type of organisation which transcends the borders of an

individual state, provided it does no harm to the wider purpose. If multilateralism becomes the enemy of regional groupings or other arrangements along the lines of the sterling area, it will not succeed. It will drive nations into the narrowest devices of self-help under the motto of *salvare qui peut*.

These considerations are suggested by a study of the new Anglo-Egyptian agreement. It is, no doubt, merely the first of a series. This agreement, and all those that are to come, will drive home the lesson that everything is not restrictive that looks like a restriction of imports. It is quite true that Egypt will discriminate against the goods and services of hard currency countries and in favour of those of sterling area or easy currency countries. But does this deprive the hard currency countries of any export trade which they might otherwise have done? Not in the least. Had the United Kingdom granted a bigger allocation of hard currency to Egypt, British imports from hard currency countries would have fallen by exactly as much as Egyptian imports would have risen—unless, indeed, it can be argued that the severer shortage of dollars would have led to more intensive, and more successful, British efforts to earn more dollars. The hard currency countries would have gained nothing, while Britain might have lost much. For Egypt, being able to buy more from the former, might easily have bought less from the latter. As compared with the position established by the new agreement, the following changes would have occurred: Britain's imports from America (taken as representing the hard currency countries) would have been smaller and so would have been its sales to Egypt. America's position would have been unaffected, with Egypt buying more and Britain less. Egypt's position would have been only mildly affected: instead of buying in Britain it would buy in America. The total of world trade, in other words, would have been diminished by the reduction of Britain's import/export turnover. Inducing Egypt to discriminate in favour of sterling area goods by limiting the supply of hard currency to her thus leads to an expansion of world trade. Insistence on complete "non-discrimination" would limit the whole machinery of international trade to the pace of its most difficult section—that is, those parts that require difficult currencies.

This is an important lesson which has great significance for the future. It would, indeed, be wrong to go to the extreme of declaring that, by the same argument, a maximum turnover could be obtained by allotting no hard currency to Egypt at all. The sterling area is a voluntary association which is held together by the free agreement of its members. Moreover, on the strictly economic plane, there are limits to the amount of substitution that can be affected as between imports from one area and another. Some of Egypt's import requirements cannot be covered anywhere except in the hard currency area. But the possibilities of substitution are normally much larger than is assumed, and to the extent that they exist, practices that offend against the stricter interpretations of "non-discrimination" are capable of expanding international trade without imposing an appreciable sacrifice on any nation.

Business Notes

Should a Banker Tell?

Reports from Paris suggest that the French Government's order for its nationals to declare their gold and foreign assets has so far met with a poor response. True, holders have up to the end of February to make their returns, but the indications are not promising, for foreign securities and notes continue to change hands at twice to three times—and gold up to more than ten times—the parities indicated by the official rates of exchange.

The holders of these assets are now being threatened with dire penalties, reinforced by the statement that all the assets in question will be revealed to the French Government when the Allied countries, in which they are now deposited, release them. A semi-official statement appearing in the French press suggests that the French Government has made requests to the British and American Governments for the disclosure of all information concerning the French accounts held by banks and other institutions in both countries. The matter thus raised is one of extreme

delicacy. The proposal to exchange information of this kind and, in the process, to breach the traditional secrecy shrouding the relations between a banker and his customers, is not a new one. Discussions on the subject had taken place between the British and French Governments before the war, but had made very little progress. The power to exact the required information in this country is now provided under section 8 of the Defence (Finance) Regulations. The question is whether it should be used to divulge information about transactions which were perfectly legal when they were made and which will now be subjected to measures of retrospective taxation or sequestration.

The powers under section 8 have been used by the British authorities, but always with some hesitation and usually with the greatest justification—as, for example, in pursuing inquiries into the activities of black market operators. It is a far cry from using the powers in this highly selective manner to making a general disclosure of the assets of a large group of foreign nationals, divulging the

affairs of guilty and non-guilty alike. This is a matter in which the British authorities should tread warily, especially if they retain any concern whatever for the future of London as an international banking centre. The supervision of international capital movements after the war may well require mutual exchange of information between governments, but it should be possible for this information to be given in global terms and without infringing the secrecy of the banker's relation with his customer.

Bank of France Return

The weekly return of the Bank of France made a welcome reappearance last week after a suspension of more than five months. The figures just published relate to December 28, 1944. The following table gives the main items in the latest return, comparing the figures with those of May 30, 1940, and, in order to measure the contraction in the monetary and credit circulation during recent weeks, with the highest figures reached since the liberation of Paris:—

	(In million francs)		
	May 30, 1940	Highest July-Dec., 1944	Dec. 28, 1944
Assets:—			
Gold	84,615	84,597	75,151
Advances to State:—	36,700	510,550	451,850
To Treasury	26,700	74,550	15,850
For Occupation Costs ..	—	426,000	426,000
Interest Free	10,000	10,000	10,000
Liabilities:—			
Note Circulation	166,695	649,564	572,510
Current & Deposit Accounts	23,642	49,480	41,706

If the latest figures are compared with those immediately before the German occupation, it will be seen that the considerable expansion in the note circulation approximately matches the advances made by the Bank to the State in order to finance occupation costs. The reduction in the note circulation by some Frs 77,000 million from the peak reached on October 5, 1944, is largely the result of the subscriptions to the Liberation Loan made in the form of previously hoarded notes. The circulation at its peak included Frs 6,982 million of notes evacuated to Britain in 1940 and used by the Allies for various military operations, Frs 4,200 million appropriated by the Free French for the needs of the resistance movement and Frs 5,400 million of so-called Tricolor notes printed in America and used in the initial stages of the invasion of France. These last are to be completely withdrawn at an early date.

The recent reduction in the liability on current and deposit account is also a result of the Liberation Loan issue. So is the fall in the direct advances to the Treasury, the repayment being effected out of the proceeds of this loan. The reduction of Frs 9,446 million in the gold holding is due to the delivery to the National Bank of Belgium of gold equivalent to that deposited by that bank with the Bank of France in 1940 and later delivered to the German authorities with the connivance of the Vichy authorities. The Bank of France has met the debt of honour arising out of this transaction and, under an agreement with the

State, is compensated in the balance sheet by a new item showing an equivalent amount owing by the French Government to the bank. The gold reserve is still valued at the 1940 parity of 176½ francs to the £. Revaluation at the rate of 200 francs would approximately restore the book value of the gold to what it was before the repayment to Belgium.

Payment in Gold

Many of the recent commercial and financial discussions between the British and French Governments have hinged on the extent of France's willingness to pay in gold for part, at least, of its past and accumulating obligations to the sterling area. The hinge has proved extremely stiff, and little progress is as yet to be reported. The French Government wish to place considerable orders for raw materials, foodstuffs and manufactured goods in the sterling area. Assuming that the goods and the required shipping are available, the next problem is that of payment. The French wish to make their payments in sterling, of which they have accumulated certain reserves as a result of British military expenditure in France. These reserves are, moreover, likely to increase as a result of the measures for mobilising French private assets abroad. The British have hitherto insisted that part of the payment for current purchases should be made in gold, and have furthermore suggested that certain earlier debts, notably that arising from the operations of the Reynaud-Simon agreement, should be met in gold.

According to the latest Bank of France return the unencumbered French gold reserve is equal to £427 million. The British case is that some of this reserve should be put into the common pool, and suffer some of the fate that would have overwhelmed it had there been no armistice in 1940, and had the French gold and foreign assets not been frozen by the Allied authorities. Britain, which ran its gold and dollar balances to within a few million of complete extinction when Lend Lease came to the rescue, argues that some of its gold was spent in French as well as British interests, and that a small part of the loss might now be made good from the substantially intact French reserve. The argument is reinforced by the fact that to give France facilities to pay for substantial imports from the sterling area by drawing on sterling balances might be construed as discrimination in favour of France, and against far more substantial holders of "abnormal" sterling. The French counter-argument is that France has suffered both physically and morally far above Britain's measure, and that the whole of the available gold will be needed to finance urgently needed imports from "hard currency" countries after the war. This is clearly a problem that must and will yield to a compromise solution. It is to be hoped that it will be found when M. Plevin makes his expected early visit to this country.

Lifting the Veil

It appears that the effect of a new Order issued by the Ministry of War Transport (SR & O No 1449) is to remove, as from February 1st, the restriction hitherto placed on the publication of accounts by public utility companies engaged in transport. Certain undertakings, mainly those connected with docks, harbours and lighthouses, remain subject to a modified ban, but in most cases even these will be allowed to publish their accounts six months after the end of the year to which they relate. It is already known that a similar relaxation is about to be applied to electricity supply companies, but whether with or without a substantial time-lag has not yet transpired. This further reduction in the statistical blackout is very welcome and is certainly long overdue. It is to be hoped that it will be extended to all those bans on publication of figures which have for so long harassed the investor. In particular, companies should be encouraged to state clearly their EPT position, insofar as it has been determined. It is presumed that utility companies will publish their full accounts for each of the years during which the blackout prevailed.

New Zealand Conversion

The New Zealand Government is offering to holders of £7,580,907 4½ per cent stock repayable March 1st and of £9,657,280 3 per cent stock, to be paid off a month after

that, conversion into a new 3½ per cent stock. The conversion may be accepted in whole or in part. The new stock is issued at 99½ and is finally repayable on September 1, 1965, but with the option to the borrower to repay in whole or in part at any time during the preceding three years on three months' notice. Holders of either old stock who convert will receive interest at the old rate to the time of repayment and a cash payment of 10s. per cent. The offer must be accepted not later than February 24th.

An interesting point about the prospectus is that it contains no reference to any UK Treasury undertaking to provide funds in respect of stock not taken in conversion such as accompanied earlier New Zealand and Commonwealth issues. The Chancellor of the Exchequer explained, however, that the New Zealand Government already holds £2,900,000 of the maturing loans and has arranged that it, or the Reserve Bank of New Zealand, will take up a further £4,500,000. On the basis that it shall only be called upon after this £7,400,000 has been found, the UK Treasury has undertaken to provide up to approximately £10 million if necessary. In view of the fact that New Zealand holds some £36 million of sterling balances, this assistance may seem unnecessary. A substantial running balance is, however, required, while something must be kept in hand for further substantial maturities in January next and November, 1947. It is to be supposed that the call, if any, on the UK Treasury will be small on this occasion.

On the short view, the market believes that the new stock will prove attractive, as it is very difficult to obtain appreciably over 3 per cent on securities of trustee status. The flat yield is some £3 5s. 4d. per cent with a modest profit on redemption, probably in 21 years' time, while it is possible to obtain slightly over 3 per cent on British Government securities with a slightly longer life. Some people may well consider that the increased political risk attaching to a New Zealand stock is not fully covered by an addition to the return, which is now little over 2s. 6d. per cent net, although the margin may be expected to increase owing to a fall in income-tax rates.

A Greek Casualty

One of the minor casualties of the Greek civil clash is the new drachma, introduced with such care and under such high auspices just before the troubles in Athens broke out. There is no suggestion that the injury sustained by the new currency during the Athens fighting is mortal, but the cessation of imports during many critical weeks, and the dearth of consumer goods, have caused the level of drachma prices to rise again with a momentum reminiscent of the previous inflationary period. Those prices, however, are evidence of the temporary scarcity of goods and not of inflation of the new currency. The shortages should be eased fairly rapidly and the extravagant prices now prevailing in Athens for foodstuffs, clothing and other essentials should then come down with a run. The basic problem of the drachma is that of re-establishing some semblance of order in the national finances, restoring tax revenue and providing other means of covering expenditure than the facile printing press. A "strong" Government would probably give priority in its programme. The present Minister of Finance has already announced measures of price control and a contraction of the new note circulation is said to have occurred since the end of hostilities in Athens. The fate of the new currency must rest with the course of political and military developments in Greece. Rapid pacification of the country and the re-establishment of a reasonably efficient fiscal system would revive the new currency from the effects of the harsh treatment to which it was subjected so soon after its birth. If, however, civil war is to continue, it will be difficult to maintain confidence in a currency which, given the fate of its predecessor, must in any event be suspect.

Accountants on Depreciation

After a silence of almost exactly six months, it is very satisfactory that the Council of the Institute of Chartered Accountants should have issued a further series of recommendations. The point covered, one of the most vital, is the proper provision for depreciation of fixed assets. Depreciation is defined in the statement as

that part of the cost of a fixed asset to its owner which is not recoverable when the asset is finally put out of use by him.

Of the three factors involved, original cost, final sale value and length of life, the last two are matters of estimation, but the Institute seems to support the view that reasonable conclusions can be reached. It is, however, evidently aware of the fallibility of human judgment, for the recommendations conclude with the statement:—

Amounts set aside out of profits for obsolescence which cannot be foreseen or for a possible increase in the cost of replacement are matters of financial prudence. Neither can be estimated with any degree of accuracy. They are of the nature of reserves and should be treated as such in the accounts.

So far as obsolescence is concerned, this appears to mean that, if the original guess about the effective life of the asset proves false, a separate provision should be made under a new heading, and this should not be included with depreciation. The result is that the total provision which may be necessary for ensuring the maintenance of productive capacity, in terms of real things and not of money values, is split into three sections. First, a provision to cover the net money cost of the assets spread over a life estimated at the time of its acquisition; secondly, any adjustment to the estimate in the light of experience; and, thirdly, a provision against a rise in replacement cost.

If each of these provisions is, in fact, to be made, and if each is to be separately shown—it is not clear that the recommendations go beyond saying that depreciation, as defined, is to be shown separately—this is a great step forward. It is to be hoped, however, that auditors will not consider it outside their sphere to advise whether allowances for obsolescence and rising replacement cost are adequate. It has to be admitted, however, that the statement reads rather as though they were thinking mainly in terms of maintaining the money capital of a concern, whereas, in the case of any unit of average efficiency on the manufacturing side, it is almost certainly in the public interest that its power to produce, in terms of goods, and to acquire the most efficient means of production, should be the primary objective.

Straight-Line Method

Whatever may be felt about the field covered by the recommendations of the Council, the recommendations themselves are excellent and the Taxation and Financial Relations Committee, which is responsible for the spade work, probably feel that to attempt anything more ambitious would be to invite failure. The recommendations will call for considerable adjustment of ideas over a wide field. This is, perhaps, particularly true of the basic point, that the general method of providing depreciation should be the straight-line method, which is the even spreading over the estimated life of an asset of its net cost. This is in direct conflict with inland revenue practice of allowing a fixed percentage on written down value, but, for a concern with a number of assets acquired at different times, it seems to have little disadvantage, while it has the great recommendation that a low apparent rate of depreciation writes off the assets much more quickly, and that the system as recommended virtually compels the keeping of an assets register, thus ensuring that the details are in fact available to the management.

The Council recommends that depreciation should be applied to all assets, including leaseholds and patents, which become exhausted by the passing of time, but an exception is made of loose tools, jigs and patterns where a method of re-valuation may be more appropriate. It then goes on to state that in the case of companies working wasting assets, such as mines, oil wells and quarries, provision for depreciation and depletion should be made over the estimated life. Where this is not done, the fact should be made clear in the accounts, so that shareholders may realise that dividends are, in part, a return of capital. Finally, they give the opinion that depreciation does not arise in the case of goodwill and freehold land (except in so far as it is acquired for the working of wasting assets), and that any sums provided to reduce the value of these items should be shown separately in the profit and loss account.

In their eighth recommendation, the Council suggested the classification of fixed assets, in existence at the date of the balance-sheet, at cost—in so far as is practicable—and they now add that the aggregate provision for depreciation,

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amortisation and depletion should appear as deductions. If all these ideas become general practice—and that cannot be said to be the case with earlier recommendations so far—balance-sheets and profit and loss accounts will be very much more valuable in future. There are still lacking, however, any powers to ensure general adoption and any suggestions for remedying the position where a company has on its books no valuation of individual groups of assets, as, for example, when an affiliate was purchased outright.

Tin Import Prices

According to reports from New York, the United States Government has agreed to raise the buying price for Bolivian tin by 3½ cents to 63½ cents per lb. The new price will cover the remaining period of the current supply agreement, which is due to end on June 30th, and will before that date be extended by a new long-term contract, soon to be negotiated. The increase in the United States buying price is of direct interest to this country, which, like the United States, derives a substantial part of its tin-ore from Bolivia, the largest extra-Pacific tin-producing country, and which, under an arrangement made late in 1941, has agreed not to pay less to Bolivian producers than the United States. The additional 3½ cents per lb granted by the United States will add nearly £20 per long ton to the British buying price of Bolivian tin-ore, which, at the present rate of £355 10s. per long ton f.o.b. South American ports, is already well above the British domestic selling price of £300 per ton delivered at buyer's works. Despite this increase in the cost of imports, it is unlikely that the British selling price for tin will be increased, because at the beginning of last year, when the price was raised by £25 per ton to its present level, an advance in Bolivia's selling price was anticipated. The fact that the British selling price can be kept well below the import cost for Bolivian ore is, of course, due to the fact that British tin producers in Nigeria, as well as in Cornwall, receive much less than £300 per ton.

The increase in the Bolivian price has been expressly granted to stimulate production in Bolivia. As was pointed out on page 752 in *The Economist* on December 2, 1944, Bolivia's tin shipments have been disappointing since 1942, and there is reason to doubt the efficacy of the rise in prices as a means of speeding exports. In any case, the tin supply position of the United Nations is far less critical than was to be expected. Mr Erwin Vogelsang, Director of the Tin Division of the US War Production Board, recently pointed out before the National Metal Congress at Cleveland that by the beginning of 1945 the United States Government would still hold not less than 113,000 tons of tin in its strategic tin reserve. Moreover, he quoted figures from which it can be deduced that the Allies, apart from their extra-Pacific pig tin supplies, have very large supplies of secondary tin at their disposal, which have reduced the gap between demand and supplies to a surprisingly narrow margin.

With the time for an offensive in the South-West Pacific approaching and adequate stocks of tin on hand, there can be little economic justification for increasing the already all too high Bolivian price by another 6 per cent. The United States may see some justification in satisfying Bolivian producers, on whose long-term supplies of ore to North America the continued operation of the Texas-City smelter greatly depends. For this country the dependance of its buying price in Bolivia on the rates paid by the United States is the more regrettable as the Patino group, the sole Bolivian supplier to this country, is permitted to convert three-quarters of its sterling receipts for tin into gold.

The Discount Year

The experience of the discount market during 1944 can be described briefly and in general terms. The resources at the disposal of the market continued to grow, partly as a parallel movement to the continued growth of bank credit, more particularly as a result of the further accumulation of "abnormal" sterling assets by overseas banks, which find it convenient to employ a considerable part of these assets on

There are many men and women in the Services who would welcome a chance of reading this publication. If you would hand it in, unwrapped, unstamped, and unaddressed at my Post Office, it will go to them.

the London money market. The following table shows how these additional resources were employed in the case of the three discount companies whose experience in this matter may safely be assumed to illustrate that of the whole market.

The main expansion in assets has been in bills. This means Treasury bills, for the supply of commercial paper has undergone further decline during the year—a trend illustrated by the fall in rediscounts shown in the balance-sheets which show this item separately. The rise in investments has been moderate. Profits are slightly higher than for 1943. It may be assumed that the bulk of the earnings has

	Union	National	Alexander	Total
Deposits:				
1943	109,572	72,640	53,337	235,549
1944	134,319	81,828	66,953	283,100
Bills:				
1943	93,018	54,085	34,081	181,184
1944	115,219	58,446	44,420	218,085
Investments:				
1943	23,805	18,894	20,686	63,385
1944	25,406	21,161	23,463	70,030
Profits:				
1943	228	197	139	564
1944	235	197	141	573

again come from the margin between the yield on short-dated bonds, and the rates paid for bond money. The business in Treasury bills provides the bulk of the discount market's turnover, but no more than a small fraction of its earnings.

Celanese Explanation

Apart from the tribute paid by the new chairman to the late Dr Henry Dreyfus, the principal points of interest emerging from the British Celanese meeting were the choice of chairman and his statement concerning profits. The choice has fallen on Mr G. H. Whigham, chairman of Celanese of America from its inception until the early days of the war and chairman of the Canadian company throughout its existence. But he has said that he is only holding the position until a younger man can be found to fill it. On the question of profits, he stated that

Based on the improved EPT standard and after eliminating taxation credits having reference to previous year, the net tax-free profit for the year under review amounts to £468,673; on the same basis and after bringing to credit other sundry tax items, the net tax-free profit for the year ended July 3, 1943, would have amounted to £461,403.

It may be recalled that the accounts for the two years showed an increase from £348,403 to £728,673.

There is no specific reference in the speech to either the preliminary statement or the action of the Stock Exchange Committee. The chairman, however, states that the amount earned on the ordinary capital was 10.58 per cent for 1942-43, and that the directors thought it right that

the ordinary shareholders—having received no dividend for the previous year, and taking into account the fact that, on the adjusted basis, something more than 20 per cent was earned in two years combined—should receive a dividend of 20 per cent.

It is now six weeks since the preliminary announcement, but this seems to be the first recognition by the company of the fact that the dividend was a distribution as much from past profits as from those of 1943-44. If that simple statement had been made six weeks ago a great deal of trouble would have been avoided.

It is an implication of Mr Whigham's statements that earnings on the ordinary capital for 1943-44 were some 10 per cent, but it is not at all clear how this figure is reached. In particular, it is still not clear whether the 20 per cent to be provided for redemption of certificates is to be based on taxed profits or profits before deduction of tax.

Assam Railway Offer

The process of acquiring British-owned assets in India continues, the latest example being the offer by the Indian Government of £1,770,000 for the railway undertaking, and stores carried in connection with it, of the Assam Railways and Trading Company. The written-down expenditure of the company on the railway stood in the latest balance-sheet, that for March 31, 1943, at rather over £1,000,000, and on the basis of that balance-sheet and the suggested

BARCLAYS BANK

LIMITED.

EDWIN FISHER, Chairman.
SIR WILLIAM MACNAMARA GOODENOUGH, BART., Deputy
HUGH EXTON SEEBOHM, Chairmen.
WALTER OSBORNE STEVENSON, Vice-Chairman.
General Managers: A. W. TUKE, F. C. ELLERTON.
General Manager (Staff): C. FITZHERBERT.

Statement of Accounts.

31st December, 1944.

LIABILITIES.	£	£
Current, Deposit and other Accounts	903,149,116	
Balances in account with Subsidiary Banks	14,628,144	
		917,775,560
Acceptances, Guarantees, Indemnities, etc., for account of Customers	15,092,928	
Paid-up Capital	15,858,217	
Reserve Fund	11,250,000	
		42,140,705
ASSETS.		
Cash in Hand and with the Bank of England	95,556,206	
Balances with other British Banks and Cheques in course of collection	35,848,891	
Money at Call and Short Notice	24,330,350	
Bills Discounted	30,665,203	
Treasury Deposit Receipts	368,000,000	
Investments	217,340,641	
Investments in Subsidiary Banks (at cost, less amounts written off)	3,727,184	
The British Linen Bank—£1,242,394 12s. 6d. Stock		
Other Banks—including fully paid Stock and 500,000 "B" Shares of £5 each, £1 per Share paid up, in Barclays Bank (Dominion, Colonial and Overseas) and 1,000,000 Shares of £1 each, 3s. per Share paid up, in Barclays Bank (France) Limited	2,494,502	
Advances—Customers and other Accounts	158,371,731	
Balances in account with Subsidiary Banks	626,516	
		158,998,247
Liability of Customers for Acceptances, Guarantees, Indemnities, etc.	15,092,928	
Bank Premises and Adjoining Properties (at cost, less amounts written off)	7,922,553	
		23,015,481

Head Office: 54, LOMBARD STREET, LONDON, E.C.3.

Glyn, Mills & Co.

(Established 1753)
Registered with unlimited liability 1885
Incorporating
CHILD & CO. and HOLT & CO.
(Established before 1600) (Established 1909)
BANKERS
Army and Royal Air Force Agents.

One Hundred and Twenty-first Statement of Assets and Liabilities
31st December, 1944.

Dr.	LIABILITIES	£	s.	d.
To Capital authorised and issued	1,000,000	0	0	0
To Reserve Fund	850,000	0	0	0
To Current, Deposit and other Accounts (including provision for Contingencies)	62,557,150	18	2	0
To Amounts due to Subsidiary Companies	18,979	4	2	0
To Acceptances and Engagements on account of Customers	3,985,747	2	1	0
		68,471,877	4	5
Cr.	ASSETS	£	s.	d.
By Cash, Bank Notes and Balance at Bank of England	7,027,248	13	2	0
By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	1,830,471	3	7	0
By Money at Call and at Short Notice	10,548,700	0	0	0
By Bills Discounted	1,847,284	4	10	0
By Treasury Deposit Receipts	8,500,000	0	0	0
By Investments:				
British Government Securities	21,075,088	7	10	0
Other Securities	435,067	8	0	0
Subsidiary Companies	81,508,149	15	10	0
By Advances to Customers and other Accounts	12,744,841	4	11	0
By Liabilities of Customers for Acceptances and Engagements as per contra	3,985,747	2	1	0
By Bank Premises (at cost, less amounts written off):				
Freehold	690,000	0	0	0
Leasehold	75,000	0	0	0
	765,000	0	0	0
		696,000	0	0
		68,471,877	4	5

FRANCIS GLYN, Chairman.
IAN LESLIE MELVILLE, Directors.
C. G. RANDOLPH.
QUINTIN BROWN, Accountant.

18th January, 1945.
AUDITORS' CERTIFICATE AND REPORT.
We report that we have examined the above Balance Sheet with the Books of the Bank and have obtained all the information and explanations we have required, and we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanation given to us, and as shown by the Books.
KEMP CHATTERIS & CO., Chartered Accountants.
JACKSON FIXLEY & CO.,

18th January, 1945.
Every description of British and Overseas Banking and Exchange Business transacted.
The Bank undertakes the office of Executor and Trustee.

67, LOMBARD STREET, LONDON, E.C.3.
CHILD & CO., 1, Fleet Street, London, E.C.4.
HOLT & CO., Kirkland House, Whitehall, London, S.W.1.

MARTINS BANK

LIMITED

STATEMENT OF ACCOUNTS, 31st December, 1944

LIABILITIES	£	£
Capital paid up	£4,160,042	
Reserve Fund	4,000,000	
Current, Deposit and other accounts (including Profit and Loss Account)	204,831,738	
Liability for Acceptances, Endorsements, etc.	8,349,379	
		£221,341,159
ASSETS	£	£
Cash in hand and at Bank of England	£22,694,003	
Balances with, and cheques in course of collection on other British Banks	8,800,848	
Money at call and short notice	10,413,000	
Balances with Banks abroad	20,502	
Treasury Bills	4,700,000	
Treasury Deposit Receipts	71,000,000	
Bills Discounted	61,238	
Investments	60,997,014	
Advances to Customers and other accounts	31,420,014	
Bank Premises	2,885,161	
Liability of Customers for Acceptances, Endorsements, etc.	8,349,379	
		£221,341,159

LONDON DISTRICT HEAD OFFICE: 68 LOMBARD STREET, E.C.3
HEAD OFFICE: WATER STREET, LIVERPOOL, 2

ALEXANDERS DISCOUNT COMPANY LIMITED

Statement of Accounts, 31st December, 1944

LIABILITIES	£	£
Authorised Capital, 900,000 Shares of £2 each	1,800,000	
Of which there have been issued:		
100,000 £2 6% Cumulative Preference Shares, fully paid	200,000	
800,000 £2 Ordinary Shares, £1 paid	800,000	
(Reserve Liability £800,000)		1,000,000
Reserve Fund		1,000,000
Loans, Deposits, Contingency and other Accounts	66,953,397	
Bills Re-discounted	1,023,801	
(Of the above, Liabilities to the amount of £67,221,838 are secured on certain assets per contra)		67,977,198
Rebate on Bills Discounted	272,126	
Final Dividends (less tax) recommended	43,000	
Balance of Profit and Loss	207,150	
		£70,499,474

ASSETS	£	£
Cash at Bankers	1,379,598	
British Government Securities	22,968,669	
Dominion and Colonial Government Securities	494,645	
		23,463,314
Bills Discounted (including Bills Re-discounted per contra)	45,443,543	
Loans on Security and Sundry Accounts	213,019	
		£70,499,474

24, LOMBARD STREET, LONDON, E.C.3.

payment, some £1,750,000 net should be available to cover various types of share capital amounting in all to £1,160,000. Rather over half the sum of £1,750,000 is, however, locked up in trading assets while it would be necessary to negotiate special terms for the redemption of the £1,000,000 of loan capital. Further, these figures are of no great value, except as a general guide, since the funds will have to be used in accordance with the Company's Act of Parliament, and there is no information as to what the true tax position will be after the purchase. The capital structure and the varying rights of the four classes of share capital appear to have been based on the supposition that the net liquid assets would suffice to repay all but the most junior class—that is, the "B" shares. There are, however, 50 per cent arrears of dividend due on the "A" shares, which are repayable at 120, and it seems probable that a scheme will have to be prepared for dealing with the position. The directors themselves suggest that the best solution may be to liquidate the present company—presumably paying off the senior classes of capital—and to transfer the trading assets, with a sufficiency of working capital, to a new concern. Nothing can be settled until the tax position is clarified, but the adjustment of the rights of the shareholders promises to raise some interesting points.

The Clothing Ration

While no increase in the clothing ration could be expected, the decision on the new release of coupons must have caused the Board of Trade much thought. During the past year stocks of clothing showed a general decline. Towards the end of the year the outlook was such that arrangements were made to increase the number of workers manufacturing clothing, which, in common with many other civilian industries, had been further reduced to provide additional labour for the invasion preparations.

It may well be that the reinforcement of the clothing labour force has proceeded far enough to justify the release of 24 clothing coupons, which is to take place on February 1st, but the President of the Board of Trade has voiced his own misgivings by carefully not promising a definite date for the second coupon release of the year. It should be August 1st, according to precedent, but Mr Dalton said it may not be possible until September 1st, except for children.

A possible solution to the dilemma of equating demand to supply would have been to release, say, 16 coupons for the next four months even though this would be awkward for those who need to buy garments of high coupon value. It is true that the issue of coupons is no longer the signal for a spurt in buying. Although this may help to tide over the next few months—which are likely to prove the most critical since the clothing ration was introduced—the habit of planning coupon spending that has grown up adds to the undesirability of issuing coupons for an undefined period. It

BANK OF LONDON & SOUTH AMERICA LIMITED

*Affords a complete international banking service
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would seem that the stock and supply situation, which was originally the basis for fixing the size of the ration, has not this time been the decisive factor.

The Future of Shorts

Sir Stafford Cripps has announced the Government's intention of keeping Short Brothers as one of the principal aircraft firms of the country after the war. Sir Frederick Heaton, who was appointed in February, 1943, as managing director, is anxious to return full-time to his own firm, Thomas Tillings, of which he is chairman and managing director, and a new board of directors for Shorts will soon be announced. Sir Stafford thanked Sir Frederick Heaton for his public spiritedness in placing his services at the disposal of the Ministry of Aircraft Production; he pointed out that in twelve months following the introduction of the new management, the firm had increased its output by 69 per cent.

The Government's intervention in the management of Shorts came at a stage when aircraft had overriding priority, and when it was found that Short's resources and organisation were not adequate to meet the requirements of large-scale aircraft production. It went a good deal further than management, however, and took over all the company's shares, vesting them in MAP's nominees. Little is known about the Government's plans for Shorts, but developments will be watched with great interest.

Documentary Films

The documentary film has been the British industry's own special contribution to the business of film making. It is particularly suited to the British industry because it is best produced by small units and its cost is low compared with feature films. The increasing need for the best technical facilities and the use of expensive new equipment, such as Technicolor, has in no way altered the arguments in favour of the small unit. An independent unit may, however, find difficulty in financing and maintaining the most up-to-date equipment. An interesting new organisation—the Film Producers' Guild—has been formed by seven documentary film companies with the object of preserving the essential individuality and freedom of the units and at the same time giving them the advantages of pooled equipment and technicians, and financial integration. Each of the seven companies, Verity Films, Publicity Films, Merton Park Studios, Technique Film Productions, Greenpark Productions, Gryphon Films and Sound Services, will continue to work on its own lines, but with the added benefits of mutual co-operation.

During the last five years the documentary film, which was just emerging from the embryo stage before the war, has been put on its feet. The wide use made of the documentary film by the Government, the Services and the British Council for instruction and propaganda has helped its development. Its future is bright. It has potentialities not only in the field of light and serious entertainment, education and propaganda, but also in commerce. Industrialists are beginning to realise its possibilities for creating a goodwill and as an advertising medium, and particularly as a factor in assisting the export drive. The Film Producers' Guild is likely to play a prominent part in the future development of the documentary film, and the form of organisation it has worked out may set a pattern for other producing units.

Shorter Note

The cotton trade unions, comprising nearly 200,000 operatives, have decided to claim an advance in wages. Since the beginning of the war all cotton operatives have received wages increases amounting to 35 per cent on list rates and flat rate increases of 9s. a week for adults and 5s. a week for juveniles. It is probable that the demand will be dealt with by the Conciliation Board, under the chairmanship of Sir Charles Doughty, K.C. If labour costs rise, spinners and manufacturers will no doubt apply to the Ministry of Supply and the Cotton Controller for revised margins for yarn and cloth. Concern is felt in the industry because spinners and manufacturers have largely sold their production for six months ahead, and it is feared that the time-lag in securing higher prices for materials will adversely affect profits.

BARCLAYS BANK LIMITED

READINESS TO MEET POST-WAR NEEDS

MR. EDWIN FISHER ON CAPITAL FOR INDUSTRY

The fiftieth ordinary general meeting of Barclays Bank Limited will be held on January 24th, at the Head Office, 54, Lombard Street, London, E.C.

The following is an extract of the statement by the Chairman, Mr Edwin Fisher, circulated with the report and accounts:—

As the proceedings at the annual general meeting will again be confined to formal matters, I am addressing a few remarks to the stockholders to accompany the report and accounts in the same way as last year.

We record with sorrow the death in March last of Sir Follett Holt, K.B.E., a valued member of our board. The death of Lord Essendon in June was a severe loss to us. Outstanding in his generation, his undoubted ability and industry raised him to a position of great prominence in the world of shipping, and to the service of his country he brought all the authority of his unique experience.

Mr. Hugh Exton Seeböhm, lately a vice-chairman, has been elected a deputy chairman of the board, and Lieut.-Col. Lord Dudley Gladstone Gordon, D.S.O., and Mr. Ernest Henry Murrant, M.B.E., have been appointed directors. We welcome both as members of the board. Mr. Murrant is no stranger to us, for he worked many years in close association with Lord Essendon and succeeded him as chairman of Furness, Withy and Co., Ltd.

Mr. Norman Shillingford Jones, who has been a general manager since 1931, retired at the end of 1944 after over 44 years in the bank. We are grateful for the exceptional quality of his service, and we wish that he may long enjoy the retirement he has earned so well.

At the close of 1944, our current, deposit and other accounts stood at the record high level of £917,775,560, against £822,499,871 at the end of the previous year. Our cash in hand and with the Bank of England; balances with other British banks and cheques in course of collection; money at call and short notice; bills discounted, and Treasury deposit receipts reached a total at the end of last year of £554,400,650, or 60.4 per cent. of our current, deposit and other accounts. Treasury deposit receipts are £77 million higher than at the end of 1943, and our holdings of Treasury bills and money at call at short notice are also somewhat larger. Our bill portfolio is so spread that a proportion matures each day, while by far the greater part of our holding falls due every month. Substantial amounts of Treasury deposit receipts mature almost daily so that on most days we have several million pounds cash accruing to us from these two sources. In addition, a large part of our money at call and short notice is callable each day and is, therefore, available if necessary to augment our cash resources. Thus our holding of cash is continually refreshed and powerfully reinforced.

The rise in our investments, excluding those in subsidiary banks, from £216,391,769 to £217,340,642, is much smaller than in any year since 1939, but our advances have declined further to £158,998,247 on December 31st last, compared with £160,976,408 at the close of 1943.

YEAR'S PROFIT

The net profit of the bank for the year ended December 31st last, after payment of all charges and after making provision for all bad and doubtful debts and for contingencies, amounted to £1,673,351 11s. 3d., which compares with the figure of £1,584,113 11s. 5d. for 1943. As will be seen from the report, the directors have allocated from the profit £250,000 to contingency account, £250,000 to premises

reserve account (for deferred repairs and reinstatement) and £64,767 to the staff widows' fund, towards annuities for war widows. Interim dividends at the same rates as in 1943 were paid on August 8th last. The directors now recommend the payment of final dividends of 5 per cent., making 10 per cent. for the year, on the "A" stock, and 7 per cent., making 14 per cent. for the year, on the "B" stock and "C" stock, less income tax in each case.

Both Barclays Bank (Dominion, Colonial and Overseas) and Barclays Bank (Canada) showed good results in their latest reports. These banks, linking the Mother Country with many of the other parts of the British Commonwealth and Empire, place our own bank in a specially favourable position to help international trade. With the liberation of France we look forward to a revival of the business of Barclays Bank (France), Ltd.

Month by month during the past year, the gathering crescendo of military success, bringing with it rising hopes that our enemies in Europe would be well on the way to defeat in the not distant future, imparted a growing sense of urgency to the preparation of plans for meeting the post-war situation. The fluid and general discussions upon our many-sided problems, on which I ventured a few remarks a year ago, have very largely settled in the form of official statements of Government intentions and to some extent have crystallised in actual legislation.

Within the limitations imposed by the circumstances, a great deal of thought has also been given by individuals and by organisations to their own particular position. We ourselves have been much preoccupied with measures for achieving a state of readiness to meet the future in such a way that the bank shall not be found wanting in any respect in the fulfilment of its appointed task. Our own problems are naturally somewhat different from those of productive industry, but we also must always be able to adapt ourselves rapidly so that we may have ready the kind of services that are wanted and our organisation adjusted to bring them into play.

POST-WAR PROBLEMS

The need for the small business undertaking to raise medium- or long-term capital, at times a matter of some difficulty before the war, seems likely to be more widely felt with the return of peace, and there is little doubt that the national interest will call for a somewhat broader conception of the place of banking in relation to this need, as well as to the parallel needs of larger concerns. I may say quite categorically that the intention of our own bank is what it has always been in the face of change, namely, to match new wants with new and appropriate services. I would emphasise that our system of local head offices, supervised and controlled by local directors, with district managers and managers, all having intimate local experience and with discretionary powers to deal with every kind of application or commercial proposition, is well adapted to meet this need. In the post-war period the wants of small traders will call for careful consideration, for we recognise how necessary it is to help them to re-establish themselves on sound lines.

RAPID CHANGE-OVER TO PEACE FOOTING ESSENTIAL

After the war, no pains can be spared by the people of this country in their efforts to increase the national output of goods and services. Moreover, it is imperative

that the change-over of industry from a war to a peace footing, presenting admittedly difficult problems, should take place rapidly, so that men, materials and modern machinery may be employed early in producing the goods and providing the services on which our hopes for the future must be based. Our desperate and protracted struggle has obliged us to use up our resources on a grand scale, quite properly regardless of the future and without counting the cost, and we shall set out upon our journey burdened by a heavy load of indebtedness to countries overseas on account of large purchases for which we have been unable to pay by means of exports. We also seek a higher standard of social security and welfare than ever before.

IMPORTANCE OF EXPORTS

In the light of these considerations, our export trade, which has dwindled of necessity under the constricting influence of war, takes on a new and special significance. Our greater dependence upon current effort gives it a high place in the list of priorities, and so we must be ready to produce those goods and services of which other countries stand in need, and be able to provide them at competitive prices, for, ultimately, it is only thus that we can buy what we need and must have from abroad. The problem, both domestic and international, is, and will remain for some time, how to produce enough to satisfy the most urgent and crying need, but in the process of meeting this, markets will be built up and connections re-established. Therefore, it is especially important to develop our export trade along sound lines, and with speed, vigour and imagination. We may be sure that competition will develop strongly. The enormous industrial resources and capacity of the United States, for instance, must find an outlet in markets abroad and, inasmuch as larger sales of American products bring in their train increased purchases, so will that country move towards fulfilling the obligations which rightly attach to a large creditor nation, with all the responsibilities which that position entails. But, in order that we, in this country, may participate to the fullest extent possible, the degree of efficiency and adaptability required in competition is such as will call for high endeavour from us all and the avoidance of any unnecessary restraint upon the production of goods and services. With this very much in mind, we must not forget the handicap imposed on industry by abnormally high taxation.

A great deal of preparatory work has been done towards the solution of our problems, and now the time is approaching when its logical successor, action, becomes the order of the day. But so that Government action may bring full success in the difficult phase of transition upon which we hope soon to enter, not only must it be timely and well-devised, but it must be attended by another and vital element—the ready co-operation of the ordinary citizen of this country, the man in the street. Social security, a better standard of living and all those advantages that we properly desire, depend upon the industry of every one of us.

While the whole national effort has been directed to an end, easily defined and recognisable by all as paramount, everyone has accepted the means: long hours of work and duty, restriction, discomfort, hardship, danger. With the tension finally eased, however, the sense of urgency will inevitably slacken and, unless there is some new unifying motive, a feeling of loss of direction is bound to follow the disappearance of that impelling force, which has held us together in singleness of purpose for more than five years.

Fresh inspiration and incentive there must be, and I believe that an enlightened understanding by the individual of our national problems and our aims, with scope for the proper exercise of individual initiative, forms a basis on which our future prosperity can be firmly established.

MARTINS BANK LIMITED

NEW EXPANSION

EXPORTS KEY TO NATION'S REVIVAL

MR F. A. BATES' REVIEW

The 114th annual meeting of Martins Bank Limited will be held, on the 23rd instant, at the head office, Liverpool.

Mr Fredenck Alan Bates, the chairman, has issued the following statement, which has been circulated to shareholders along with the report and accounts for 1944:—

It is with deep regret that I have to record the death of Mr R. M. Holland-Martin last January. The report makes reference to the valuable services he rendered to the bank, and the many tributes written at the time of his death bore witness to the high regard in which he was held. The directors mourn the loss of a distinguished colleague and loyal friend. I have to announce that Lord Colwyn, with the passing years, does not desire re-election to the board. His long and outstanding service is mentioned in the report, and the board have received the intimation of his forthcoming retirement with sincere feelings of regret. He has our warmest wishes that he may enjoy a leisure richly deserved by his great services not only to the bank but to the state. Since our last annual meeting, Sir N. F. Warren Fisher has been elected to a seat on the board. Lord Margesson and Mr C. J. Holland-Martin, son of the late Mr R. M. Holland-Martin, have joined the London board.

Mr G. O. Papworth, for the past seventeen years chief accountant of the bank, has been appointed assistant general manager (administration),

STAFF ON ACTIVE SERVICE

I again refer to the services of the large number of our staff, men and women, now engaged in every branch of the forces or in other forms of national duty. They continue to distinguish themselves, as shown by the many further decorations bestowed for gallantry or other meritorious service. I send them and their families our sincere congratulations.

To those relatives who have suffered bereavement or are in anxiety on account of missing men or prisoners of war I extend our deepest sympathy.

Recently a letter has been addressed to every member of the staff on national duty, giving assurance of a warm welcome upon return to the bank, and indicating the plans that are being drawn up to facilitate re-entry into its service. From the many replies received, this letter has been the source of much pleasure and encouragement, especially to those who have been away for the long period of four or five years. With further withdrawals from our staff during the year, the strain upon those left with us has become more pronounced. This has particular effect upon the senior men, who have their normal duties increased by the training of temporary staff. Great credit is due to them for the efficiency with which the affairs of the bank continue to be conducted.

To the chief executive officers and the whole staff, permanent and temporary, I therefore tender our thanks. Special praise should be given to our staff in the south, who have stood at their posts in recent particularly trying circumstances, and I include in this commendation those in other districts who have volunteered for relief duty at southern branches.

FUNDS, PROFITS AND RESERVES

The bank's balance sheet shows new expansion. Total assets exceed £221,300,000, customers' deposits and cur-

rent account balances being now in excess of two hundred million pounds at the substantial figure of £204,244,000, an increase of £24,100,000 on the year, the major part of this having been employed in taking up treasury deposit receipts, of which we hold £71,000,000. Investments have increased by £4,744,000 and now stand at £61,000,000. Advances, the third largest item on this side of the balance sheet, show an increase of approximately £1,000,000 as compared with twelve months ago, having kept steady at about the present figure throughout the year.

Our holdings of cash, balances with other banks, market money, treasury bills and treasury deposit receipts amounting to £117,690,000 or 57.45 per cent. of our public liabilities, indicate the continued extreme liquidity of the bank. In addition, there are our large holdings of British Government short-dated securities.

PROFIT AND DIVIDEND

Net profit for the year is £641,295, an increase of £34,595 on the previous year. With the balance brought forward, there is available for distribution £1,073,638. The two dividends of 7½ per cent. each, less tax, require £312,003, leaving an amount of £761,635, which you will observe from the accounts has been allocated as follows: £200,000 has been added to the published reserve, bringing that fund up to £4,000,000; reserve for future contingencies again takes £100,000, and reserve for pensions £50,000. The balance carried forward is £411,635, a decrease of £20,708 on last year, due to the larger amount placed to the published reserve.

In view of forecasts of possible early termination of the war, many national problems of great importance are being pressed forward for immediate settlement. It may be considered inadvisable that all these far-reaching schemes should be taken in hand at the same time, as to attempt that might endanger their success. The general welfare of the country is the main essential, and it will tax the statesmanship of those in authority to proceed in due order. It is proper, however, that thought should be given to the many perplexities that will confront the nation when the war ends, so that we may turn towards fresh enterprises without delay.

OUTLOOK FOR OVERSEAS TRADE

Housing and employment will undoubtedly come first, and in considering the latter it must not be forgotten that this country's position, and indeed existence in anything comparable with our present status, depends upon our overseas trade. We shall require large quantities of imported goods of many kinds, but to pay for these we must export, and it is, therefore, our foreign trade that calls for experienced and untrammelled consideration at the present time. The standards of living and employment can best be improved by the development of that trade. Other nations will be eager to establish markets, and we shall only gain our fair share of world commerce by our preparedness and efficiency, and by the quality, price and suitability of our goods. After the war there will be changed conditions requiring a fresh outlook on our part, but if we adapt ourselves with the same enterprise that built up the commerce and industry of this country, under free and fair competition we need not fear the future. Traders fully appreciate the need for a

vigorous policy and it is therefore appropriate that I should repeat the assurance in my statement of last year of the bank's readiness to grant accommodation to its customers.

BANK'S STRONG POSITION

As you will observe, our balance sheet is very liquid and the bank is in a strong position to undertake such finance (the proper employment of a bank's funds) as soon as proposals can be placed before us. There will be many new opportunities of utilising banking resources in the revival of businesses that have performed languished owing to the paramount national effort. Funds will be required by many organisations in the change-over to peace conditions, for the installation of new machinery, replenishment of normal stocks, and for re-equipment and expansion generally. These are matters we have continually before us, so far as the main war tasks permit. You will, therefore, be glad to know that your own bank looks forward to assisting both the small and the larger trader in the work of restoring the home and foreign trade of the country.

ALEXANDER'S DISCOUNT COMPANY, LIMITED

MR COLIN CAMPBELL'S STATEMENT

The 77th Ordinary General Meeting of Alexander's Discount Company, Limited, will be held at the offices of the company, 24 Lombard Street, London, E.C., on the 24th instant.

The following is the statement by the chairman (Mr Colin F. Campbell) which has been circulated with the report and accounts:—

The year under review has again been uneventful for the discount market. The Bank rate has continued at 2 per cent. for the fifth consecutive year, while rates for money generally have shown no change. The margin of Profit on Bills has been negligible, though it has fallen to the lot of the discount market to carry a much increased volume of Treasury Bills. Short-dated Government Securities, to which we confine ourselves, have also shown little fluctuation throughout the year, and the only new issue involving a definite change in rates has been that of 1½ per cent. Exchequer Bonds brought out in November.

Under the world war conditions which still prevail, it will be some little time before we shall be able to resume our normal business of dealers in bills of exchange, but we take every opportunity that presents itself of renewing and consolidating our financial connections, many of which are of very long standing.

The importance of our export trade is so vital to the prosperity of our country, and is being referred to so continuously both by politicians as well as by those actively engaged in industry, that I have every confidence we shall be able to fulfil the duties assigned to us when foreign trade again becomes possible.

THE YEAR'S RESULTS

The gross profit, after making provision for rebate, taxation and contingencies, is shown in the profit and loss account at £141,250. After deducting current expenses amounting to £45,722, there remains a net profit of £95,528, which, with the Balance of £192,622 brought forward from last year, gives a total of £288,150.

Out of this sum, £5,000 has been transferred to Staff Pension Fund, and interim dividends on the preference and ordinary shares were paid as usual in July, absorbing a net amount of £33,000. It is proposed at the forthcoming meeting to declare

dividends for the final half-year at the rate of 6 per cent. per annum on the Preference Shares and at the rate of 20 per cent. per annum on the ordinary shares, these being the same as in the previous year, and to carry forward £207,150, against £192,622 brought in a year ago.

More than 50 per cent. of the staff are

DISTRICT BANK, LIMITED

SATISFACTORY RESULTS—INCREASED PROFIT

STATEMENT BY THE CHAIRMAN, SIR R. NOTON BARCLAY

The Chairman, Sir R. Noton Barclay, has issued the following statement to the shareholders of District Bank Ltd., prior to the 115th annual meeting to be held on 30th January at the Head Office, Spring Gardens, Manchester:

It is with great regret that I have to record the death of our highly esteemed colleague, Sir Christopher T. Needham, who preceded me as Chairman and held that office for 14 years. Within the last few months we have had pleasure in electing Mr T. Harry Hewlett and Sir Frank Platt to the Board: their ability and experience will be most valuable to us.

BALANCE SHEET AND PROFITS

Trading conditions in 1944 have been very similar to those of the previous year. Following war-time trends, our deposits at £169,736,000 show an increase of £11 millions on the year. Turning to the other side of the balance sheet, it will be observed that the major portion of the increase in deposits has been lent to the Government in the form of Treasury Deposit Receipts which show an increase of £8 millions.

Advances, which are well spread, have touched a new low level and a material increase is hardly likely until there is some relaxation of controls and industry changes over to peace-time production. As this occurs, our lending policy will be shaped towards the rebuilding of our home and overseas trade, ensuring that ample provision is available for both large and small borrowers.

Net profit for the year records an increase of £14,482 as compared with 1943. With the balance brought forward we have £781,516 available, and from this, dividends, being unchanged, absorb an amount similar to that of last year. Other allocations are £100,000 to Pensions and Annuities Fund and £60,000 to Bank Property Account, leaving us in a position to carry forward £361,844 to the next account.

Before turning from my review of the Bank's position I might mention that the facilities provided by our Trustee Department at 57 King Street, Manchester, and at its branches in London, Liverpool, Lancaster and Hanley are being utilised by an ever-increasing number of people who perceive the advantages of appointing a corporate body as Trustee or Executor.

STAFF

In the present phase of the war we can justifiably rejoice in great achievements, but unfortunately the cumulative cost in human lives grows with the approach of final victory, and it is with deep regret that I now have to report that more members of the staff have lost their lives, are missing or are prisoners of war. We mourn the loss of the fallen and extend our deepest sympathy to all bereaved relatives and to those suffering anxiety for their loved ones. While we are proud of those who have been decorated and mentioned in despatches for bravery and daring, we also pay tribute to the many others who serve the nation faithfully and valiantly. With the time approaching when we may look forward to some measure of demobilisation, much care-

still on active service, which has thrown a considerable strain on those remaining to enable the business of the company to be conducted efficiently. It is a matter for great thankfulness that all those who are serving have been spared from any injury, and we extend to them our best wishes for the new year.

ful thought is being devoted to the absorption of the permanent staff into their post-war duties. Arrangements are being made for suitable courses—both theoretical and practical—so that those returning may, within the minimum of time, take their places with full seniority.

The suspension of fireguard duties in the Provinces has afforded some welcome measure of relief to the staff. Unfortunately this does not apply to the staff in the Metropolis, although their burden has been eased, and I take this opportunity of expressing our appreciation of their unfailing devotion and endurance in performing not only their Civil Defence duties but also their daily work at the Bank under conditions known to you all.

Great credit is indeed due to all our staff and to those pensioners who have returned to help us and I thank them for their excellent achievement.

INDUSTRIAL RECOVERY

Once again the exigencies of war-time paper control permit only a restricted review of trade and finance. Briefly, however, I would first refer to the cotton trade and the U.S. Mission Report which has recently thrown an intense spotlight on this industry. Not that there is much in that Report which was not already common knowledge within the industry itself. Output per man-hour, important as this may be, is however only one of the factors calling for consideration, although indeed an essential factor for what is termed the bulk trade if this is to be conducted with success in the coming days. Nevertheless, if the recent controversy arising out of this Report has done nothing else, it has underlined the importance not only of economic production but also of distribution as an essential counterpart in the framework of overseas trade with its demand for vast variety in quality, design and colour. As is natural, producers and distributors are prone to discuss their problems separately, having regard to their own particular functions. However, the time now seems to have arrived for joint discussion by representatives of both sides in order that the industry shall be in a position to maintain its rightful place in post-war expansion of overseas trade.

EXPORTS

Recent discussions in Parliament indicate widespread anxiety for great efforts to be made without delay to ensure conditions favourable to exports and to provide for the necessary speedy re-equipment of industry to meet post-war demand, so that the unpreparedness for peace-time conditions manifested in 1918 shall not be repeated. That the Government is fully alive to this is encouraging, but something definite must be built into the structure which was lacking after the last war if success is to be attained, and in these circumstances it seems inevitable that a continuance of what the Prime Minister termed "severely practical" controls will be required during the transition period.

AGRICULTURE

In agriculture the endeavours to establish a stable and prosperous peace-time existence

will be watched sympathetically by a nation grateful for marvels performed during the war. The continuance over the next four years of the Government's policy of guaranteed prices and markets will provide a means of assistance during the reorganisation period which will be of value to the industry. Such reorganisation may mean the pruning of branches of agriculture economically overgrown through war-time demands, but that is a small price to pay if it leaves strength and vitality for expansion along lines beneficial to both the farmer and the community. A healthy agricultural industry is as necessary to the country in peace as in war, and it is hoped that it will be established on a sound basis.

One cannot but be impressed by the Government's recent White Papers dealing with such questions as social insurance, health services and employment, indicating as they do a determination to provide a better standard of life for the community. Such projects rightly aim high, for improved health and happiness will in themselves provide national assets of the greatest value. On the other hand it is a sound maxim that plans for the distribution of the fruit should not anticipate too far ahead the gathering of the harvest, and we should therefore guard against charges upon the nation outrunning the increase in our national income. Nor, particularly under present circumstances, must we allow undue taxation or an inequitable balance between wages and prices to interfere with industrial development and the recovery of our position, especially in overseas markets. So largely is our future bound up with foreign trade that it is indeed reassuring to note the Bretton Woods monetary proposals indicate progress towards a new commercial era and to the fulfilment of hopes engendered by the Atlantic Charter.

ALLIED BAKERIES, LIMITED

OUTPUT MAINTAINED

The annual meeting of Allied Bakeries Limited was held on 17th instant, in London.

Mr W. Garfield Weston, M.P., the chairman, said that in the fifth year under war conditions their trading subsidiaries had maintained their output and sales, but the continuance of the restrictions on ingredients and deliveries had made impossible any great progress. In the balance sheet investments in subsidiary companies had increased by £167,443 without any increase in issued capital. A new item of £175,000 appeared in respect of tax reserve certificates. There was a decrease of £83,476 in amounts due to vendors in respect of acquisition of shares.

They had in mind the need to provide for post-war requirements of plant, buildings, etc., and for the extension of activities by provision of new bakeries and had appropriated £50,000 to general reserve, which now stood at £150,000. The total liquid assets at £2,363,987 exceeded current liabilities by £351,748, compared with £356,708 last year. That must be considered satisfactory, especially as considerable outlays had been made in investments and on capital account without any increase in the amount of issued share capital.

The board was fully alive to the need for scientific progress in their factories, and a scheme was in course of preparation with a view to the provision of a first-class laboratory as soon as conditions permitted. Their aim was to augment their present staff with the ablest chemists they could find and to fit out their new laboratory with the most up-to-date scientific and research equipment obtainable.

He could not conclude without paying tribute to the directors, executives and all the employees of the subsidiary operating companies for their continued whole-hearted co-operation, loyalty and support during the past year.

The report was adopted.

E. K. COLE, LIMITED

RECORD TURNOVER AND PROFIT

SUCCESS OF "EKCO" EQUIPMENT

The annual general meeting of E. K. Cole, Ltd., was held, on 16th instant, at Aston Clinton, Bucks.

Mr W. S. Verrills, chairman and joint managing director, in the course of his speech, said: Gentlemen, the accounts for the financial year ended September 30, 1944, reflect substantial progress in the activities of your company. The trading profit for the year under review is £423,124, as compared with £263,401 for the previous year. The net profit, after providing for all expenses, including depreciation but before deducting taxation, amounts to £383,165. Liability to taxation on the profits for the year ended September 30, 1944, including income-tax, Schedule "D," 1945-46, has been amply provided for by the transfer of £245,000 to taxation reserve. The higher trading profit by no means adequately indicates the considerably greater output from the company's factories—which has been achieved with increased efficiency, enabling us to fix even lower prices.

GENERAL RESERVE £300,000

We have decided to carry £50,000 to general reserve, which now, therefore, stands at £300,000, which represents nearly one and a-half times our total issued ordinary stock. This does not take into account the unappropriated profits carried forward, amounting to £65,598. Our net liquid assets, again not including Ensign Lamps, Ltd., amount to £445,384, showing an increase of £26,500 on last year.

In view of our satisfactory progress the directors decided during the year that it was proper for the company to revert to its previous policy of paying interim dividends, and an interim payment of 8 per cent. actual, less income-tax, was distributed on the ordinary stock in August last. The directors now recommend that a final dividend of 12 per cent. actual, less income tax, be declared, making a total of 20 per cent. actual, less income-tax, for the year.

RADIO'S VITAL ROLE IN WAR EFFORT

There has been no phase of the war, either defensive or offensive, in which radio, in one form or another has not played a vital rôle. The most intensive effort has been required of the radio industry, and your company, in war as in peace, has played a leading part. Tribute is due to the supply Ministries and other Government departments for their co-ordination of industrial effort and to the Government research development departments for the fundamental research work which, with the co-operation of the radio industry, has enabled Britain to secure a world lead in the field of radio-communication and radio-communication.

The full story of how important this lead has been to the successful prosecution of the war has yet to be told, but it must already be clear that truly remarkable radio devices have been used by all branches of the services, and have played a conspicuous part in every major operation.

As typical of the wide and varied uses of radiolocation and radio-communication equipment can be instanced: The accurate placing of our limited fighter force in the Battle of Britain, as a result of advance radiolocation of the enemy's approach; the co-ordination of search-lights with anti-aircraft guns during the bombing attacks on our cities; the part played in Fighter Command's successes during the day and night raids; invaluable aid in the battle against U-boats, and widespread use by the Army. In addition to meeting the heavy demands of our

forces, the industry has been able to give considerable assistance to our allies.

Ekco radio equipment has been used in most types of aircraft, including the Lancaster, Halifax, Flying Fortress, Tempest, Typhoon, Spitfire, Mosquito, Beaufighter, and Sunderland, and in our battleships, destroyers, submarines, and patrolling craft. Commandos and artillerymen have carried Ekco pack sets and portable transmitter-receivers. Ekco radio gear has been installed in tanks, Bren-gun carriers, and radio-communication vehicles, and is much in evidence in ground radio installations at airfields and control headquarters.

I am proud to say that Ekco radio equipment has earned a high reputation both in the supply Ministries and the operational services. During the past year the radio and television division has also joined in the co-operative effort between the radio industry and the Board of Trade in the manufacture and distribution of the company's quota of the "civilian war-time receiver."

Your board of directors and management recognise that the change-over from war to peace when it comes may be fraught with more difficulties and problems than the change from peace to war. Therefore, certain flexible and broad lines of policy have been framed and plans formulated which, I confidently hope, will enable your company to contend with such vicissitudes and to retain the position enjoyed for many years as one of the leaders of the industry.

The achievements of your company before and during the war warrant quiet confidence for continued success in the post-war era, especially so when I stress the importance of the civilian applications of technical advances which have been made during the war in radio, lighting, and plastics, in which your company has substantial interests.

INTERESTS BROADENED

Our radio interests have broadened to cover not only broadcast and television receivers but also telecommunication and public address equipment and electronic devices. Our lighting division, which incorporates Ensign Lamps, Limited, has a substantial and encouraging output of electric lamps; a well-established and important place in the electric lamps and fittings industry, and the opportunity to participate in the remarkable possibilities for expansion inherent in the rapid advancement being made in the revolutionary fluorescent lighting of the future. Our joint managing director, Mr E. K. Cole, has just returned from a visit to the U.S.A., which was undertaken in connection with the development of our expanding interests.

Our plastics division is firmly established, has an appreciable turnover, and your company is recognised as one of the principal plastics moulders in the country. The wide field which has been covered by our plastics engineering section has brought our name to the notice of most users of plastic products. Post-war demand from the building, motor car, aircraft, radio and household appliances industries must be apparent to all.

The household appliances division, which before the war was making steady headway with "thermovent" convection heaters, washing machines, etc., will become re-invigorated with the advent of European peace.

The "Special Products" Division has been formed to concentrate on the specialised research, development, manufacture, and distribution of those products which in the early stages do not lend themselves so readily to mass production methods. Telecommunication equipment, electronic devices and instruments, electro-medical

apparatus, measuring instruments, and the like come within this category. I cannot forecast an immediate and wide market for such apparatus, nevertheless a steadily expanding demand may be hoped for.

RESEARCH AND DEVELOPMENT

Our research and development division has earned repeated commendations from Ministerial departments for its contribution to the co-ordinated research and development work undertaken by certain sections of the radio industry, co-operating with the Government Research and Development Department in the fields of radio-communication and radiolocation, or "radar." Shareholders have good reason to be proud of their company's own "back-room boys" who, I hope, will be available soon to apply their extended knowledge and experience to providing industry and the general public with better Ekco products at ever-decreasing prices.

During the past year the administrative control of the company has been reorganised to preserve and enhance that flexibility and devolution of responsibility necessary to cope energetically with the problems and take advantage of the opportunities which will arise in the post-war period.

RE-ORIENTATION OF ADMINISTRATION

The lighting division, the plastics division, the "special products" division, and the household appliances division are natural developments from the basic radio division and have been placed under separate responsible managements. This reorientation of administrative control should allow each division reasonable scope for a measure of independent development and progress along its own particular lines. Your directors envisage the possibility that at some later stage in your company's development it may become advantageous for E. K. Cole, Limited, as parent company, to form the divisions into separate subsidiary companies. Should this be considered advisable, the present arrangements will enable the changes to be carried out smoothly. Such evolution of a group of divisions or companies with ancillary and interlocking interests represents your directors' conception of the commercial soundness and permanence of such combinations.

Your directors are mindful of the fact that before the war the radio industry as a whole, with the exception of one or two of the longer established companies, gave comparatively little or no attention to the development of export markets. Realising that in the national interest, for the welfare of industry as a whole, as well as in your own company's interest, post-war export trade must be developed to the utmost, your management intends to devote much of its energy to this end.

CONTROL AFTER THE WAR

This leads me to add my views on the question of Government control after the war. In my opinion, the word "control" is used too often and too loosely and in such a manner that the remarkable co-operation and co-ordination of effort achieved by the Government with and among particular industries are also labelled "controls."

Neither the radio industry nor any other industry could have achieved the staggering figures of output with such little friction as revealed in the Government's White Paper issued recently on Britain's war effort without governmental co-operation and co-ordinated planning. I consider that the basic controls over materials and labour should be relinquished gradually, as and when the prior requirements of the nation and liberated Europe become satisfied.

Nevertheless, I contend that Government co-operation with and co-ordination of industry from which obvious advantages and benefits have been and can be obtained should be continued, developed and strengthened.

The report and accounts were adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Jan. 11.....	5,309	5,194	114.7	136.6	3.03	3.63
" 12.....	5,628	5,245	114.6	136.8	3.03	3.63
" 15.....	7,699	5,314	114.8	136.8	3.03	3.62
" 16.....	6,249	5,384	115.0	136.8	3.03	3.62
" 17.....	6,600	5,658	114.7	136.9	3.03	3.63

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 26). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 5).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

1926 = 100

1945	Average	Transactions	1945	Average	Transactions
Jan. 4.....	132.0	1,827,000	Jan. 8.....	132.5	1,995,000
" 5.....	131.7	1,798,000	" 9.....	132.6	2,262,000
" 6.....	131.3	743,000*	" 10.....	133.7	2,110,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1944		Dec. 27, 1944	Jan. 3, 1945	Jan. 10, 1945
	Low Mar. 15	High July 12			
354 Industrials.....	95.1 (a)	108.4	105.5	109.7	111.5
20 Rails.....	88.9 (a)	116.8 (d)	115.7	120.7	127.4
28 Utilities.....	85.0	93.5 (c)	91.9	93.5	94.2
402 Stocks.....	93.6 (a)	105.7	104.0	109.7	109.7
Av. yield %†.....	4.84 (b)	4.43	4.71	4.53	4.47

† 50 Industrial Com. Stocks. (a) Feb. 9. (b) May 3. (c) Oct. 18. (d) Dec. 20.

Capital Issues

Week ending January 20, 1945	Nominal Capital	Con- versions	New Money
By Permission to Deal.....	25,000		55,000
Particulars of Government issues appear on page 96.			
Year (to date).....	39,148,553	36,673,533	
1944.....	49,750,891	47,790,891	

Year (to date)	Destination*		Nature of Borrowing*		
	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.
1945.....	36,673,553	Nil	Nil	36,472,303	146,250
1944.....	47,672,641	118,250	Nil	36,376,303	68,750

* Conversions excluded. † Includes Government issues to Jan. 10, 1945, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—Conditions in the money market this week have been exceptionally quiet and uneventful. The expansion of credit over the turn of the year is taking longer than usual to correct itself. This week's Bank return shows that bankers' deposits have fallen by a further £8,069,000 but this still leaves them at the exceptionally high level of £214,102,000. A probable explanation of the persistence of the seasonal inflation of credit is to be found in the fact that the open market operations of the special buyer towards the end of 1944 had largely to be concentrated on longer dated bills than are usually taken by this quarter. These purchases have been neutralised by subsequent resales only to a very small extent, such open market operations "in reverse" being only apparent on one day of January. The inflation of credit will, therefore, tend to persist until the securities thus bought finally mature. A reflux of £11,269,000 of notes from circulation further helped to explain the ease prevailing in the money market during the past week.

MONEY RATES, LONDON.—The following rates remained unchanged between January 11th and January 18th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 40 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between January 11th and January 18th. (Figures in brackets are par of exchange).

United States. \$ (4.86) 4.024-031; mail transfers 4.024-031. Canada \$ (4.86) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.22) 17.50-40. French Empire. Francs 1974-2001. Syria. p. 8.81-85. Sweden. Krona (18.159) T.T. 16.85-95. Dutch West India. Florin (12.11) 7.58-62. Portugal. Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama. \$ 4.02-04; mail transfers 4.02-04. Brazil. 82.8456 (buying); Uruguay. 7.6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. Turkey. Piastres 520. Italy. 71.25 lire.

Market Rates.—The following rates remained unchanged between January 11th and January 18th.

Egypt. Piastres (97½) 97½. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½. China. National \$3.3. Iran. Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Jan. 10	Jan. 11	Jan. 12	Jan. 13	Jan. 15	Jan. 16	Jan. 17
Cables:—							
London.....	402½	402½	402½	402½	402½	402½	402½
Montreal.....	89.810	89.810	89.875	89.875	89.875	90.000	90.125
Zurich.....	23.50	23.50	23.50	23.50	23.50	23.50	23.50
Buenos Aires.....	24.78*	24.78*	24.80*	24.80*	24.80*	24.75*	24.80*
Rio de Janeiro.....	5.19	5.19	5.19	5.19	5.19	5.19	5.19
Lisbon.....	4.08	4.09	4.09	4.08	4.08	4.08	4.08
Barcelona.....	9.20	9.20	9.20	9.20	9.20	9.20	9.20
Stockholm.....	23.85	23.85	23.85	23.86	23.86	23.86	23.86

* Official Buying Rate 29.78. † Free Rate. ‡ Bid.

INDUSTRY AND TRADE

Retail Trade.—The index of the average value of daily retail sales (1942 = 100) was 109 in November, 1944, according to the Board of Trade Journal for January 13th, representing a rise of 3 points above October and 6 points above the average of the preceding twelve months. The apparel index dropped 6 points from October to 106, that for household goods rose 7 points to 96, non-food merchandise as a whole moved from 108 to 113 and food from 105 to 106. A table in this page gives the detailed percentages changes last November, compared with the year before.

Building Studies.—The latest reports to be issued in the Post-war Building Studies series, published for the Ministry of Works by HM Stationery Office, are *The Lighting of Buildings*, No. 12, price 2s. 6d.; *Walls, Floors and Roofs*, No. 15, 9d., and *Business Buildings*, No. 16, 1s. The series contains the considered views of experts appointed by the Ministry of Works, and is of great value to all concerned with preparations for building after the war.

Monthly Agricultural Report.—Before the war the Ministry of Agriculture issued monthly crop reports on crop conditions and prospects. For reasons of security the information has been withheld since the beginning of the war, but it has now been decided to resume the service. The first report deals with conditions on January 1st.

"The Economist" Sensitive Index.—There was no change in the complete index (1935 = 100) or in the raw materials index, which stood at 158.6 and 185.5 respectively during the week ended January 16th. Owing to a rise in the price of Canadian wheat, the crops index rose by one-tenth of a point on January 10th to 135.7.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE

	Daily Average Sales Percentage Change			Stocks (at Cost) End Nov.
	1944	Sept.	Oct.	November
(a) By Commodities				
Non-food Merchandise:—				
Piece-goods.....	+ 1.4	+ 12.7	+ 22.0	- 20.0
Women's Wear.....	- 3.5	+ 10.9	+ 22.7	- 17.1
Men's and Boys' Wear.....	+ 9.3	+ 19.4	+ 26.5	- 23.5
Boots and Shoes.....	- 6.8	+ 2.7	+ 10.6	- 11.7
Furnishing Departments.....	- 6.5	- 0.6	+ 13.2	- 12.5
Hardware.....	+ 0.3	- 0.7	+ 8.3	- 18.3
Fancy Departments.....	+ 7.9	+ 4.9	+ 9.7	- 9.4
Sports and Travel.....	+ 8.8	+ 13.6	+ 28.9	- 4.4
Miscellaneous.....	+ 6.1	+ 4.5	+ 7.5	- 21.6
Total.....	+ 1.3	+ 7.5	+ 15.3	- 14.3
Food and Perishables.....	+ 4.9	+ 2.0	+ 3.7	- 0.3
All Departments.....	+ 3.4	+ 4.4	+ 8.7	- 13.3
(b) Districts				
Scotland.....	+ 17.2	+ 3.4	+ 9.2	- 12.7
North-East.....	+ 21.9	+ 4.8	+ 9.2	- 16.7
North-West.....	+ 21.2	+ 5.4	+ 11.3	- 17.8
Midland and S. Wales.....	+ 23.2	+ 5.6	+ 7.8	- 16.9
South England.....	+ 19.3	+ 6.7	+ 11.4	- 14.0
Central and West-End London.....	- 18.1	+ 5.0	+ 13.5	- 22.8
Suburban London.....	- 0.4	- 1.8	+ 1.2	- 16.7
Unallocated.....	+ 23.3	+ 3.1	+ 8.2	- 1.1

Source: Board of Trade Journal.

GOVERNMENT RETURNS

For the week ended Jan. 13, 1945, total ordinary revenue was £106,910,000, against ordinary expenditure of £108,948,000 and issues to sinking funds of £280,000. Thus, including sinking fund allocations £10,718,210, the deficit accrued since April 1st is £2,500,873,000 against £2,437,735,000 for the corresponding period a year ago.

ORDINARY AND SELF BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Jan. 15, 1944	April 1 to Jan. 15, 1945	Week ended Jan. 15, 1944	Week ended Jan. 15, 1945
ORDINARY REVENUE					
Income Tax	130,000	630,214	687,424	76,027	63,646
Sur-tax	80,000	33,192	29,658	6,690	6,700
Estate, etc.					
Duties	100,000	76,406	83,941	2,300	2,145
Stamps	19,000	13,960	11,115	200	200
N.D.C.	24,323	25,885	585	588	
E.P.T.	500,000	380,307	389,706	11,210	8,440
Other Ind. Rev.	1,000	418	212	10	20
Total Ind. Rev.	200,000	115,882	122,794	97,022	81,539
Customs	564,900	436,463	458,309	14,448	11,059
Excise	472,900	367,000	383,300	4,500	4,900
Total Customs & Excise	1,037,800	803,463	841,609	18,948	15,959
Motor Duties	27,000	16,648	17,236	7,701	7,592
P.O. (Net Receipts)					
Wireless Licences	4,850	3,190	3,270		
Crown Lands	800	730	740		
Receipts from Sundry Loans	7,350	5,710	5,262	1,169	48
Miscell. Receipts	24,000	61,957	66,106	1,099	1,753
Total Ord. Rev.	310,180	205,018	216,216	125,938	106,910
SELF-BALANCING P.O. & Brdcastg.	112,370	85,850	90,800	1,850	1,750
Total	321,470	213,668	225,964	127,788	108,660

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Jan. 15, 1944	April 1 to Jan. 15, 1945	Week ended Jan. 15, 1944	Week ended Jan. 15, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	288,617	327,647	5,167	1,598
Payments to N. Ireland	9,000	5,668	6,445		
Other Cons. Fund Services	7,000	6,650	6,737		
Total	436,000	300,935	340,830	5,167	1,598
Supply Services	550,139	417,641	431,149	10,750	10,735
Total	593,739	447,716	465,231	10,797	10,894
SELF-BALANCING P.O. & Brdcastg.	112,370	85,850	90,800	1,850	1,750
Total	604,979	456,326	474,319	10,976	11,068

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £86,316 to £3,401,416, the other operations for the week (no longer shown separately) raised the gross National Debt by £2,342,470 to £22,097 million.

NET ISSUES (£ thousands)

P.O. and Telegraph. 120

NET RECEIPTS (£ thousands)

Land Settlement (Facilities) Acts, 1919 and 1921

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1944						
Jan. 15	1200-0		Not available			
Oct. 14	1440-0		"			
Nov. 28	1450-0	2300-0	497-0	1705-0	5952-8	
Nov. 4	1460-0		Not available			
Nov. 11	1470-0		"			
Nov. 18	1470-0		"			
Nov. 25	1470-0	2305-5	513-8	1700-5	6017-3	
Dec. 2	1470-0		Not available			
Dec. 9	1470-0		"			
Dec. 16	1470-0		"			
Dec. 23	1470-0		"			
Jan. 30	3806-0		587-7	1794-5	6247-4	
1945						
Jan. 6	1471-0		Not available			
Jan. 13	1470-0		"			

TREASURY BILLS

(£ millions)

Date of Tender	Amount		Average Rate of Allotment	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1944				
Jan. 14	90-0	202-5	20-2	26
Oct. 13	120-0	227-0	20-0	35
Nov. 20	120-0	227-5	20-0	34
Nov. 27	120-0	223-3	20-0	37
Nov. 3	120-0	211-3	20-0	41
Nov. 10	120-0	206-1	20-0	35
Nov. 17	120-0	209-7	20-0	36
Nov. 24	120-0	217-5	20-0	30
Dec. 1	120-0	232-4	20-0	23
Dec. 8	120-0	221-7	20-0	32
Dec. 15	120-0	219-1	20-0	28
Dec. 22	120-0	205-4	20-0	27
Dec. 29	120-0	208-0	20-0	17
1945				
Jan. 5	110-0	224-2	20-1	36
Jan. 12	110-0	211-1	20-1	37

On January 12, applications at £99 15s. 0d. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 37 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 0d. for bills to be paid for on Monday were accepted in full. £110 millions of Treasury Bills are being offered for January 19. For the week ended January 20, the banks will be asked for Treasury deposits to the maximum amount of £55 million.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 1% BOND SUBSCRIPTION

(£ thousands)

Week ended	N.S.C.		3% Defence Bonds		3% Savings Bonds		1% Exchequer Bonds (1950)	
	1944	1945	1944	1945	1944	1945	1944	1945
Nov. 7	4,624	2,258	6,883	436				
Nov. 14	4,048	1,973	4,511	4,140				
Nov. 21	5,028	1,851	3,882	1,872				
Nov. 28	4,064	3,814	4,759	3,832				
Dec. 5	4,570	1,708	4,415	8,012				
Dec. 12	4,124	1,697	6,352	10,445				
Dec. 19	3,926	1,671	5,531	5,191				
Dec. 26	2,516	864	3,072	3,156				
1945								
Jan. 2	4,788	1,617	5,848	3,351				
Jan. 9	4,798	2,385	5,659	8,227				
Jan. 16			5,923	10,102				
Totals to date	1,294,926*	780,234*	1,834,926†	58,763‡				

* 268 weeks. † 211 weeks. ‡ 11 weeks.
‡ Including all Series.

Interest free loans received by the Treasury up to Jan. 16th amounted to a total value of £70,058,080. Up to Dec. 30th principal of Savings Certificates to the amount of £198,820,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

1945	Gold		Silver	
	per Fine Tola	100 Fine Tolas	per Fine Tola	100 Fine Tolas
Jan. 11	74 7	129 8		
Jan. 12	75 2	130 2		
Jan. 13	74 14	130 4		
Jan. 15	73 10	128 12		
Jan. 16	73 14	128 12		
Jan. 17	74 2	129 6		

BANK OF ENGLAND RETURNS

JANUARY 17, 1945

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	11,015,100
In Circulation	Other Govt.	1238,264,735
In Bank	Securities	708,461
Department	Other Secs.	11,704
	Silver Coin	
	Amt. of Fid. Issue	1250,000,000
	Gold Coin and Bullion (at 168s. per oz. fine)	241,718
		1250,241,718

BANKING DEPARTMENT

Props' Capital	14,553,000	Govt. Secs.	242,592,764
Res.	3,345,540	Other Secs.	
Public Depts.	7,812,479	Discounts & Advances	8,612,935
		Securities	14,271,026
Other Depts.	214,192,417		
Bankers	56,997,475		
Other Accts.	271,094,892	Notes	22,883,961
		Gold & Silver Coin	29,875,175
			1,456,011
			296,805,911

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ millions)

	1944		1945	
	Jan. 19	Jan. 3	Jan. 10	Jan. 17
Issue Dept.				
Notes in circulation	1067-4	1238-4	1231-6	1220-4
Notes in banking department	52-9	11-8	18-6	29-9
Government debt and securities	1099-3	1249-1	1249-2	1249-3
Other securities	0-7	0-9	0-8	0-7
Silver coin	0-0	0-0	0-0	0-0
Gold, valued at 168s. per fine oz.	0-2	0-2	0-2	0-2
Deposits:				
Public	11-0	16-4	9-4	7-8
Bankers	177-0	251-4	222-2	214-1
Others	53-0	56-4	54-6	57-0
Total	241-0	324-2	286-2	278-9
Banking Dept. Secs.				
Government	204-6	300-8	259-0	242-6
Discounts, etc.	4-8	15-2	11-2	8-6
Other	16-0	12-5	13-9	14-3
Total	225-4	328-5	284-1	265-5
Banking depart. res.	35-5	13-5	20-1	31-3
"Proportion"	13-8	4-1	7-0	11-2

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	Jan. 15, 1944	Jan. 13, 1945	Jan. 15, 1944	Jan. 13, 1945
Working days:	6	6	12	11
Birmingham	1,977	1,675	4,847	4,340
Bradford	2,465	2,232	5,016	4,049
Bristol	789	768	1,616	1,494
Hull	649	692	1,239	1,526
Leeds	1,137	1,007	2,581	2,412
Leicester	970	971	2,189	2,191
Liverpool	4,691	5,260	10,054	10,135
Manchester	3,077	3,669	7,393	6,990
Newcastle	2,096	1,652	4,201	3,270
Nottingham	523	458	894	1,185
Sheffield	1,023	1,258	2,994	2,791
Southampton	146	176	320	316
12 Towns	19,543	19,818	43,344	40,696
Dublin*	9,642	10,924	9,642	10,924

Jan. 8, 1944, and Jan. 6, 1945.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	Jan. 13, 1944		Jan. 11, 1945	
	1944	1945	1944	1945
12 U.S.F.R. BANKS				
Resources				
Gold certifs. on hand and due from Treasury	19,500	17,859	17,837	17,806
Total reserves	20,115	18,691	18,690	18,685
Total cash reserves	353	224	245	267
Total U.S. Govt. secs.	11,855	19,064	18,734	18,907
Total loans and sec.	11,912	19,223	18,768	19,041
Total resources	33,932	40,202	40,089	39,710
LIABILITIES				
F.R. notes in circ.	16,896	21,725	21,743	21,695
Excess m. bank res.	1,130	1,400	1,300	1,300
Mr. bank res. dep.	12,801	13,969	13,921	14,057
Govt. deposits	638	901	592	528
Total deposits	15,284	16,471	16,122	16,175
Total liabilities	33,932	40,202	40,089	39,710
Reserve ratio	62-5%	48-9%	49-4%	49-3%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,938	20,639	20,619	20,593
Treasury & bank currency	4,092	4,131	4,130	4,130
LIABILITIES				
Money in circulation	20,404	25,335	25,326	25,257
Treasury cash and dep.	2,956	3,278	2,960	2,900

BANK OF CANADA

Million Can. \$'s

	Dec. 8, 1943		Nov. 22, 1944	
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LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1944		Prices, Jan. 1 to Jan. 16, 1945		Name of Security	Price, Jan. 9, 1945	Price, Jan. 16, 1945	Yield, Jan. 16, 1945	Prices, Jan. 1 to Jan. 16, 1945		Name of Security	Price, Jan. 9, 1945	Price, Jan. 16, 1945	Yield, Jan. 16, 1945
High	Low	High	Low					High	Low				
British Funds													
82 1/2	78 1/2	82 1/2	81 1/2	Consols 2 1/2%	82 1/2	82 1/2	3 0 7	55/3	53/3	7 b	4	4	4
111 1/2	108 1/2	111 1/2	110 1/2	Consols 4% (after 1957)	110 1/2	110 1/2	3 12 9 1/2	53/-	51/-	3 a	4	4	4
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 2% 1943-45	100 1/2	100 1/2	1 19 10 1/2	29 1/2	27 10 1/2	16 b	13 a	4	4
102 1/2	101 1/2	102 1/2	101 1/2	Conv. 2 1/2% 1944-49	101 1/2	101 1/2	2 9 3	100/7 1/2	98/-	15 b	5 a	4	4
103 1/2	102 1/2	103 1/2	102 1/2	Conv. 3% 1948-53	103 1/2	103 1/2	2 4 0	27 10 1/2	27/6	8 c	8 c	4	4
106 1/2	105 1/2	106 1/2	105 1/2	Conv. 3 1/2% (after 1961)	106 1/2	106 1/2	3 4 6 1/2	40/-	38 3/4	6 b	4 a	4	4
104 1/2	103 1/2	104 1/2	103 1/2	Exch. Bds. 1 1/2% 1950	104 1/2	104 1/2	1 14 6	32 7/2	32/-	7 a	15 b	4	4
98 1/2	96 1/2	98 1/2	97 1/2	Funding 2 1/2% 1956-61	98 1/2	98 1/2	2 12 9	53/-	52/6	12 a	12 a	4	4
101 1/2	100 1/2	101 1/2	101 1/2	Funding 2 1/2% 1952-57	101 1/2	101 1/2	2 12 0	58 1/4	55/3	12 a	12 a	4	4
101 1/2	99 1/2	101 1/2	100 1/2	Funding 3% 1958-63	101 1/2	101 1/2	2 19 0	43/6	42 7/2	8 b	4 a	4	4
114 1/2	112 1/2	114 1/2	113 1/2	Funding 4% 1960-90	113 1/2	114 1/2	2 19 0	13 1/6	12 7/2	10 c	12 a	4	4
102 1/2	101 1/2	102 1/2	101 1/2	Nat. Def. 3% 1954-58	101 1/2	101 1/2	2 16 6	26/9	25/9	2 a	5 b	4	4
102 1/2	101 1/2	102 1/2	101 1/2	War Bonds 2 1/2% 1945-47	101 1/2	101 1/2	2 9 9 1/2	19/3	18/3	6 b	4 a	4	4
102 1/2	100 1/2	102 1/2	100 1/2	War Bonds 2 1/2% 1949-51	101 1/2	101 1/2	2 6 11 1/2	15 1/4	13 10 1/2	Nil c	Nil c	4	4
101 1/2	100 1/2	101 1/2	100 1/2	War Bonds 2 1/2% 1952-54	100 1/2	100 1/2	2 18 10	27/3	24 10 1/2	Nil c	Nil c	4	4
100 1/2	99 1/2	100 1/2	99 1/2	Savings Bds. 3% 1955-65	100 1/2	100 1/2	2 19 0	37 1/2	35 7/2	Nil c	Nil c	4	4
100 1/2	99 1/2	100 1/2	99 1/2	Savings Bds. 3% 1960-70	100 1/2	100 1/2	2 19 3	51/9	50/6	5 b	3 a	4	4
101 1/2	100 1/2	101 1/2	100 1/2	Savings Bds. 3% 1965-75	100 1/2	100 1/2	2 19 3 1/2	58/3	57/-	5 b	3 a	4	4
113 1/2	111 1/2	113 1/2	113 1/2	Victory Bonds 4%	114 1/2	114 1/2	2 15 6	26/9	25/9	3 a	4 a	4	4
102 1/2	100 1/2	102 1/2	102 1/2	War Loan 3% 1955-59	102 1/2	102 1/2	2 15 6	26/9	25/9	3 a	4 a	4	4
104 1/2	102 1/2	104 1/2	104 1/2	War Loan 3 1/2% aft. 1952	104 1/2	104 1/2	3 5 6 1/2	5/-	4 8 1/2	2 a	5 b	4	4
94 1/2	93 1/2	94 1/2	94 1/2	Local Loans 3%	94 1/2	95 1/2	3 3 0	38/-	37/-	7 a	7 a	4	4
Dom. & Col. Govts.													
103 1/2	100 1/2	103 1/2	100 1/2	Australia 5% 1945-75	101	101	4 19 0 1/2	117/9	115/-	15 b	5 a	4	4
105 1/2	102 1/2	105 1/2	102 1/2	New Zealand 5% 1946	102 1/2	102 1/2	3 18 10	34 7/2	34 1/2	7 a	15 b	4	4
112 1/2	109 1/2	109 1/2	109 1/2	Nigeria 5% 1950-60	109 1/2	109 1/2	2 18 0	100/6	97/9	17 a	17 c	4	4
Corporation Stocks													
108 1/2	104 1/2	105 1/2	105 1/2	Birmingham 5% 1946-56	105	105	2 8 7	45/3	43/-	3 a	5 b	4	4
94 1/2	93 1/2	95 1/2	94 1/2	L.C.C. 3% 1954-64	94	95	3 3 2	23/-	22/5	2 a	2 a	4	4
100 1/2	99 1/2	100 1/2	100 1/2	Liverpool 3% 1954-64	100	100	3 0 0	35 1/4	34 1/2	4 a	2 a	4	4
106 1/2	104 1/2	105 1/2	105 1/2	Middlesex 3 1/2% 1957-62	105	105	3 0 7	40 7/2	40/-	5 b	3 a	4	4
Foreign Governments													
96 1/2	88 1/2	93 1/2	91 1/2	Argentina 3 1/2% Bds. 1972	91 1/2	93 1/2	3 18 0	31/6	30/3	10 c	10 c	4	4
82 1/2	51 1/2	75 1/2	71 1/2	Brazil 5% Funding 1914	74 1/2	75 1/2	4 9 5 1/2	27 1/4	23 10 1/2	7 a	7 a	4	4
28 1/2	20 1/2	22 1/2	22 1/2	Chile 6% (1929)	22 1/2	22 1/2	5 0 0 1/2	14 1 1/2	14 1/4	6 c	6 c	4	4
57 1/2	44 1/2	51 1/2	47 1/2	Chinese 5% 1913	49 1/2	51 1/2	Nil	37/3	36/6	15 a	15 a	4	4
94 1/2	89 1/2	91 1/2	90 1/2	Portuguese 3%	91 1/2	91 1/2	3 5 7	18/3	17 10 1/2	2 a	12 b	4	4
75 1/2	63 1/2	68 1/2	66 1/2	Spanish 4%	68 1/2	68 1/2	5 16 10	84/-	82/-	10 a	10 a	4	4
Railways													
39 1/2	37 1/2	39 1/2	37 1/2	Antofagasta 5% C.Stk.Pf.	38	38	Nil	22 7/2	21/9	6 c	24 a	4	4
12 1/2	11 1/2	12 1/2	11 1/2	B.A. Gt. Stn. Ord. Stk.	12	11 1/2	Nil	26 1/2	25 1/2	6 c	6 c	4	4
60 1/2	55 1/2	60 1/2	55 1/2	San Paulo Ord. Stk.	60	58 1/2	3 8 5	25/3	24/9	5 c	5 c	4	4
115 1/2	114 1/2	115 1/2	114 1/2	U. Havana 5% Cum. Pf. Stk.	115 1/2	115 1/2	3 4 6	21/6	19/9	2 c	Nil c	4	4
60 1/2	59 1/2	60 1/2	59 1/2	Can. Pacific Com. \$25	59 1/2	60 1/2	7 10 0	41/6	39/6	2 a	2 a	4	4
121 1/2	118 1/2	121 1/2	118 1/2	Great Western Ord. Stk.	120	120 1/2	4 3 0	20 10 1/2	2 7/2	6 b	6 b	4	4
63 1/2	62 1/2	63 1/2	62 1/2	G. W. 5% Cons. Pref. Stk.	61	61 1/2	6 10 1	25/6	24/-	Nil c	Nil c	4	4
33 1/2	32 1/2	33 1/2	32 1/2	L.N.E.R. 4 1/2% 1st Pref.	32 1/2	32 1/2	7 13 10	37/6	35/9	Nil c	Nil c	4	4
65 1/2	62 1/2	65 1/2	62 1/2	L.M.S. Ord. Stock	63 1/2	64 1/2	6 4 0	111/3	106/3	15 b	5 a	4	4
70 1/2	68 1/2	70 1/2	68 1/2	L.M.S. 4% Pref. 1923	69 1/2	69 1/2	4 14 2	88 1/2	82/6	10 b	10 b	4	4
27 1/2	26 1/2	27 1/2	26 1/2	London Transport 'C' Stk.	26 1/2	26 1/2	7 10 11	85/-	81/3	12 a	12 a	4	4
79 1/2	77 1/2	79 1/2	77 1/2	Southern Def. Stock	78	79 1/2	6 5 9	92/6	89/4 1/2	5 a	10 b	4	4
Banks and Discount													
85/-	84/6	85/-	84/6	Alexanders £2, 1 pd.	84/-xd	85/-	4 2 3	23 7/2	22/3	7 a	10 b	4	4
385 1/2	382 1/2	385 1/2	382 1/2	Bank of Australasia £5	385 1/2	385 1/2	3 4 0	64/-	61/6	10 c	10 c	4	4
22 1/2	21 1/2	22 1/2	21 1/2	Bank of England Stock	22 1/2	22 1/2	3 2 0 1/2	72/6	71/-	10 c	10 c	4	4
34 1/2	32 1/2	34 1/2	32 1/2	Bank of Montreal \$10	34 1/2	34 1/2	4 7 0 1/2	56/-	55/-	24 c	30 c	4	4
80 1/2	78 1/2	80 1/2	78 1/2	Bank of New S. Wales £20	80 1/2	80 1/2	3 3 7 1/2	46/6	45/3	7 b	3 a	4	4
61 1/2	59 1/2	61 1/2	59 1/2	Barclays Bank 'B' £1	60 1/2	60 1/2	2 2 9	89/3	87/-	10 c	10 c	4	4
11 1/2	10 1/2	11 1/2	10 1/2	Barclays (D.C. & O.) 'A' £1	10 1/2	10 1/2	2 5 6	85/-	83	4 a	4 a	4	4
62 1/2	61 1/2	62 1/2	61 1/2	Chartered of India £5	62 1/2	62 1/2	3 16 6	153/9	150/-	12 a	17 b	4	4
68 1/2	67 1/2	68 1/2	67 1/2	Lloyds 'A' £5, 1 pd.	68 1/2	68 1/2	3 8 9	49 1/2	47 10 1/2	8 c	8 c	4	4
70 1/2	69 1/2	70 1/2	69 1/2	Martins Bank £1	70 1/2	70 1/2	3 12 0	22/6	20 10 1/2	6 c	6 c	4	4
49 1/2	48 1/2	49 1/2	48 1/2	Midland £1, fully paid	49 1/2	49 1/2	3 16 6	39/6	38/6	12 a	12 a	4	4
17 1/2	16 1/2	17 1/2	16 1/2	Nat. Dis. £2 1/2, fully paid	17 1/2	17 1/2	3 8 6	91/3	90/-	2 a	7 b	4	4
61 1/2	60 1/2	61 1/2	60 1/2	Nat. Prov. £5, 1 pd.	61 1/2	61 1/2	4 0 0	40/-	38 3/4	5 b	3 a	4	4
97 1/2	95 1/2	97 1/2	95 1/2	Royal Bank of Scotland	97 1/2	97 1/2	3 5 6	81/-	80/6	10 b	10 b	4	4
29 1/2	28 1/2	29 1/2	28 1/2	Stan. of Africa £20, 5 pd.	29 1/2	29 1/2	3 15 0	33/9	33 7/2	10 b	10 b	4	4
14 1/2	13 1/2	14 1/2	13 1/2	Union Discount £1	14 1/2	14 1/2	3 15 0	33/9	33 7/2	10 b	10 b	4	4
Insurance													
29 1/2	28 1/2	29 1/2	28 1/2	Westminster £4, 1 pd.	29 1/2	29 1/2	3 15 0	33/9	33 7/2	10 b	10 b	4	4
14 1/2	13 1/2	14 1/2	13 1/2	Alliance £1, fully paid	14 1/2	14 1/2	3 14 0	67 1/4	66/3	20 b	10 c	4	4
10 1/2	9 1/2	10 1/2	9 1/2	Atlas £5, 1 pd.	10 1/2	10 1/2	3 4 6	105/4	100 7/2	7 a	12 b	4	4
118 1/2	117 1/2	118 1/2	117 1/2	Commercial Union £1	118 1/2	118 1/2	3 8 0	46/3	42/-	15 c	20 c	4	4
31 1/2	30 1/2	31 1/2	30 1/2	Gen. Acctd. £1, 12/6 pd.	31 1/2	31 1/2	3 4 6	40/9	39/3	7 b	2 a	4	4
15 1/2	14 1/2	15 1/2	14 1/2	Lon. & Lancs. £5, 3 pd.	15 1/2	15 1/2	3 10 6	45/9	43/9	10 c	15 c	4	4
17 1/2	16 1/2	17 1/2	16 1/2	Pearl £1, fully paid	17 1/2	17 1/2	2 5 9 1/2	114 1/4	108/9	10 a	12 b	4	4
25 1/2	24 1/2	25 1/2	24 1/2	Phoenix £1, fully paid	25 1/2	25 1/2	3 2 0	86/6	81/-	3 a	8 b	4	4
9 1/2	8 1/2	9 1/2	8 1/2	Prudential £1 'A'	9 1/2	9 1/2	3 2 9	39/3	38 1/2	(A) 15 b	7 a	4	4
10 1/2	9 1/2	10 1/2	9 1/2	Royal Exchange £1	10 1/2	10 1/2	3 2 9	39/3	38 1/2	(A) 15 b	7 a	4	4
236 1/2	233 1/2	236 1/2	233 1/2	Royal £1, 12/6 paid	236 1/2	236 1/2	4 5 8	62/3	61/-	35 b	32 a	4	4
249 1/2	246 1/2	249 1/2	246 1/2	Investment Tru. Ord. Stock	249 1/2	249 1/2	4 8 11						

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THE ECONOMIST, January 20, 1945

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Export or Die

WHEN a Cabinet Minister finds himself in the
difficult position of having to make a speech on
a subject of urgent public importance on which His
Majesty's Government has nothing to say, he has two
alternative courses of action open to him. One is to take
one or two little scraps of administrative action and dress
them up as major decisions of policy. The other is to
indulge in generalised moral exhortation to the public
to cultivate a new spirit, to eschew selfish contriving,
to be up and doing, and generally to relieve the Govern-
ment of its awkward responsibilities. When Lord Woolton
spoke at Bristol on Saturday last on the subject of exports
and industrial policy, he found himself in just such an
awkward fix and he decided to play safe: he chose both
alternatives at once. There were the titbits: the limit for
export credit guarantees is to be raised from £75 to
£300 million (by not much more, in fact, than the
rise in prices); 800 applications for licences to make
prototypes for post-war models have been approved and
512 business men have been allowed to go abroad;
the Government is making studies of overseas markets.
And there were also the customary beatitudes—the spirit
of adventure . . . unity of purpose . . . combined opera-
tions . . . initiative . . . enterprise. It is all a little reminiscent
of the time when Lord Baldwin tried to win a General
Election on the double ground that he could be trusted

and that there was an increase in the production of
broccoli in Cornwall.

So many problems are nowadays described (and
rightly) as crucial and urgent that it is difficult to estab-
lish an order of precedence in the public mind. Yet if
there is one matter which, second only to victory, should
be regarded as vital to the future welfare of the British
community it is the restoration of international trade. Un-
fortunately, it is currently the fashion among one school
of economists to cast some doubt on what should be
beyond question. Their argument derives largely from the
fact that dry cargo imports into the United Kingdom,
which were 55 million tons a year before the war, have
been successfully reduced to less than 23 million tons in
1942 and to not much more than 25 million tons in
1944. If this large reduction could be achieved at the
same time as a great expansion in almost all forms of
industrial activity, surely, it is argued, the country could
get along even in peacetime with fewer imports than it
had before the war—not perhaps with a saving of 60 per
cent as in wartime, but with a saving of 30 per cent.

This argument is wholly fallacious. Of the total reduc-
tion in imports, over 10 million tons is accounted for by
timber, wood pulp and paper alone. If the country has
have a building programme and a free press, these imports
will have to be restored. But in any case what is the

wrong criterion for peacetime, when the limiting factor on British imports is the ability to pay for them, and the right way to add up the various categories of goods is therefore by their value rather than their weight. If wartime imports are listed by their values, but in such a way as to ignore mere changes of price-level (that is, in technical terms, if they are valued throughout at 1935 prices), then the aggregate in 1943 is discovered to be as much as 79 per cent of the pre-war figure, even after munitions are excluded. With all the restrictions and shortages of wartime, it proved possible to dispense with only 21 per cent of the pre-war imports. When the timber and paper are restored, when citrus fruit is once more imported, when the other necessary relaxations of returning peace are carried out, it is doubtful whether the country will find it possible to dispense with more than one-tenth of its pre-war imports. Broadly speaking, there are no unnecessary imports.

There is no escape from the necessity of finding means to import as much as before. Any failure will lead to permanent restrictions on a wide range of activities. Moreover, it so happens that a restriction of imports would hurt precisely those forms of consumption that it is the object of public policy to encourage. Lord Keynes once remarked that in this country the poor lived on imports and the rich lived on the poor. A very large part of the consumption of the well-to-do consists, directly or indirectly, of British labour, and would not necessarily be affected by a breakdown in imports. It is the basic consumption of the masses of the people that would be prejudiced. Cheap imported food might, in a long time and with great effort, be partly replaced by home-grown food—though at a higher cost. Lack of raw materials would inescapably limit the activity of industry. Nothing else, in fact, could do so much damage at once to the three ideals of a higher standard of living, full employment and greater equality in welfare.

The Government is certainly aware of the problem and has frequently given expression to its concern, not least in the White Paper on Employment Policy. But to judge by all the available indications, the Government has not decided upon any specific means of meeting its responsibilities in the matter. It may have a policy for exports, but if so it is being kept under lock and key. Not long ago one of the most important industries in the country found itself, for the first time in many years, with a little of its product to spare after meeting all war requirements and therefore in a position to make a first beginning with the restoration of its export trade. It sought guidance on whether this would be welcome to the authorities; on whether exports in finished or unfinished form were best, and to which countries; and on the foreign exchange considerations. It was told, in substance, to find its own answers. The Government is apparently disposed to think that its duty is done when it has lifted the export prohibitions, as has recently happened (to take one example) with cutlery. For the rest, as Lord Woolton said, it is for industry to take the initiative. *Laissez faire* is re-enthroned in this province of economic policy, however rigorously it may still be banned from the rest.

Like most economic problems of the transition from war to peace, the problem of exports divides itself into two sharply contrasting phases, those of the short run, when there will be a universal seller's market, and of the longer years thereafter. In the short run there will be little difficulty in selling goods either at home or abroad. The difficulties will all be those of supply. When he is free to choose between them, almost any manufacturer will prefer to sell in the home market, where turnover is much quicker and there are fewer annoyances of language, shipping, credit and trade. The duty of the Government in this period is to restrain those industries which are most important for the development of the export trade (by no means always those to which the export trade is most important) from too exclusive an attendance to the clamorous demands of the consumer on the doorstep.

For this task, the mere removal of prohibitions is almost

useless, and even the grant of materials is a very weak weapon. One of the clear lessons of the war is that the according of priorities is likely to be ineffective, unless it is reinforced by a much more comprehensive machinery of allocation. A priority for materials for export will not work unless there is a demand for materials for export, and the home market may well be so attractive that there will not be an adequate spontaneous willingness to ask for materials or labour for supplying foreign markets. What is needed for exports in this transition phase is, therefore, much the same as what was needed during the transition from peace to war—a job of mobilisation, of creating the demand to which the supply can be made to respond. A total of visible exports 50 per cent larger than before the war will require between one-fifth and one-quarter of the output of industry; it is a smaller task than the war programme, but not so much smaller as to be of a different kind. The Government can best discharge its responsibility by drawing up, at least in outline, a programme of exports for these first few years, by seeing that the necessary productive capacity is allocated to it, and—only thirdly and consequentially—seeing that the firms concerned have an effective priority for labour and materials. It is a job on the lines to which the supply departments have become accustomed; where it differs from their wartime tasks it is smaller and, on the whole, easier.

In the longer run, when the world-wide insistence of demand disappears and sellers once more find the competitive going hard, the picture changes. Since, by definition, there will no longer be universal scarcities, the machinery of priority and allocation will no longer work. Then, in fact, will be the time to hand the job more completely back to private enterprise. But that does not mean that there will be no need for Government leadership and assistance, or that there will be no points of general policy emerging which only the Government can settle. For example, it is already clear that the dominant factor will be the price of British goods relatively to those of other nations. British costs and prices were high before the war, and they are much higher now. British labour has grown accustomed to a standard of living that it was hard to justify by its comparative productivity even before the war when it was sustained by the overseas income and other invisible exports of the country. Moreover, British industry has reinforced this tendency by its addition to restrictive practices and high margins. During the war, ideas about standards of living have perceptibly risen, cartelism has been strengthened, and the country's competitive position has worsened. It is at least probable that, unless corrective steps are taken, British goods will again be expensive in the world's markets.

What is it proposed to do about this? Exchange depreciation is a game that many can play. Schachtian strong-arm tactics, exploiting the attractiveness of the British market to force expensive British goods on those countries that sell here, will work only until the victims find means of escaping. Open export subsidies would give rise to a world-wide outcry and world-wide retaliation. Indirect subsidies—the cartels recouping their export losses out of higher prices to the British consumer—are even more obnoxious. There is only one permanent solution—through such a great increase in productive efficiency as will reconcile high wages with low selling prices.

Thus the export crisis leads back, as almost all economic arguments do, to the basic economic problem of the day—the economic efficiency of the productive machinery of the country. This is fundamental to all the fine dreams that are now so much in the public mind. On many issues, inaction is the result of deadlock in the Cabinet between Right and Left. But on this, the representatives in the Government of Big Business and of the Trade Unions are at one in blocking any approach to action, even of the timidiest. An informed public opinion has removed mountains of obstruction before now. It will be badly needed in the months to come if the country is not to live indefinitely under the threat of a siege economy.

The Owners' Plan for Coal

IN May, 1944, the Mining Association appointed Mr Robert Foot as their chairman, and asked him to prepare a report on the future of the coal industry, because they wanted the impact of a fresh mind on problems which had grown sick and stale. Mr Foot, after touring the coalfields and studying the history of the industry during the last twenty-five years, has now produced his plan. It is a personal report, committing no one but the author, and the owners are being asked to reach a decision about it within the next few months. Mr Foot certainly shows a welcome change from the attitude of mind so often associated with mine-owners; he does not indulge in recrimination, he does not seek to blame all the industry's troubles on the miners, for whom he has a warm sympathy. It is an honest attempt by an honest man to solve a difficult problem and the fact that it in no way solves the problem does not detract from the sincerity of the attempt. Mr Foot is a natural optimist, and he believes that, with good will on both sides, the industry can regain prosperity.

If the owners and the men's leaders could really sit round a table and discuss matters as if they were partners in a joint enterprise, it might easily make all the difference in the world,

he writes, and much of his report is devoted to appeals for co-operation. Indeed, it might be described as a sermon, with the text chosen from the Book of Samuel, though the music of Sankey has been rejected.

There is much in Mr Foot's report which will be generally accepted, and has been accepted before by the countless commissions and committees which have investigated the coal problem. The twenty principles for the organisation, operation and standards of the industry, upon which the report is based, are unexceptionable and many of its proposals are constructive. No one, for example, will dispute Mr Foot's definition of the threefold problem confronting the industry as being to give the miner continuity of employment and a good standard of living, to give capital a reasonable return and to give the consumer full supplies of coal at an economic price. From the three sides he asks for flexibility, enterprise and patience respectively. The kernel of the problem, he states, is that "wages should stay high, but the only way in which high wages can be supported permanently is by increasing the output and reducing the price."

The central thesis of Mr Foot's report is that the industry must be organised on the basis of National Service (the very phrase that was used in the Government's White Paper of June, 1942) and that the colliery owners must accept their responsibilities in the sense of trustee-

ship, taking a national, and not a local or sectional, view. The coal itself, as he points out, now belongs to the state, and the colliery owners should regard themselves as the nation's tenants. Mr Foot rejects outright, as was to be expected, any form of state control or ownership of the mines, and urges instead self-government for the industry. He is strongly critical of the present form of Government control, and hopes that it will be "liquidated" at the earliest opportunity and the full authority restored to managements.

Mr Foot is a firm believer in private enterprise and maintains that mining, more than any other industry, offers scope for individual initiative. He argues that for an industry to be run on the basis of national service does not in the least conflict with its remaining in private ownership and control. This is perfectly true. But it does not follow that every privately-owned industry is so conducted as to serve the public interest, and past experience provides plenty of occasion for doubting whether there is likely to be, in the particular case of the coal industry, such a confluence of public and private interest as Mr Foot supposes. He argues that the present owners can be trusted with control "provided they are prepared to accept the drastic kind of reorganisation which I feel the difficulties and seriousness of the present situation make imperative." But are they? They have in the past been given abundant opportunities for reorganisation and are indeed under a pledge to effect it. But the results have been of the smallest, and wartime experience has reinforced the view that some external catalyst is needed. It is no answer to argue, as Mr Foot does, that the difficulties of the industry during the interwar period were not its own fault, but were due to circumstances outside its control. *Qui s'excuse, s'accuse*. Even if the industry were completely free from outside intervention, it would still be at the mercy of external economic factors, and whether through bad luck or bad management, it is apparently helpless to put its own house in order. Mr Foot is very critical of the Labour Party and the miners' leaders who have harped on nationalisation as the only salvation for the industry and made capital out of its misfortunes. It is true that there has been a lot of loose talk on the Left about nationalisation, without any attempt to discover what its consequences would be; but political capital can equally be made out of the dogmas of private enterprise. To make a moral issue of ownership, on either side, is beside the point; what matters is not so much who owns the coal industry as how it is operated. Mr Foot bases his case largely on psychological arguments. But when it comes to psychological arguments, there is no doubt that the miners have got the greater weight on their side.

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This does not mean that Mr Foot neglects the technical side. On the contrary, he agrees that "output per man-shift is the ultimate test" and that concentrated efforts to raise it must be made. That "the industry should be brought to and progressively maintained in the highest state of efficiency" is one of his basic principles. He puts forward proposals for making the best possible technical advice available throughout the industry, for surveying each individual undertaking with a view to improving its performance, and for the introduction of modern methods of labour management. All these are vitally necessary; but the question that is before the public—and which Mr Foot does not convincingly answer—is whether, without a drastic reorganisation of the financial and economic structure of the industry, any real technical progress can be achieved by such methods alone.

*

The basic problem of the industry is a matter of coal-getting. But Mr Foot, equally with the Labour Party, seems to approach it mainly as a matter of committee-forming. The main proposal in his report concerns the establishment of a Central Coal Board. This Board would consist of fifteen members, in addition to a full-time Chairman, who would be appointed by the Mining Association. It would be

drawn entirely from within the industry and should be composed of men of high standing and good reputation . . . who can be relied upon to approach their responsibilities in a statesmanlike way.

It is implied in this proposal, though not explicitly stated, that appointments would be made by the Mining Association, and would be confined to colliery owners, with the exception of two members, who are to have started life in the pit and worked their way up. There would be no representatives of the Government, of the miners' union, or of consuming interests. Though the miners would be kept informed and consulted through their national, district and pit consultation machinery, they would not be allowed any decisive voice in the policy or conduct of the industry. The same procedure would be followed in the District Boards.

The Central Board would work according to a definite constitution, provided presumably by the Mining Association, for Mr Foot explicitly states that he is not proposing any new statutory measures. The Board would prepare detailed annual reports to the Minister of Fuel for presentation to the Government and Parliament, and this, it would appear, would be the limit of its responsibility to Parliament. Each colliery undertaking would retain its autonomy, but would be generally responsible to the Board, which would co-ordinate their activities. The Board would have power to provide any capital needed for modernisation and equipment, to raise or to guarantee loans, and to give any security over and above that which could be provided by any individual undertaking. It would be responsible for deciding on the basis of the district surveys which pits should be helped financially and which pits should be closed, though this step should not be taken until proper arrangements had been made for the absorption of the miners elsewhere. The Board would be empowered to raise a levy on the industry for meeting the cost of its schemes.

The Board would be generally responsible for selling arrangements in the industry, and with the aim of eliminating "inter-district and inter-colliery competition" Mr Foot suggests the continuation of the district distribution schemes set up under the 1930 Act, with a national organisation for exports. Anticipating criticism that this might lead to "some anti-consumer monopoly and so-called cartel" he points out that this has been Government policy for fourteen years and that even if price competition were eliminated, competition in quality would be retained. This somewhat disingenuous argument will not allay anxiety about the creation of a monopolistic selling organisation, with powers to fix prices. If prices are to be fixed, they should be fixed by an impartial body and not by the industry itself. Moreover, one of the effects of the quota sales system introduced in 1930 was to place a premium on inefficiency.

One of Mr. Foot's guiding principles is "the closer

integration of the industry" and he agrees that, in theory, the number of undertakings should be reduced. He admits that the total of 40 to 50 undertakings, estimated by the Tory Reform Committee as the ultimate goal, might be desirable. But he does not go so far as the Tory Reform Committee in advocating compulsory amalgamations or in proposing a time-limit during which the owners would have to put their intentions into effect. In fact he flatly rejects the idea of compulsory amalgamation as impracticable and likely to do

incalculable harm and to delay rather than expedite greater efficiency.

Instead, he hopes that amalgamations will come about naturally and by agreement, though he provides for compulsion to be exercised by the Coal Commission where an undertaking fails, or is unable, to conform with the decisions of the Central Board. It is true, as he points out, that the mere size of an undertaking is not necessarily the criterion of efficiency—there are many small efficiently managed undertakings in this country. But it is equally true that without a complete community of financial interest among the pits of a district, any technical rationalisation of production is next to impossible.

Mr Foot's desire to improve the miners' conditions and standards of living is wholly laudable. He was struck during his tour by the inadequate housing and dismal aspect of many mining villages, and he was continually reminded of the reluctance of colliers to send their sons down the pits, while nearly all the Bevin boys he met told him that they wanted to leave as soon as possible. His aims are that the wages of underground workers should be maintained at a level which will give them "pride of place amongst industrial workers" and so to improve the facilities for education and training that every entrant to the industry, whatever his background, should have an opportunity, "if he has character, guts and ability" to rise to the highest place in the industry. In other words, every pit boy should have a director's cheque-book in his knapsack. The miners will no doubt welcome Mr Foot's proposals on wages and welfare, but it is doubtful whether they would be satisfied with a scheme which gave them so little direct responsibility for the industry, much less, indeed, than they have had under the wartime control scheme, which is based on tripartite responsibility of Government, owners and miners.

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But all these reforms will cost a great deal of money, and Mr Foot is remarkably uncommunicative on the subject of finance. He admits that large-scale modernisation and mechanisation will have to take place, though he does not commit himself to any figure for capital expenditure; he wants the miner to have high wages, the owner to have fair profits; and he wants these things without increasing the price of coal to industrial and domestic users. The report assumes that the Central Board will be able to raise sufficient capital without appealing to the Government, and that where the volume of private investment is not sufficient, the gap can be covered by a levy on the industry. How can this be done without increasing the price of coal? With increases in wages and operating costs, the price of coal has approximately doubled since the war began, and the Coal Charges Account has added 12s. per ton to the price of coal, for strictly wartime purposes, without any expenditure on development work. Mr Foot would abolish the Coal Charges Account, but his own levy might be almost as heavy if his Central Board was to do as much as he wants it to do. This would be a direct addition to the price of coal. What is perhaps more important, it would continue the vicious principle of laying the expense of reforming the industry on the costs of production of the efficient mines.

For all his good intentions and for all his condemnation of the present system of private responsibility and official control, it is difficult to resist the conclusion that Mr Foot's scheme would result in almost precisely the present state of affairs. There would be no effective movement towards closer integration—for at this time of day it is

simply impossible to believe that voluntary methods plus an appeal to the Coal Commission will achieve anything. There would be no drastic re-equipment—because the capital does not exist within the industry and cannot be raised on market terms. There would be no improvement in the labour position—because the men would regard the scheme as reactionary. All that would exist would be a certain amount of subsidising poor pits, but mainly from the consumer by means of a monopolistic selling organisation. This would differ from the present state of affairs only by the fact that it would be operated entirely by the mine-owners without any Government control—and also, no doubt, by the fact that there would be a formal proclamation of National Service.

Middle Eastern Unity

THE war has receded a long way from the Middle East and on every side there are signs of preparation for the coming peace. The Arab states have met together in preliminary conference to discuss the establishment of an Arab League. The Middle East Supply Centre has virtually ceased its control over imports and exports. Its American co-director, Mr James Landis, has returned to America. A number of American business delegations are touring the Middle East to establish contacts for post-war trade. Business men and commercial delegations from Egypt and Turkey have gone to the United States. From the British side, however, there is so far not very much evidence of a new orientation.

Yet the area is vital to British interests. There is no question of a British withdrawal after the war. On the other hand Middle Eastern problems are such that a policy of drift would carry Britain to nothing but disaster. The old tutelary and mandatory relationship will not last on its own momentum. Self-government for Palestine cannot be postponed indefinitely. In Egypt, nationalism has risen to a marked degree during the war and is causing the local British community some anxiety. The other Arab countries are likely to conform to the same pattern. Either the association of Britain with the Middle East must seem to the advantage of the states involved or it will lead to friction and deadlock and dangerous possibilities of conflict with other Great Powers.

There is no reason why Great Britain should not succeed in establishing a new relationship. There is no fundamental clash of interest. Britain is powerful enough to support the security of smaller nations, not powerful enough to threaten it. The political need of the Middle East—unity—and its economic need—industrial development and rising living standards—are aims which this country can both applaud and help to achieve. The two aims are really inseparable. If Iraq, Lebanon, Syria, Palestine, Transjordan, Saudi Arabia, Egypt and the Yemen are to pursue their prosperity in division and competition, the result will be a repetition of such pre-war follies as the customs war between Syria and Lebanon or the tariff barriers between Palestine and its neighbours. Without unity there will be no prosperity; and prosperity is the surest bond of unity.

There is undoubtedly an impetus towards unity in the Arab world itself. The result of the preliminary conference on Arab unity held in Alexandria last October went further than many people expected. The protocol signed at the time by Iraq, Syria, Lebanon, Transjordan and Egypt and since signed by Saudi Arabia and the Yemen proposes the establishment of a League of Arab States. Its Council would co-ordinate the external policies of the members, protect their independence, arbitrate between them on request and in general "concern itself . . . with the affairs and interests of the Arab countries." At the same time six Commissions were set up to prepare plans for closer co-operation in economic and financial affairs—tariffs, currency, agriculture, trade, industrial development and communications. The procedure proposed was that when these Commissions were ready to report, the

The plain truth is that the industry is past self-help. To say this is not, of course, to plead for nationalisation as usually envisaged. To do what the Labour Party and the miners' union want would make matters rather worse than Mr Foot's proposals. The outlines of a technical and non-political solution have on more than one occasion been discussed in *The Economist*, and this is not the place to repeat them. But it is the place to insist that only one fact has been clearly established by Mr Foot's report: that neither the owners nor the miners can put the industry on its feet, neither separately nor together. The state, the Government, the public, will have to abandon the role of neutral umpire and evolve their own plan. They should have done so twenty-five years ago; and if they do not want to be altogether too late they will have to hurry.

Preparatory Committee would meet again and summon a general Arab Congress.

Elaborate constitution-drawing and commission-forming do not of themselves bring any plan to political birth. Although the aspiration to unity and co-operation is present in the Arab world, it is still too largely negative. It represents the union of Arab states against the outer world rather than their desire to co-operate for positive purposes. Thus if their aspiration is to become reality, the outside world—in this case principally Great Britain—will have to assist them in two ways, by removing the grievances which give them spurious unity, and by substituting for negative defensive unity a genuine co-operation based on common interests and common policy.

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The first move naturally turns on Palestine. The situation there has deteriorated. The attempted assassination of Sir Harold McMichael and the murder of Lord Moyne are sensational examples of the kind of terrorism that has broken out among the younger and wilder Jews. If the White Paper of 1939, promising the Arabs an end to Jewish immigration, were to be withdrawn, the terrorism would probably arise as fiercely on the Arab side. Without some new initiative, which can only come from the British side, the Palestine problem will be as bitter and insoluble as the Indian deadlock—and as damaging to British prestige. The solution that increasingly commends itself to uncommitted opinion outside Palestine—though it is perhaps too reasonable and moderate to get much of a hearing in the inflamed atmosphere of Palestine itself—is that which has been outlined on a number of occasions in *The Economist*. Its essence is the restoration of the old greater Syria by uniting Lebanon, Syria, Transjordan and parts of Palestine in an Arab state or federation, and the establishment of an independent Jewish state in the remainder of Palestine. This would not meet the full Jewish claim for all Palestine, but it would give them control over immigration in a larger area than any envisaged in the various partition schemes.

Such a policy could not, however, be achieved by political means alone. It would be necessary by the offer of loans and suitable capital development to convince the Arabs, particularly the Palestinian Arabs, that life in Greater Syria offered them opportunities and prospects which their present divided existence does not provide. This point is part of the larger problem of underpinning Arab unity with stronger economic foundations, but in the matter of securing Arab acquiescence to a partitioned Palestine, it might be necessary to provide very special inducements.

The larger objective—that of expanding the economic prosperity of the Middle East as a whole—is in the long run the determining factor in the success or failure of British policy. There are two sides to the problem—the willingness of the Arab states themselves to act together and the degree of help they will receive from the outside world. Capital development in the Middle East must depend very largely on Britain, the United States, and

to a lesser extent France. It is too early to say whether the Commissions established by the Alexandria Conference will accomplish much, but a start has already been made elsewhere in this field. Under the auspices of the Middle East Supply Centre, a series of regional conferences has been held at Cairo over the last two years to discuss such matters as finance and agriculture. After the conference on agriculture, a Middle East Agricultural Council was set up to oversee policy and to work out joint plans for irrigation, research, technical development and education. The delegates at these conferences discussed their problems on a factual basis and had at their disposal a very efficient secretariat provided by the MESC. It can be argued that these conferences have already made Arab co-operation a fact and only need more vigorous encouragement to succeed.

The form which outside help to the Middle East may take is still uncertain. On his return to America, Mr Landis remarked that

the time is obviously drawing near when private trade is coming into its own in the Middle East.

This is probably true, yet on the Arab side a great deal of Governmental action is certain to continue. The merchant community is too undeveloped to undertake the industrialisation and agricultural improvement of the various countries. The pattern is likely to resemble the situation in Turkey, where large investments and loans are negotiated by state agencies. If the British and the American Governments on their side were prepared to work together, they could use their loans to ensure a balanced regional development in the Middle East instead of individual and haphazard investment state by state. Such a policy would not imply the exclusion of private investment and enterprise. On the contrary, it would give it a prosperous framework within which to operate.

Ideally, then, the policy for the British Government to pursue would be to establish in the Middle East a Governmental agency with a strong secretariat of experts and technicians who could on the one hand assist all local Arab councils and conferences in the formulation of joint policies and on the other advise the British Government

on the desirability and advisability of various loans. The policy would be strengthened if the American Government were to establish a similar agency. In fact such agencies already exist in the British and American staffs of the Middle East Supply Centre. It would, however, be inadvisable to carry the Centre on in its present form. It will never quite live down the odium of its first two years when its chief work was to restrict imports and interfere with the trade policy of non-belligerent states. Nevertheless, the staff, the experts and the experience could be kept together under a new name to carry on the advisory tasks which the Centre has also done with great success. It would also be necessary for the Minister Resident to recover the drive and energy which characterised Mr. Casey's period in office.

The crying need for a policy in the Middle East is undoubted. Nor can it be denied that possibilities for a constructive approach exist. Unhappily, the present state of British machinery for dealing with the Middle East makes it almost certain that no thought-out policy will be adopted. For who is to do the thinking-out? No one Minister or department is responsible for the whole area. In the Foreign Office, the area is divided between the Egyptian Department and the Southern Department, and the Economic Department has some responsibility. The India Office also has some say, while the Colonial Office is responsible for policy in Palestine. Only during the war has a single ministry—in this case the Ministry of War Transport—had anything like a general oversight of the area as a whole. The first need is therefore the creation of a Middle Eastern Service, controlled by a Middle Eastern Department in the Foreign Office, to which a co-ordinating responsibility is transferred for the whole area. Now, when departmental reorganisation is being carried out in Downing Street, is the time for this essential step to be taken. Good machinery does not guarantee good policy, but bad machinery can frustrate the formulation of policy, good or bad. Unless this reorganisation at the Foreign Office is achieved, Britain is condemned to drift and uncertainty in the Middle East with all the disasters they will entail.

NOTES OF THE WEEK

Across the Frontiers

The great Russian offensive shows no sign of slackening. Every day brings new salvos of triumph from Moscow as the Red Army gallops unchecked across the great plain between the Vistula and the Oder. Russian armour has already cracked wide open the defences of East Prussia and Silesia; Oppeln has been taken, and the fall of Breslau, key to the entire province, seems imminent. In the extreme south, in Slovakia, a new offensive under Marshal Malinovsky has opened successfully, and threatens to complete the encirclement of the rich industrial basin. Success is infectious among Stalin's marshals.

It is hardly possible that the advance can continue at such a breathtaking speed. With an additional two hundred miles between them and their nearest bases, the Russians' supply problems must now be extremely difficult. A pause for consolidation seems inevitable. It may be that the Germans decided from the first to make their stand nearer to their own frontiers. So far the Russians have claimed only small numbers of prisoners, but this may mean that large German forces have been left behind by the Russian advance, and now await treatment. What is certain is that the Germans must now, or never, make the stand to save Berlin.

Mr Churchill and His Critics

The outstanding point of the Prime Minister's speech in last week's debate was the vigour with which he assailed the critics of his Greek policy. He had never known a Government, he said, which had been so maligned and traduced as had the present British Government by organs of the press.

How can we wonder at the attitude of hostile and indifferent newspapers in the United States when we have here in this

country witnessed such melancholy exhibitions as that provided by some of our most time-honoured and responsible journals?

He further complained that a hard task was being rendered vastly more difficult by "a spirit of gay, reckless, unbridled partisanship."

These are hard words. They have some justification. In some parts of the British press there has been altogether too much jumping to conclusions without evidence, too much readiness to impute motives, too much anxiety to give the benefit of the doubt to anybody but His Majesty's Government. But if the kettle is black, how about the pot? Have Mr Churchill's speeches been conciliatory or careful of their facts or conspicuously fair-minded? Have they avoided all gaiety, all recklessness, all partisanship? Quite on the contrary; they have been so couched as to give offence to many people who are willing to trust the Government's policy. Last Thursday's speech was another of the familiar sort, full of ferocious denunciations of EAM and ELAS, contemptuous of the part they played against the Germans, relying on the false suggestion that the practice of atrocities is something new or one-sided in Greek policy.

Fortunately, the Government's policy has not been so bad as Mr Churchill would have us believe. Nor have the actual proposals of the critics, stripped of the ideological bombast, been very far out of line with what the Government has done. In the first of the series of Greek debates, as Percy Harris reminded the House, the critics of the Government pressed for three things—the visit of a responsible Minister to Athens, the establishment of a Regency, and the negotiation of a truce. In the four weeks that have elapsed, all three desires have been met, and if the world believes that the Government has yielded to pressure, this must be put down to the impression of defiant recalcitrance

made by Mr Churchill's own speeches. The further demand put forward by the critics last week, that there should be an amnesty, was largely met in the course of the debate by the statement that General Plastiras had agreed to prosecute only those who were guilty of legal, as distinct from political, offences. It is a very great pity that the violence of largely artificial party passions, on both sides, should so vastly exaggerate the real differences of view on British policy in liberated countries that exist in this country.

The position in Greece is easier. But it is hardly satisfactory yet. ELAS has released the hostages—the sticking point of the recent negotiations—but the truce is nevertheless uneasy and genuine reconciliation is still to seek. It is difficult to tell from the news despatches, all of which come through a single bottle-neck, how much there is in Mr Eden's assertion that the constituent parties of EAM are "flaking away." But clearly no equilibrium can be stable until all those parties which represent substantial sections of the Greek people, and which are prepared for a constitutional collaboration, have been given at least the opportunity of readmission to the Government. It may well be, as Mr Churchill said, that the Communists will not be admitted by the other parties. But the rest of EAM, either separately or together, will have to be brought back into the fold if the British Government is to escape the dangers of being committed to the support of a minority Government in Greece.

The Liberation of Poland

Warsaw is free. A Polish administration is established among its ruins. This news would have been received in the free world with overwhelming delight and gratitude, if a shadow of further servitude did not hang over the tragic city. The men who directed its heroic struggle for two months last summer, and who command the loyalty of a great well-organised Home Army throughout Poland, are not represented in the new administration. On the contrary, the local leaders go in danger of proscription, and hundreds of Poles who fought the Germans for five years have been liberated only to be deported. If anything can be done, even at this late hour, to avert the tragedy, and to guarantee that the new Government of Poland shall indeed be independent, it should be the first item on the agenda at the forthcoming meeting of the Great Powers. If they cannot achieve a compromise, then clearly the war for Poland will end as it began, in disaster.

Is there material for a compromise? It would seem so. On the Russian side is the fact of possession. The Lublin Poles are in Warsaw. The Polish armies which obey them are fighting with the Red Army in the liberation of Poland. Land reform and the transfer of German territory to Polish sovereignty are promises which will draw support fairly quickly. The Lublin Poles are not fully representative. They can become much more so. The London Poles labour under the disadvantage that their two most trusted leaders are out of the Government. Nevertheless, Mr Mikolajczyk and Mr Romer, to mention no others, are still "London Poles," and their position in Poland is strong. Together with the members of the present London Government, they command enough fervent support in Poland to make the task of Russia and its chosen administration infinitely more costly and hazardous if they remain in opposition. Thus the Lublin Poles have possession and growing popularity to offer, the London Poles loyalty and established support.

The three Great Powers, too, have something to offer. Since the Russian recognition of Lublin, Russia, on the one hand, and Britain and America have a stake of prestige and, in the latter case, honour in the Polish dispute. One factor barring a solution is the question of saving face. For either side at this stage to give ground without a *quid pro quo* would strain still further the overstrained alliance. There seems to be only one solution which meets the needs both of the Big Three and the Poles. If simultaneously Russia, Britain and the United States could unrecognise their respective governments and construct a provisional government out of the most acceptable members of both, under the leadership of Mr Mikolajczyk, then at one stroke the most dangerous cause of friction would have been removed, and a reasonably representative Polish Government established.

King Peter Acts

In the debate of January 18th Mr Churchill gave a forthright warning to King Peter of Yugoslavia. The great Allies, he said, had agreed on a fusion of the Royal Govern-

ment with Tito's Administration at Belgrade. They had approved the Tito-Subasitch communiqué announcing the form the fusion would take. It was true that King Peter had made reservations, but

It is a matter of days within which a decision must be reached upon this matter, and if we were so unfortunate as not to be able to obtain the consent of King Peter, the matter would have, in fact, to go ahead, his assent being presumed.

King Peter has paid no attention to this warning. On the contrary, he has taken the one step that could prevent the "matter" from going ahead. He has dismissed Dr Subasitch and his Government. If Dr Subasitch or any members of his Government go to Belgrade it will be as private citizens.

It is difficult to see what King Peter gains by this gesture. His mistrust of the methods Marshal Tito may use to pack the Provisional Government are, on the whole, justified. The probable absence from it of any leading Serb must be a standing challenge and irritation to a Karageorgevitch. But the difficulty is that his dismissal of Dr Subasitch ends even the slender chance that some moderating influence might make itself felt in Belgrade.

It is true that neither the King nor his Serb advisers are particularly moderate, but the mere admission into the Tito Government of men from outside Yugoslavia and the mere knowledge that what they said could command a hearing in Britain and America would have made some fissure in the totalitarian façade. That opportunity has been thrown away. Mr Churchill has made it clear that the King is most unlikely to receive even moral support. Any other kind of support is ruled out by the Grand Alliance and by geography. Thus it is hard not to think that the end of the story may be regrettable and unfortunate for a monarch who, whatever the faults of his predecessors or of his present advisers, deserved very well of this country by bringing Yugoslavia into the war in 1941.

A Lost Opportunity

In the House of Commons on Tuesday an attempt to introduce a new clause into the Representation of the People Bill—a clause to provide local authorities with opportunities to experiment in their elections with a system of Proportional Representation—was defeated by a large majority. The provisions of the new clause seemed so reasonable and moderate that one must ascribe its rejection either to the narrow self-interest of the two main political parties or to obtuseness conjured up by the very term Proportional Representation.

It may be sensible to sit tight when new steps would modify a basic principle of government—and the adoption of PR in Parliamentary elections might have that effect—but where the seat is becoming increasingly uncomfortable it is not unduly reckless to explore the possibilities of movement. And that is precisely what the supporters of the scheme had in mind. It would have given local authorities permissive powers to experiment, for a limited period



of six years, with a system that could do very little harm and might do much good. As Sir William Beveridge said:

... it would increase the power of the voter and therefore his interest in elections. It would also help to improve the quality of candidates.

The argument against PR in Parliamentary elections is that a strong Government with a firm majority is to be preferred as an aim to the mathematically exact reproduction of the electorate. But the argument does not in the least apply to local authorities, which, though they have parties, rarely operate on a strictly party basis—if only because they are nowadays so tightly circumscribed by the central government. The greatest need of municipal government, by universal consent, is to get more good men and women into it, regardless of party. It is hard to believe that the experiment of PR, to be tried only where the local authorities wanted it, would not have a stimulating effect.

Twenty-six years have passed since the Speaker's Conference recommended the introduction of PR in large boroughs and the Alternative Vote elsewhere. The resumption of electoral activity would provide an excellent opportunity to give these recommendations a belated try-out under local conditions. It is regrettable that the opportunity will be missed because of gross self-seeking by the two larger parties.

The Cost of Assistance

Supplementary civil estimates for the current financial year include an amount of £1,980,000 for supplementary pensions, bringing the final estimate for the year to £56,910,000. Thus, supplementary pensions, which are given through the Assistance Board after a needs test, have now become the largest item of the national pensions bill. It completely dwarfs the amounts paid by the state under the contributory pensions scheme, for which the estimate this year is only £22,525,000, and now exceeds the amount estimated for non-contributory old age pensions, paid on proof of need, which is £56,000,000.

It is also worth comparing the present estimate for supplementary pensions with the amounts paid when they were first introduced. When the Bill transferring the burden of needy pensioners from the rates to the Exchequer was debated in Parliament, it was stated that local authorities would be relieved of about £5,000,000 (of which £1,000,000 was already provided by the Exchequer). But it was expected that the Exchequer would have to pay out more than the local authorities, because of the reluctance of pensioners to go on the rates, and the amount actually spent in the eight months of 1940-41 during which supplementary pensions were in force was £15½ million. The following year it was £27,380,000, in 1942-43 it was £37,523,000, and for 1943-44 the final estimate—the amount spent is not yet available—was £46,250,000.

This history of supplementary pensions is of more than academic interest. Social security, under the Government's proposals, will consist of national insurance plus national assistance; in other words, those who, like the needy pensioners, are unable to maintain themselves and their dependants out of their insurance benefits will be able to obtain additional help from the state instead of going on the rates. The lesson of the growth of supplementary pensions is that when "national assistance" is substituted for "public assistance," the cost rises enormously, partly because of constant parliamentary pressure to make the state's interpretation of need more generous, but mainly because of the needy's preference for national assistance to the rates or charity. The local authorities used to give additional relief to about 275,000 pensioners. When supplementary pensions were introduced, about a million applications were accepted. Last September, the Assistance Board was paying supplementary pensions in respect of some 1,550,000 persons, excluding widows under 60 with children, who became eligible for them in September, 1943, and the supplementary estimate for this year is necessary because the number of applicants is greater than was expected. The cost of social security, as distinct from national insurance, will evidently be extremely difficult to estimate for any time ahead.

Opening the Burma Road

British, Indian and Chinese forces have cleared the Lado Road down to its junction with the old Burma Road.

Now the land route into China is open again and convoys full of heavy military equipment are already on their way to Chungking. This news, received from Lord Louis Mountbatten's headquarters on January 23, has tremendous symbolic significance for the Far Eastern war. At the time of Britain's greatest weakness, in 1940, the British Government was compelled to close the Burma Road. In 1942, British forces lost control of it after a gruelling campaign.

It is fitting that the British Fourteenth Army, together with the Indian Division, should have played so large a part in clearing North Burma. A long score has been wiped out and an old debt paid. The Chinese soldiers who actually cleared Bhamo and made possible the opening of the road have an even longer score to settle, and many observers, arguing from their skill and success when equipped with modern weapons, believe that the opening of the Burma Road is the prelude to the creation of a great Chinese land army, capable of playing a decisive part in the Japanese war. It is, however, possible to read too much into the military significance of the reopened road. Although it has been cleared on the Burma side, the great Chinese-American base at Kunming is under some threat from Japanese forces operating from the Hankow-Canton railway. Their advance beyond Kweilin has been halted, but winter is hardly a campaigning season in the Chinese highland.

With the spring, a new threat may develop to the Burma Road from Chinese territory. It is probable that under any circumstances the amount of equipment and supplies that can be sent to China along the road could furnish only a relatively small army. Such an army would naturally be an invaluable subsidiary to the main attacks, but their direction appears to be already set—from the sea. Thus, although the freeing of the Burma Road is likely to attract most attention, it may be that the capture of Akyab and the island of Ramree on the Burma coast is equally important. Control of the coasts ultimately gives control of Rangoon. From there it is a step to Singapore. With that base re-established, the Allied navies will be able to assemble even more massive fleets against Japan.

Terms for Hungary

On January 20th, Marshal Voroshilov signed the Hungarian Armistice on behalf of the United Nations. Its terms are moderate, for it follows the generous armistices drawn up for Finland, Bulgaria and Roumania. Since the Provisional Government has agreed to switch all its resources to fighting the Germans, the indemnities Hungary must pay have been reduced to the figure of £75 million, of which two-thirds will go to Russia and one-third to Czechoslovakia and Yugoslavia. The territorial settlement is also reasonable. The Hungarians are to evacuate any territory they have occupied during the war, and they renounce their territorial gains under the two "Vienna awards." These were the two instruments by which Hitler in 1938 and 1940 gave Hungary territory at the expense of Czechoslovakia and Roumania.

The leniency of all the armistices imposed on Germany's satellites has led some defenders of the Allies' policy of unconditional surrender to argue that the Germans' fear of terms they have not heard is groundless. As Mr Churchill put it in the debate of January 18th:

Several countries have already surrendered unconditionally to the victorious Allies. . . Already there is a tolerable life appointed for their peoples.

This argument misses the fundamental difference between the armistices with Germany's satellites and the settlement with Germany itself. The satellites in a sense purchased more favourable treatment by undertaking in greater or less degree to switch their resources from a war on Germany's side to war against Germany. Germany has no such hope, and those who press for a statement of terms—which is not, as Mr Churchill again suggested, the equivalent of a negotiated peace—have had in mind throughout the stiffening effect on German morale of nameless fears and terror. The Prime Minister, however, went a little way towards meeting this difficulty when, in the debate, he said:

We demand unconditional surrender, but you well know how strict are the moral limits within which our action is confined. We are no extirpators of nations or butchers of peoples. Abandon your resistance unconditionally. We remain bound by our customs and our nature.

The Medical Schools

Most of the recommendations made by the Goodenough Committee on Medical Schools, whose report was published last July, are matters that concern the universities, the medical schools, the hospital authorities and the General Medical Council rather than the Government. But they also involve considerable additional expenditure, both in respect of new equipment and accommodation and of increased grants to students and the introduction of proper salary scales for the teaching staff of a hospital, whether whole-time or part-time. The Committee estimated that to meet recurrent expenditure on undergraduate and post-graduate education the university medical schools will need (at pre-war values) between £1,750,000 and £2,500,000 more a year, and that capital expenditure would cost not less than £5,000,000.

In the House of Commons last week, the Minister of Health stated that the Government accepts the principle that increased grants from public funds should be distributed by the University Grants Committee to the medical schools, post-graduate schools and institutes and teaching hospitals. The amount of the grants, whether for capital or recurrent expenditure, will be determined in the light of the recommendations of the University Grants Committee and the general financial position prevailing, but the Government accepts the recommendation of the Goodenough Committee that any grants to medical schools should be conditional upon their admitting a reasonable proportion of students of both sexes. Shortage of accommodation will still be a barrier to the admission of women—as well as of men—but at least they will not be refused wholesale because of their sex.

Mr Willink stated that the acceptance of the principle of increased grants will also depend on the revision of the medical curriculum. The General Medical Council has already taken the initiative in this matter, which will be a difficult and in some respects painful procedure, but if ever the overloaded and badly balanced medical curriculum is to be revised it should be now, before the establishment of a national medical service leads to a considerable increase in the number of medical students.

Civil Servants in Exile

The wartime exile of civil servants is by no means at an end. Evacuated departments will be able to return to London only very slowly, and initially they will be housed on its far outskirts. Meanwhile, the new Ministry of National Insurance is to be set up, not in London, but in Newcastle-upon-Tyne. These decisions have been forced on the Government more by the acute shortage of accommodation in London than by any deliberate policy of decentralisation.

The undoubted need to relieve the congestion of central London calls for the removal of offices as well as factories. But, in the main, offices cannot be resettled in depressed areas as easily as factories. The choice of headquarters is comparatively immaterial to some Government departments—the Ministry of National Insurance is perhaps a case in point. The exile of the Post Office Savings Bank and the Ministry of Pensions, whose stay in the provinces will anyhow be protracted, could be made permanent. The efficiency of most Government departments and private firms, however, depends, in different degrees, upon quick and personal contact one with another, so that their removal must in any case be limited to areas within daily travelling reach of central London.

For private firms, the difficulty is that there are no means of deciding which offices should move, and it is not practical politics, even were it desirable, to use compulsion. In any case, there will for a long time be less room than before the war in the centre of London. But it is not enough, and it may in some cases be a mistake, for the Government to set an example by merely delaying the return of its own departments. Instead, it should indicate its intention to decentralise some departments permanently, and not be afraid to recall other departments if reconstruction needs require. It should encourage those firms who care to move out by assuring them accommodation in suitable reception areas and by improving communications, especially the telephone service.

ATS Overseas

Wednesday's debate on the compulsory posting of ATS overseas was the occasion of some stormy protests against the new War Office ruling, announced before the Christmas

recess. The opposition was relatively small and oddly assorted, but vociferous. It objected primarily on the grounds that adequate safeguards for the physical and moral welfare of ATS sent overseas had not been provided.

Sir James Grigg gave a sound defence on the grounds of manpower needs and the long-standing mandate for full conscription of women. Volunteers for overseas service would not at present, he said, fill more than a quarter of Army requirements. This fact alone should have been enough to compel agreement, however unwilling. Having accepted the conscription of women in the first place, there is no logic in allowing them, if a national need exists, to choose where they will and will not go.

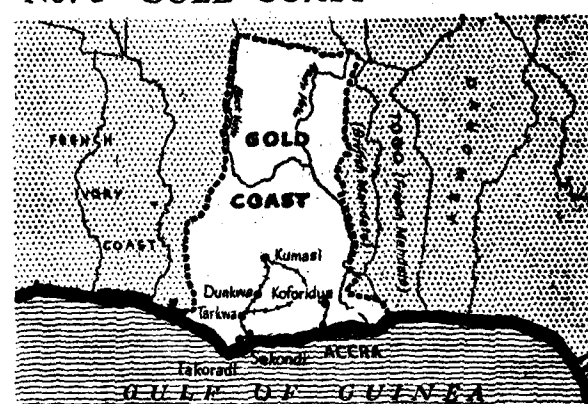
For this reason, the Government reply was possibly more than necessarily conciliatory. To quiet parental fears, important reservations have been attached to the conscription rule. If more ATS are needed in India or elsewhere, the Government has every right to cancel some of its concessions, and to exercise its mandate to the limit.

Those who press for preferential treatment for ATS which is not strictly based on the physical difference between men and women do a real disservice to the claim for equal legal and economic rights for women. Moreover, it is ridiculous to suggest, as did one MP, that because this country has already exercised its powers of conscription for women more widely than any other, it should now hold back and even abandon those powers. This was not the principle that brought the Government and the country through 1940 and 1941, and it cannot be accepted in 1945. By all accounts, the ATS themselves would not greatly appreciate a stay-at-home campaign in their favour. After the long record they have made of monotony, hard work and danger shared with the Army without complaint for more than five years, this is no time to paint the ATS in pastel shades, suffering womanish qualms in foreign lands.

The Law of Negligence

Gradually the littered arena of English law relating to compensation for injury is being tidied. It is not an easy task, nor is it helped by the number of semi-inde-

No. 5—GOLD COAST



THE territory now known as the Gold Coast has an area of 92,000 square miles, with a population of nearly 4,000,000.

Towards the end of the Fifteenth Century European trading centres were established here—Portuguese, Dutch, British and Danish. The British settlers finally displaced the others but it was not until 1821 that the British Government began to take a hand in local affairs.

The gold, ivory and spices, which first attracted European traders, have yielded first place to cocoa, which now forms the Colony's principal export and constitutes about half the world's production. It is grown almost entirely by native peasant farmers. The Colony is also an important producer of gold, manganese and diamonds.

The average annual value of its external trade 1935/39 exceeded £17,000,000.

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pendent authorities and committees engaged on the job. There are the Home Office, the Lord Chancellor and the Law Revision Committee, and the yet to be completed Ministry of National Insurance adorning the background. With commendable speed, Sir Walter Monckton's Departmental Committee on Alternative Remedies, appointed only last July, has now made an interim report (Cmd. 6580).

The title of the report is, to the layman, on the obscure side. It is a reference to the position in which a workman, injured by an accident arising out of and in the course of his employment, finds himself when he begins to think about compensation. He can claim compensation under the Workmen's Compensation Act, without having to prove that his employer was negligent. But if he can prove his employer was negligent he can sue under the Common Law for damages and frequently can recover more, in lump sum form, than his weekly compensation is worth. But he cannot recover both compensation and damages. He must elect which to take. Hence the lawyers say he has alternative remedies.

The next complication arises from the activities of the Law Revision Committee, which have resulted in the Law Reform (Contributory Negligence) Bill, given a second reading in the House of Lords this week. This Bill alters the general law relating to claims based on negligence. At present, if a claimant was himself negligent in the circumstances that led up to the accident he cannot recover damages, although the negligence of the defendant may have been much greater than his. That rule does not hold good in the Admiralty Court, in respect of collisions at sea. There the Court can estimate the relative degrees of negligence and award a claimant a proportion of the total damages he would normally receive. It is now proposed that the general law of negligence shall be altered to conform to the Admiralty Court practice, a straightforward and satisfactory step.

But the alteration of the general law of negligence might have an adverse effect in the particular case of a workman injured by an accident. He may sue for damages, the court may hold him partially to blame but award him a reduced figure of damages, smaller than the value of his established compensation rights. But he has recovered some damages and, therefore, cannot claim compensation, not even the proportion needed to make up the difference. Hence the activities of the Departmental Committee. Their report recommends that the new alteration to the law of negligence shall not apply to actions brought by workmen against their employer. It is not a very satisfactory answer. It suggests that in removing one anomaly Parliament shall create another, but, since it is probably impossible to find enough Parliamentary time, and, maybe, interest, to clean up the whole problem, it may be better than any other temporary solution. One of the troubles is that the law lags so far behind the existing circumstances. It ignores the basic changes introduced by the existence of compulsory insurance into so many of the fields from which actions for negligence arise. Piecemeal improvements are not to be despised, but they are not very satisfactory.

Beware of the Cow?

Improvements in the supply and distribution of milk have played an important part in maintaining the wartime health of the British people. But the quality of the milk so fairly distributed is a matter of acute controversy. The long-standing dispute about pasteurisation is very disconcerting to the general public. Mr and Mrs Everyman are easily and dreadfully misled by the germinal language of the disputants—so much so that they begin to classify milk, with "edible fungi," as something to be consumed only at considerable risk. They are already bewildered by the various gradings of milk. In addition to "Pasteurised," there are "TT" and "Accredited." "TT" (Tuberculin Tested) milk is drawn from disease-free cattle. It is officially "safe" milk—that is, safe from bovine tuberculosis—but it is not necessarily "clean." Yet, although there is no guarantee that it will not transmit infections other than tuberculosis, the conditions under which it is normally produced, and the fact that tuberculous-free cattle are healthy cattle, almost rule out the possibility of contamination. "Accredited" (formerly "Grade A") is milk drawn from healthy-looking cattle and bottled. Medical opinion regards this milk with disfavour. It is neither safe nor clean. Pasteurisation involves some reduction of the vitamin C content, but it is considered by the experts to be at present the only practicable

way of ensuring that milk is both safe and clean when it reaches the consumer. Other nutritive qualities in the milk remain unimpaired and its flavour "as detectable by the average person" is unchanged.

On the other hand, pasteurisation needs skilled workers and careful supervision, and neither can be always guaranteed, especially in wartime. Mothers, therefore, are advised to boil all milk for young children. It may be argued that if milk for those who form the great majority of potential sufferers from bovine TB is boiled, pasteurisation is unnecessary. The answer to this is, first, that pasteurisation prevents other infections which harm adults, and, secondly, that all mothers cannot be relied upon to boil their children's milk.

The consumption of clean, safe milk is thus a matter of double locks on doors. Since the ideal of the provision of nothing but TT milk, cleanly distributed, cannot be achieved for some time—though far more vigorous steps should be taken to this end than were taken before the war—the only really effective barrier against infection is boiling. But since boiling may be forgotten or disliked, and is in any case hardly practicable in such cases as milk-in-schools, the Yale lock of pasteurisation enormously reduces the risk.

Shorter Notes

The Registrar-General's return for the September quarter of 1944 gives no sign that the rising trend of the birth-rate is yet coming to an end. A rate of 17.6 per thousand is the highest for any third quarter since 1926, and 44,843 more births were registered in the first nine months of last year than in the same period of 1943. The infant mortality for the quarter was 40 per 1,000; the general death-rate 10.3 per 1,000, compared with 9.4 for the third quarter of 1943. 82,302 marriages were recorded. This is only just over half the number recorded in the same quarter last year. It compares badly with the 191,426 marriages recorded in the same period of 1942. So sharp a decline in the number of new marriages must sooner or later show itself in a downward trend of the birth-rate.

The main task facing the 94th Session of the Governing Body of the International Labour Office, which met on Thursday, is to set up the international industrial committees proposed at Philadelphia. In addition, considerable interest and some anxiety will be shown in the ILO's future international status, which is left vague by the Dumbarton Oaks proposals. Other subjects on the agenda are the summoning of regional conferences—including the possibility of calling a general conference which would give special attention to Europe's problems and the question of the ILO's return home to Geneva.

The decision to allow an increase in the wartime numbers of women undergraduates at Oxford University is a purely temporary measure, but a permanent increase is overdue and badly needed. The limited accommodation for women produces excessive competition, with the obvious result that the entry examination into women's colleges is harder than that into some men's colleges. This discrimination between the sexes extends to privileges as well as numbers. In the intellectual field, at least, women should be assured of equality.

Books Received

- Our Economic Problems.* By Y. D. Unwin. Allen and Unwin. Pages 148. 8s. 6d.
- Secrets of Industry.* By Lewis C. Ord. Allen and Unwin. Pages 160. 8s. 6d.
- The Reform of Local Government Finance.* By A. N. Silver. Lawrence and Wishart. Pages 54. 2s.
- Rebuilding Britain—A Twenty Year Plan.* By E. D. Simon. Gollancz. Pages 256. 6s.
- Battle for Health.* By Stephan Taylor. Nicholson and Watson. Pages 128. 5s.
- The Civil Service.* By L. A. G. Strong. Robert Ross and Co. Ross Career Books. Pages 63. 2s. 6d.
- Advertising.* By W. J. Brown, M.P. Robert Ross and Co. Ross Career Books. Pages 62. 2s. 6d.
- The Nazi Economic System. Germany's Mobilisation for War.* By Otto Nathan. Durham (North Carolina). Duke University Press. Pages 378. \$4.00.

AMERICAN SURVEY

Wallace and Jones

ONE of the famous stories of that wittiest of Vice-Presidents, Thomas R. Marshall, concerns a poor woman who had two sons. One of them ran away to sea, the other became Vice-President; and that was the last heard of either. The same cannot be said of Mr Henry Wallace, for whom a new home has been found at the Department of Commerce. Indeed, one of the biggest political rows of the decade is blowing up over the ousting of Mr Jesse Jones and the confirmation of Mr Wallace's appointment by the Senate.

The crux of the matter is not so much the Secretaryship of Commerce, as control of the Federal Loan Administration and its many subsidiaries. The Reconstruction Finance Corporation and its subordinate agencies possess lending authorisations totalling about \$50 billion. It was the direction of this vast, semi-independent financial empire which made Mr Jones so powerful a figure; and it is the transfer of this authority to Mr Wallace which is being so hotly contested in the Senate. Mr Wallace believes that the control of the financial agencies is the key to the creation of an expanding economy and the maintenance of full employment which he has so deeply at heart. The choice is between two men whose mutual detestation has been one of the abiding features of the Roosevelt Administration.

Mr Jones, who since 1932 has been the chief representative in the Administration of conservative finance and, now that Mr Hull has retired, of the Southern Democrats, has made no secret of his resentment at being displaced; and this has been influenced by the fact that his successor is Mr Wallace, with whom he has been at odds since the dispute over the Board of Economic Warfare two years ago; and by Mr Roosevelt's extraordinary statement that Mr Wallace's campaign services entitle him to almost any post which he (Mr Wallace) believes he can satisfactorily discharge. To this Mr Jones has vigorously dissented, protesting against putting at the head of the Department of Commerce and the government lending agencies "a man inexperienced in business and finance."

Of Mr Wallace's integrity, his vision, and his humanity, as well as his great services to the Administration, there can be no doubt. To question whether he is the man best suited to succeed Mr Jones implies no defence of the excessive banker's caution that Mr Jones has shown, or of his bias in favour of big business and finance. (The *Herald Tribune's* printer's error, in which he was referred to as Mr Jesse James will have delighted the liberals who view Mr Jones as a twentieth century descendant of earlier buccaners.) But if the paramount aim of the Administration is, as has so often been said, to preserve domestic peace, there can be no two views of the political ineptitude of Mr Wallace's appointment and the way it has been engineered. The profound alarm with which the business community has always regarded Mr Wallace's reputation as an open-handed visionary may be excessive, but it is likely to strangle at birth that promise of amicable co-operation between business and government to which Mr Wallace has hopefully referred.

In Congress, the Southern Democrats are up in arms, in defence both of Mr Jones and their political philosophy. Senator George has introduced a bill to divorce control of the Federal Loan Administration from the Department of Commerce. Such a move, if it were not vetoed by the President, or were carried over his veto, would deprive Mr Wallace of most of his prospective powers.

In keeping "slightly left of centre" Mr Roosevelt has often described a zig-zag course. It is only a month since the outcry over the "reactionary" appointments to the State Department; and Mr Wallace himself has taken a good many knocks in the interest of moderation. It is difficult to believe, however, that the payment of political debts incurred at Chicago to Mr Wallace, and during the campaign to the Congress of Industrial Organisations, need have reopened, not only the long-standing feud between

Mr Jones and Mr Wallace, but the old breach between the right and left wings of the Democratic party. Even if Mr Wallace is confirmed in his new powers—which is by no means certain—his freedom of action will be limited by the reinforcement that his appointment has given to the alliance between the conservative Democrats and the Republicans, which has always been the bane of a progressive domestic programme. Foreign affairs will get scant attention on Capitol Hill for the next few weeks, but a breathing-space on this front is hardly worth the re-opening of old wounds and domestic dissension.

American Notes

Men and Machinery

Senator Vandenberg's proposals for the disarmament of the Axis have achieved an immediate popularity which even he seems hardly to have expected. His own prestige has been enhanced to such an extent that he is now being seriously mentioned for the Republican Presidential nomination in 1948. Moderate Republicans—that is, those outside the Nye-McCormick orbit—have been delighted at a solution appearing to marry realism to the Atlantic Charter; and Senator Connally's request for a moratorium on political discussion should not be taken to mean that the Administration is unfriendly. The general sense is that the Vandenberg plan has strengthened President Roosevelt's hand in

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RESOURCES

Cash and Due from Banks	\$445,668,127.31
U.S. Government Securities	1,205,104,025.83
U.S. Government Insured F.H.A. Mortgages	5,142,007.22
State and Municipal Bonds	19,941,305.85
Stock of Federal Reserve Bank	2,220,300.00
Other Securities	21,606,252.39
Loans, Bills Purchased and Bankers' Acceptances	367,338,388.54
Mortgages	13,304,092.86
Banking Houses	11,771,030.67
Other Real Estate Equities	633,361.99
Customers' Liability for Acceptances	2,954,175.03
Accrued Interest and other Resources	4,615,019.49
	\$2,100,298,087.18

LIABILITIES

Preferred Stock	\$8,009,920.00
Common Stock	32,998,440.00
Surplus	33,000,000.00
Undivided Profits	19,604,009.64
	93,612,369.64
Reserves for Contingencies, Taxes, Unearned Discount, etc.	10,598,757.96
Dividend on Common Stock (Payable January 2, 1945)	824,959.50
Dividend on Preferred Stock (Payable January 15, 1945)	200,248.00
Outstanding Acceptances	3,438,845.06
Liability as Endorser on Acceptances and Foreign Bills	240,764.82
Deposits	1,991,382,142.20
	\$2,100,298,087.18

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preparation for his next meeting with Mr Churchill and Marshal Stalin.

The "political moratorium" has in any event, been violated by Senator Connally himself, who has proposed, probably with the blessing of the Administration, an interim political council to deal with contentious foreign issues in the period before the final settlement. Its powers would be only advisory, but Senator Connally suggested that, had it been in existence before the Greek crisis, bloodshed might have been avoided. This semi-official suggestion is only one of a number advanced in the United States to devise further machinery for effective consultation and agreed action among the Big Three. Others include quarterly meetings of the Foreign Secretaries and the creation of a Combined Political Board similar to the Combined Chiefs of Staff in Washington.

All these plans are reassuring signs of a desire to keep the Big Three in step on the political level and to see that the United States accepts its full political responsibilities. The adoption of any one of them might have the healthy effect of persuading American opinion that the United States was indeed a party to political decisions rather than merely an alarmed spectator. Whether any such device would be any more effective than the European Advisory Commission is another matter. The analogy with the military is misleading. The Chiefs of Staff are professionals set certain goals and enjoying a freedom to find their own technical solutions. For a similar political body to enjoy comparable freedom would involve a delegation of authority which neither Mr Churchill, Marshal Stalin, nor President Roosevelt has shown any real willingness to concede.

Work or Fight

Mr Roosevelt's request, in a letter to Congressman May, Chairman of the House Military Affairs Committee, for immediate action to draft the 4-Fs, or, as provided in the Bailey-May Bill, men from 18 to 45, into war industry, seems to sound the doom of more general legislation. Mr Roosevelt enclosed a supporting letter from Admiral King and General Marshall, and he begged the Military Affairs Committee not to be tempted to delay by an accelerated movement into war work in the past fortnight which might be reversed if Congress failed to show that, at last, it meant business.

The Bailey-May measure has now been amended to substitute civilian penalties for the military sanction of conscription to the Services. Jail sentences up to five years and fines up to \$10,000 now take the place of conscription into Service labour battalions. The power of direction has been lodged in the hands of Mr Byrnes and the Manpower Commission rather than in those of the military.

Even so, the only break in the united opposition to national service of labour, industry, and the farmers has come from the Farm Bureau Federation; and that only on the understanding that farm labour would continue to be protected. The most damaging attack on the need for civilian conscription has been that launched on the efficiency of the Services by a novel combination of labour and the National Association of Manufacturers. The allegation is that the Services are themselves largely responsible for shortages because of faulty scheduling, unnecessary changes in design, lack of co-ordination, and ignorance of their own inventories. Investigators for the Congress of Industrial Organisations have testified that in case after case of so-called shortages they have been able to prove the existence of surpluses unknown to the Services.

Such testimony has led the *Washington Post* to comment:

Power is no substitute for efficiency . . . and it is efficiency that produces the goods.

This excuse for delay is reinforced by the Russian successes. The Russian capacity to do the fighting may have the effect of weakening the case for Americans to be drafted into war work. It may be a close race between the advocates of national service and Marshal Stalin's armies.

Austerity Inaugural

Mr Roosevelt's fourth inauguration took place last week on the south portico of the White House with a minimum of the usual ceremony. Mr Roosevelt himself spoke only very briefly, on the hard-learned lesson of the war that Americans must live as citizens of a world community, not like ostriches or dogs-in-the-manger; that, as Emerson said, "the only way to have a friend is to be one."

The ceremony was no less moving for the absence of the customary spectacle on the Capitol steps, or for an austerity which was felt to be in keeping with the heavy burdens of the Presidency in wartime and the economic and political responsibilities of the future. No observer could have been led by the brevity and simplicity of the occasion to forget how crucial these next four years will be in the creation of that just and durable peace to which Mr Roosevelt dedicated the nation.

Behind the lack of ceremonial, the fewness of the spectators, the wartime austerities of chicken salad and unbuttered rolls, there was, too, a neat Presidential retort to Senator Byrd, the chief mouthpiece of the economy bloc in Congress. Senator Byrd, head of the Congressional Inaugural Committee, injected a sour note into post-election rejoicing by announcing that a top figure of \$25,000 had been set on inauguration expenses, a substantial cut from the more than \$50,000 of previous Roosevelt ceremonies.

The President lost no time in exposing Senator Byrd's reckless extravagance. With obvious relish, Mr Roosevelt outlined a simple ceremony, to take place at the White House, attended by only a limited number of guests. No new reviewing stands would be needed; a couple of old ones would do for the press and photographers. There would be no banquet, but only a buffet lunch at the White House. The whole cost would amount to \$2,000, a mere fraction of Senator Byrd's allocation. At his press conference Mr Roosevelt played out the novel role of penny-pincher with zest. But the "back-door inaugural" proposed half-mockingly in November proves to have been more in harmony with the times than the usual pomp and parade.

Reforming Congress

It is becoming a platitude that the procedure and organisation of Congress are almost divinely designed to obstruct and enfeeble the making and carrying out of policy. The most recent recommendations to modernise the national Legislature come from an industrial engineer, Mr Heller, after an eight months' study for the National Planning Association. Mr Heller's proposals fall under four main heads: the reform of the abuses of the committee system, by which Congress is largely governed; better pay for Congressmen and provision for more adequate staffs; a trend away from detailed to broader legislation; and the tightening of party control over members, to achieve something more closely resembling the authority and responsibility of the British system.

There is much to be said for all four recommendations; but, unfortunately, that which is likely to have the most popularity with Congressmen is least likely to be accepted by the country. A Bill to increase Congressional salaries in the last Congress—christened "Bundles for Congress"—aroused such immediate public ridicule that it was buried with almost indecent haste. The most pressing needs unquestionably are a reduction in the number of standing committees (now 33 in the Senate and 47 in the House); the abolition of the seniority rule, in the appointment of committee chairmen; and the elimination of the overlapping jurisdictions which waste so much of the time, not only of Congressmen, but of witnesses drawn from Government and business.

Much more contentious is the proposal to restrict free voting in the interests of greater party cohesion and authority; and to strengthen the fragile bonds between the Administration and Congress by experimenting with a question-time for Cabinet Ministers and the heads of agencies. The authority of the Administration would be enhanced by tighter party control, but this is hardly a popular line to advance with a body so notoriously disposed to see dictatorial tendencies in the White House. Nor is the comparison with British political practice altogether sound. In a country so large and so diverse as the United States, parties are inescapably compounded of diverse, and often of mutually contradictory elements, which would make an attempt to exact strict party loyalty on contentious issues a signal for the dissolution of the parties themselves. This is particularly true of the Democratic Party, which constantly shows signs of breaking into two.

This does not mean that the case of Congress is hopeless. Already the Democrats are showing a healthy disregard for strict application of the seniority rule. But habit, vested interest, and jealous guarding of Congressional privileges make any broad and formal reform remote.

THE WORLD OVERSEAS

Pagus Silingus

EXACTLY four years ago, in January, 1941, Hermann Goering appointed Gauleiter Bracht head of the newly-created Gau—Upper Silesia. This Gau had been formed by the unification of German Upper Silesia and Polish and Czech Silesia. In the Middle Ages this territory, together with Lower Silesia, was known as *Pagus Silingus*, or the Gau of the Silingi, the name given by the Romans to the inhabitants.

The most ambitious Nazi experiment, in a typical borderland of Central and East Europe, now seems to be nearing its end. The northern part of so-called Greater Upper Silesia has become a battlefield, but the main part of the industrial area of the Gau is still in German hands. In Upper Silesia the first coalmine of the Continent was sunk in the middle of the eighteenth century; it was there that the first steam-engine was installed for pumping water from the mines, and there that coke was first used in a blast furnace for making iron. The Upper Silesian coal and steel industry is thus older than the industry in the Ruhr area, although during the second half of the nineteenth century the Rhine-Ruhr industry developed at a much quicker and greater pace. The Rhine-Ruhr area was situated advantageously, but Upper Silesia was in a dead corner of Europe, with no nearby markets for industrial goods.

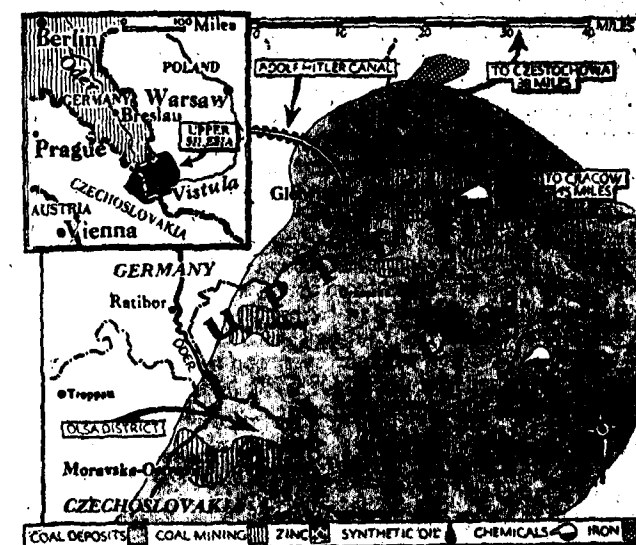
Before 1914 the greater part of Upper Silesia belonged to Imperial Germany. Tsarist Russia was hardly interested in the industrial development of the eastern end, the Dabrowa and Sosnowiec area, whereas the Olsa territory, which belonged to Austria-Hungary, had a considerable number of both heavy and light industries. The peace settlement after the last war awarded the greater part of the area to Poland. The Olsa and Hlucin territories were incorporated in Czechoslovakia, but were for the most part lost to Poland after the Munich agreement of 1938.

Greater Upper Silesia, as constituted by the Nazis in 1941, was actually formed out of seven different districts. It extended over roughly 8,000 square miles with a population of at least 4½ million. The northern border ran across the German province of Silesia, a few miles to the north of Oppeln. In the south it extended right to the Polish-Slovak frontier. The western border was the old German frontier, but Moravska-Ostrava and Teschen (Tessin) were included. The eastern frontier ran along a straight line from the river Warta to the west of Czesochowa and Cracow down to the Polish-Slovak border.

Within this area there are the richest coal deposits of the whole Continent, exceeding even the estimated coal resources of the Ruhr. The zinc ore deposits are among

the largest in the world, but the iron ore resources are small and of inferior quality.

The history of the Nazi Gau, Greater Upper Silesia, varied with the fortunes of war. The administrative unification was preceded by the economic integration of the different parts. The large German concerns which operated in the German part of West Upper Silesia picked up the threads that were severed after 1918. From the Czech side Czech concerns, also in German hands, extended their operations right into the central industrial district roughly marked by the six towns—Gleiwitz, Hindenburg, Beuthen



Upper Silesia has been Germany's war-time power plant in the East. Map shows its relation to Germany, Czechoslovakia and Poland.

on the German side, and Katowice, Chorzow and Sosnowiec in Poland. In and around these towns lived 1.8 million people, or 41 per cent of the total inhabitants of Greater Upper Silesia. The central industrial district is similar to the Ruhr area proper covered by the towns Duisburg-Hamborn-Oberhausen, Essen, Gelsenkirchen, Bochum and Dortmund. But the six towns of Upper Silesia are smaller; the largest of them, Katowice, had roughly 150,000 inhabitants before the war. Next in importance to this central industrial district is the Olsa territory.

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tory, with the towns of Moravska-Ostrava, Karwin, Teschen and Trinitz.

The coal mining and heavy iron and steel industries in all parts of Upper Silesia never lost their semi-feudal character. The Prussians started modern industry there in the eighteenth century, largely as a state-owned industry. Later, the feudal landowners, the Pless, Schaffgottsch, Henckel von Donnersmarck and Giesche families, went into industry and immediately began developing it on a large scale. The various concerns provided department stores and recreation centres for their workers; moreover, the latter were allowed to go on working the small plot of land which they had formerly as peasants rented from the landowners—all of which meant that relations between the owners and the workers remained almost patriarchal.

When Germany occupied the whole of Upper Silesia, the area produced roughly 65 million tons of coal, 2½ million tons of steel, 10 per cent of the total world output of zinc ore and a relatively small volume of lead ore. Compared with that produced in the Ruhr area, the small output of steel may be surprising. In fact, this is the area's industrial weak spot. One reason for it is that Upper Silesian coal is not good coking coal. Blast furnaces must, therefore, be kept small, and until recently their average capacity remained less than half of the capacity of a blast furnace in the Ruhr area. By the inclusion of the Ostrava-Karwin coal basin, which contains a high quality coking coal, this problem was solved to a certain extent. The second reason for the relatively small iron and steel output is the lack of adequate iron ore resources. Without considerable imports of Scandinavian or Ukrainian iron ore, the supply position is extremely strained.

The coal-mining industry, however, has many advantages over the Ruhr area, the most outstanding being the absence of fire damp. The average seam has a thickness of from eight to ten feet; at some places seams up to a thickness of sixty feet are being mined. Even before 1914, coal-cutting machines and electric trains were used underground, and under German occupation many technical improvements have been introduced, such as the combined cutter and loader called the "Armoured Joan."

The total output of the coal area in 1944 probably amounted to as much as 90 or even 100 million tons, which would mean that Greater Upper Silesia produced roughly

one-third of the total coal and brown coal output of Germany. Upper Silesian coal is excellent for the production of gas and for use in industry. A dense gas and electricity grid, reaching as far as Breslau, depends on Upper Silesian coal. Chemical industries based on coal have been highly developed in the area; and from the beginning of the war the Nazis have built their largest synthetic oil plants in Upper Silesia, and the present capacity is at least one-sixth of the total synthetic oil capacity of Germany and Czechoslovakia. Abundant resources of limestone have enabled them to expand the cement industry during the war, with the result that last year roughly 20 per cent of Germany's total cement output came from Upper Silesia.

The story of the iron and steel industry is different. The lack of coking coal and iron ore has hampered iron production. The Nazis hoped that the iron and steel industry could be expanded rapidly by the import of iron ore from the occupied Ukraine. But it is clear that the last stocks of Ukrainian ore were consumed at the beginning of 1944, and since then only the low grade ore from the area itself or from other parts of Germany have been available. The steel works depended on scrap, which was never plentiful in Upper Silesia, owing to the absence of engineering industries for which the Ruhr area is famous.

Before the retreat from Russia, and before the heavy bombing of the Ruhr area, the Nazis hoped that they could build an entirely new engineering industry, in addition to the old-established heavy engineering plants manufacturing rails, locomotives, railway trucks, passenger coaches and tram cars. The loss of Russian resources and the bombing of the Ruhr involved a change in plans; and since 1942-43 Greater Upper Silesia has served as a reception area for a number of engineering plants from the Ruhr.

Even before the war there was a distinct tendency to develop all kinds of engineering plants in the small German part of Upper Silesia. But markets for these products were still too far away to make them a profitable investment. The planned economy of the Nazis could disregard the costs of long transport routes; and war economy has naturally ignored production costs completely. It cannot be doubted, therefore, that during the last two years Upper Silesia has developed numerous new industries. Apart from new chemical plants, large factories for all kinds of war material have sprung up all over the area, usually being situated away from inhabited places and well camouflaged by forests and hills.

The industrial area of Upper Silesia is, for the most part, hilly country. Forests provide sufficient cover from air observation, and there is no doubt that the most vital war factories have been built underground.

Over the whole area of Greater Upper Silesia, agriculture and industry were well balanced. In spite of the rapid industrialisation, Upper Silesia remained almost self-sufficient in foodstuffs, and Nazi agricultural policy tried to increase food production by encouraging miners to work larger plots of lands. Miners were frequently awarded land in recognition for long service in the mines.

The entire loss of Upper Silesia would be a very severe blow to Germany's war industry. The railways and industries of Eastern Germany, including East Prussia, depend on Silesian coal. The loss of synthetic oil would be considerable. Supplies of heavy chemical products, especially fertilisers, would become extremely small. It is hardly possible that Germany could continue military resistance for a long time in Eastern Germany without the production of this area. East Prussia was defended by the Nazis because of its military value as a bastion in the flanks of the Russian advance in central Poland. Upper Silesia will have to be defended as the Nazis' main industrial bastion in the east.

Danish Contrasts

For Denmark, 1944 was a year of strikes and sabotage, which continued even after hopes of an early liberation had been disappointed. Active opposition to the German occupation had developed slowly, mainly because, during the first years of the occupation, the Nazis barely touched the traditional political parties and trade unions. There seems to be no doubt that even now—that is, after nearly five years of occupation—the resistance movement is mainly directed at the punishment of Danish collaborators. The Nazis themselves have not yet given up all hope of making the Danish people adherents of the Nazi *Weltanschauung*; and it is worth noting, in this respect, that at the beginning

of the year a new "Danish Anti-Communist Association" was formed for the purpose of countering the growing resistance movement. It might be said that Nazi policy aims at widening traditional political differences, whereas the resistance movement is striving to build up an effective national unity against the occupation.

It may seem strange at first sight that, in spite of political unrest, widespread strikes and sabotage, economic activities last year were maintained almost at the level of 1943. The following table shows, for instance, that there was hardly any change in the cereal harvest:

(In 1,000 metric tons)		
	1943	1944
Wheat	180	280
Rye	510	420
Barley	1,290	1,250
Oats	1,030	990
Total	3,010	2,940

Shortly before the war, the production of these four cereals was roughly two-thirds of the 1944 yield. The potato and sugar-beet crops, on the other hand, have not increased. The main effort of the Danish farmers has aimed at increasing the acreage under root crops in order to replace the animal feeding-stuffs formerly imported from overseas.

The famous Danish livestock industry has suffered severely from the shortage of imported feeding-stuffs. In rough annual averages compared with the last year before the war, the cattle population has fallen by 10 per cent, poultry by 60 per cent and pigs by 33 per cent. During the five years of occupation, agricultural policy has concentrated on maintaining the cattle population. But, as is shown by the following census figures taken in the month of June in each year, the pig population has increased since 1942, when their numbers had fallen to one-third of the pre-war figure:

NUMBER OF PIGS (000's omitted)		
	1943	1944
June, 1940	3,218	1,940
" 1942	1,141	1,999

But the fact that little change occurred between 1943 and 1944 shows that a further increase in livestock production in Denmark is very unlikely as long as the country remains cut off from imports of animal feeding-stuffs. During 1944 the milk and butter production increased slightly compared with 1943. The production of bacon, however, is reported to have increased in 1944 compared with 1943 by roughly 20 per cent. These are undoubtedly record yields under conditions of occupation. The arable land is fully utilised, and production is likely to fall during the present agricultural season.

Since the liberation of France and Belgium and the suspension of trade with Finland and Sweden, Germany has completely monopolised Danish foreign trade. Up to the summer of 1944, Germany's share in Denmark's total imports and exports amounted to roughly 75 per cent. Imports and exports were as follows:

(In million kr.)		
	Imports	Exports
1942	1,205	1,038
1943	1,225	1,298
1944	1,155	1,340

The figures reveal that the value of imports remained unchanged during 1942 and 1943, but declined in 1944, when Germany's ability to deliver coal, coke, iron and steel and fertilisers was severely taxed. Exports, on the other hand, show a steady increase, and, moreover, during 1944 went almost exclusively to Germany. Apart from agricultural products grown in Western Poland and Czechoslovakia, Danish agriculture is the last non-German source of food-stuffs available for Germany.

Although no detailed figures are available, there is no doubt that during 1944 the export of industrial products to Germany decreased. More and more of Danish labour and materials was used for substitute production. The cutting of peat fell slightly below the record figure of 6,000,000 tons reached in 1943, and no increase has been reported in the mining of an inferior type of brown coal. Yet it is claimed that almost 50 per cent of fuel consumption consists of peat and brown coal. No petrol has been available for motor transport, and a considerable number of lorries have been converted for the use of generator gas.

Some time ago more than 20,000 lorries, roughly half the lorries on the roads before the war, were run on gas.

The most general measure of Denmark's forced contribution to Germany's war economy is the rise in the clearing

credit held by the Danish Central Bank. The account now stands at roughly Kr. 2,700 million, which means an increase during 1944 of Kr. 784 million. In addition to this clearing credit, which is composed of the export surplus and the payment for services and remittances of Danish workers employed in Germany, Denmark pays steadily growing costs of occupation. These costs, which are shown under the item Sundry Debtors in the returns of the Central Bank, must have risen by the end of 1944 to roughly Kr. 4,500 million. It would not be far out to estimate Germany's debt to Denmark at roughly Kr. 7,000 million, which is six times the value of Denmark's total exports in 1944.

This debt, together with the influence of wartime economic conditions, accounts for the increase in the banknotes in circulation. At the end of 1944 the note circulation had reached the record figure of Kr. 1,658 million, compared with Kr. 1,439 million at the end of 1943 and Kr. 600 million at the end of 1939. In contrast to this expansion of the note circulation, wholesale prices seem to have been fairly well stabilised. The official wholesale price index (1939 = 100) stood at 195 for the year 1943, and had only increased at the beginning of last autumn to 198. This, of course, gives an optimistic description of the actual price situation, but it also indicates that the price-control measures, which are coupled with wage stops, are still effective, in spite of the political unrest.

The most interesting measures evolved in Denmark for curbing excessive financial liquidity are the freezing of a certain amount of the deposits held by commercial banks and the account of so-called unemployed money held by the Central Bank. This account is the accumulation of the greater part of the state loans issued under the occupation. The loans are greatly under-subscribed by the public, and the commercial banks as a rule make up the balance. Danish business men naturally find ways of escaping these measures. For instance, money formerly paid in to banks for deposit has instead been paid into savings banks, which allow interest at 4 per cent. This has recently been checked, however, as the authorities have extended from three to six months the period after which money in savings banks can be withdrawn.

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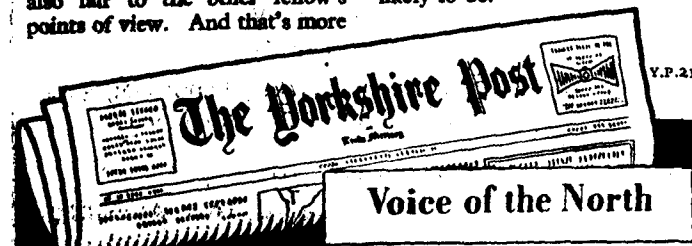
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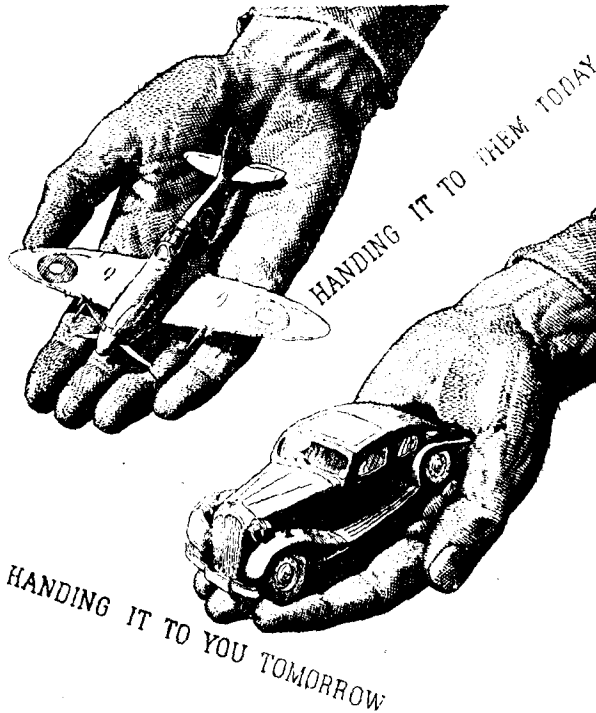
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THE BUSINESS WORLD

The Banking Year

THE searchers after new ideas on the development of British banking will find most ungrateful material in the latest annual statements of the joint-stock bank chairmen. It is unfortunate that, owing to the timing of these addresses, they could make no specific references to the two new financial institutions in the establishment and operations of which the banks in this country are participating. These two ventures, of which more details are given on page 120, represents something like a revolution in British banking principles and practice and would have provided far more promising matter for the dissertations of the bankers than that with which the bulk of their recent statements was concerned. The only suggestion of a reference to the new institutions was that of Mr Edwin Fisher, of Barclays Bank, who pointed out that "there is little doubt that the national interest will call for a somewhat broader conception of the place of banking in relation to need for the small business undertaking to raise medium—or long term capital as well as to the parallel needs of larger concerns." He commended both institutions in some *impromptu* remarks made at the actual meeting of shareholders held last Wednesday.

If there is a single thread running through all the statements it is the concern of the bankers with the future of their loans and advances, that is, with the genuine commercial banking business on which their growth and much of their justification rests, but which they have seen inexorably disappearing in the five years of war. In August, 1939, the clearing banks' loans and advances represented 43.8 per cent of their deposit liabilities. That figure already showed a considerable drop on the 50 per cent ratio that was normally maintained during the 1920's and early 1930's, but the earlier decline has been eclipsed by war developments, which have sent the proportion tumbling down to around 16 per cent. It is evident that most of the bankers continue to hope for a post war revival in this item. Mr R. E. Beckett, of the Westminster Bank, puts his finger on one of the factors in this war-time decline of advances when he refers to the system of progress payments by which the Government pays its contractors instalments for work done. Mr Colin Campbell, of the National Provincial Bank, defines another when he remarks that one of the conditions for a revival in bank advances is the disappearance of Government purchases of commodities and raw materials, now financed without recourse to the banking system other than the banks' direct lending to the Government to cover the gap between current revenue and expenditure. Sir R. Norton Barclay, of the District Bank, seems to see one of the reasons for the decline of advances in the extension of war time controls and envisages no material increase in these advances until there is some relaxation of such controls and until industry changes over to peace-time production.

Whatever their diagnosis of the decline in advances, the bankers are quite confident of their ability to satisfy any increase in the demand for such accommodation. Most of them announce with a mixture of pride and regret that their balance sheets reveal an abnormally liquid position and that the resources will be available in full measure to meet any increase in the demand for bank loans and advances. Mr F. A. Bates, of Martin's Bank, states that his bank will be "in a strong position to grant accommodation to its customers" and adds that "there will be many new opportunities of utilising banking resources in the revival of businesses that have perforce languished owing to the paramount war effort."

Some increase in advances, there will no doubt be. The Government's gradual withdrawal of the system of progress payments, by which working capital of contractors and

their sub-contractors may well be provided to the tune of £150 million to £200 million, is in itself bound to cause a substantial increase in the industrial demand for bank credit. If this increase occurs, how are the resources to be liberated? It is not sufficient to point out that the banks have an ample supply of liquid assets. The true liquidity of these assets is not so much a function of virtues inherent in them as of the debt and credit policy of the authorities. Lord Wardington, of Lloyds' Bank, faces up to this problem. He points to the mass of Treasury Deposit Receipts, now by far the largest single item in the banks' balance sheets, as the ideal asset for mobilising resources, since they have a currency of six months and considerable maturities fall due each week. But, he adds, if the Treasury make corresponding demands for renewals, no fresh cash will be available for industry from that source. It is true, that TDR's are rediscountable at the Bank of England, but apart from any other objections to such rediscounting, it would be extremely costly, since the banks would be lending to the Government at 1½ per cent and borrowing on the same security at 2 per cent. An alternative method would be for the banks to sell securities but, as Lord Wardington points out, "it would not be desirable for all banks to be realising investments at the same time." If they were to attempt to do so, the authorities would rapidly find the appropriate answer. The counter to such selling is already in being in the form of minimum prices for gilt edged which would immediately freeze the market in the event of any widespread revaluation. If, therefore, the Government adheres to an expansionist programme after the war it is probable that any increase in the demand

COMBINED ACCOUNTS OF THE "BIG SEVEN."

	(£ million)	1943	1944
Deposits.....	3,416.4	3,813.4	4,304.5
Short loans.....	116.4	125.3	167.8
Bills.....	190.8	127.7	141.4
T.D.R.'s.....	865.0	1,274.0	1,626.5
Investments.....	1,043.0	1,069.1	1,074.0
Advances.....	716.8	687.7	700.2
Net profits.....	(£ 000's) 8,260	8,728	9,094

for bank loans will have to be satisfied by a further increase in the volume of credit. This could be achieved either by the provision of additional bank cash through appropriate open market operations or by direct borrowing from the Bank of England by the Government, or by inducing the banks to work to lower cash ratios than those now maintained (both in reality and in the shop window). There is another possible, but not very likely, alternative solution to the problem, namely that of maintaining the volume of national savings after the war, anchoring its appeal to the cause of economic reconstruction and using part of the proceeds to repay floating debt. This would allow TDR's to be paid off and thus liberate resources to allow the banks to increase their direct advances to industry and to make their contributions to the loan capital of the new Finance Corporation for Industry (it is understood that the banks' deposits maintained with this company will be included under loans and advances).

The accompanying table, giving the principal balance-sheet items for the "big seven" at the end of each of the last three years, shows how small a proportion of the general expansion in bank credit is represented by the recovery in advances during 1944. The ground regained by this item last year did not make up the loss in 1943. If details could, again be given of the distribution of bank advances, it would probably be found that, within the much smaller aggregate total, a greater proportion of this accommodation is now being given to "personal" borrowers than before

the war. Mr Stanley Christopherson, of the Midland Bank, states that his bank has already provided a considerable number and amount of advances for small traders in accordance with the policy, adopted a year ago, of encouraging such business. The banks still give priority in their advances to the needs of war industries, but given the extent to which the requirements of war industries are catered for by the Government, it is permissible to suppose that the injunctions on the banks to make no loans save those that directly serve the war effort have recently been interpreted rather less severely than they were in 1939, when the rule was first propounded, and in the immediately following years.

As will be seen from the appended table, the net profits of the "big seven" show a further expansion for 1944. Bankers are not prone to discourse on this subject. Lord Wardington admits that the expenses of Lloyds Bank have risen during the year, but it is only Mr Christopherson who gives any new specific information on a matter about which bankers as a whole have been far too secretive. Mr Christopherson states categorically that the Midland Bank has not yet incurred any liability for EPT. This, he hastens to add is not because banks are enabled to evade the tax liabilities that fall on other business enterprises.

In explanation, Mr Christopherson makes some interesting observations. In the first place, he points out that the average rate of interest allowed on the whole mass of bank

deposits, whether on deposit or current account, has declined less since the inception of the "cheap money" policy in 1932 than has the average rate charged on the total of bank advances. In the second place, it would appear from the Midland Bank's experience that the diminution in earnings due to the decline in advances since the outbreak of the war has been no more than offset by the additional income from the enlarged holding of investments. The income from the other pre-war items among the earning assets is about the same and the sole net addition to the bank's earnings, therefore, arises from TDR's on which 1½ per cent is earned. Against this must be set increased interest outgoings, smaller earnings from ancillary services, particularly from those connected with external trade, and largely increased expenses on staff, security arrangements, war damage, etc. From the balance of earnings the banks have had to fortify themselves against risks of capital losses from bad debts and depreciation of investments—in which connection, Mr Christopherson does not rule out the probability of some "business casualties" in the transition from a war to a peace economy.

All this interesting and instructive discussion of the factors affecting bank profits should, with benefit to all concerned, be rounded off by an explanation of the paradox that while all banks show earnings so greatly above those of the EPT standard years, they have, for the most part, avoided paying that tax so far.

French Financial Policy

UNOFFICIAL reports last week-end suggested that M. Mendès-France, Minister of National Economy in the French Provisional Government, had resigned as a result of differences of opinion over financial policy with M. René Pléven, Minister of Finance. Although M. Mendès-France immediately denied these rumours, it is an open secret that there is anything but complete harmony between the two Ministries.

There are, in fact, two reasons for the clash of views. The first, which is inevitable, is that the Ministry of National Economy has been superimposed upon all the other departments dealing with economic affairs, including the Ministry of Finance. Since the new Ministry can only gain authority by diminishing that of the other departments, friction is unavoidable. The second cause of friction can be traced to differences of opinion over financial policy.

The powers and functions of the Ministry of National Economy, defined in a Decree published on December 7th, are far-reaching. The new Ministry is not merely designed to co-ordinate the other departments but to formulate and direct the economic policy of France in the widest sense.

The decree provides, first, for the establishment of an inter-ministerial committee charged with the formulation of broad economic policy, domestic as well as foreign. This committee includes the heads of ten Departments concerned with economic affairs; it is presided over by General de Gaulle, and its vice-president is the Minister of National Economy.

Within the framework of general policy, the Minister of National Economy is responsible for the formulation and execution of a detailed economic plan. He is to direct and supervise the activities of the Ministries of Industrial Production, Agriculture, Food and Reconstruction, and he is to co-ordinate the economic policy of all the other Ministries. As a means to this end, the Minister of National Economy must approve all the decrees and regulations issued by the various departments concerning matters of economic policy. The kind of decrees and regulations that have to be submitted to him are carefully set out in a long list.

Although the President of the Provisional Government is nominally the head of the inter-ministerial committee, his main function is probably that of securing cohesion and of reconciling differences of opinion between its members; for all practical purposes its head is the Minister of National Economy. His powers are so wide that he is, in effect, in a position to direct domestic and foreign economic policy in every detail—at least on paper. In theory, this centralisation of initiative and control should enable the French Government not merely to plan the shape of the national economy in every detail, but also to ensure speed and efficiency in execution. It represents a strictly logical approach to a solution of the difficulty of giving cohesion, strength

and drive to the direction of a modern economy. But the question is whether the machine will work in practice.

Experience in this country has shown the difficulty of effectively grouping a number of departments under a super-ministry. The Ministry of Production, valuable though its work has been as a co-ordinating department, has never been able to impose its will upon the three supply departments, as was originally intended. Wisely, for many reasons, the Minister of Reconstruction has been given the more modest task of providing liaison between the various economic departments and of acting as a kind of energiser. The difficulties of super-ministries have usually been threefold. First, a super-minister inevitably diminishes the authority of the ministers he is to control, a tendency that may adversely affect the work of the other departments; secondly, the departments that are to come under the authority of a super-minister inevitably tend to resist encroachment, a tendency that makes for friction; thirdly, a super-minister, to establish his authority, must not merely possess an altogether outstanding personality, but also a highly competent staff, and since the other departments are naturally reluctant to give up their most competent officers, a competent staff is difficult to come by.

The French Ministry of National Economy, inevitably, is encountering some of these difficulties. The Ministry of Finance, and the whole corps of *Inspecteurs des Finances*, are not likely to yield without a struggle. One could hardly imagine the British Treasury knuckling under to a super-ministry. The analogy may not be very close, but it is sufficiently close to illustrate one of the problems of the new ministry.

The difficulty is all the greater because the Ministry of Finance does not always see eye to eye with the Ministry of National Economy on matters of financial policy. The immediate trouble appears to have arisen, not so much over matters of long-term policy, as over the clearing-up of the financial aftermath of occupation and over prices and wages policy.

The details of the conflict of views are not available. But it is well-known that the Ministry of National Economy favoured speedy action after liberation on the lines of the plans prepared in Algiers which bore a strong similarity to the Belgian policy, and which were partially applied by the French themselves in Corsica. The proposed measures include a census of wealth, the confiscation of illegal profits and a capital levy, and the method was to be drastic and ruthless. The Ministry of Finance is no less anxious than the Ministry of National Economy to 'clear up the aftermath of occupation, but it seems to favour a more conventional approach rather than shock tactics.

Again, the Ministry of National Economy favours stringent control of prices and wages. It is said to have opposed

the recent decision to raise the salaries of civil servants that is estimated to involve an expenditure of some frs 20,000 million. It must be remembered, however, that industrial workers were granted a 40 per cent increase in wage rates almost immediately after the liberation, and that, by comparison with 1939, farm prices are still relatively higher than wages. It was difficult in these circumstances to resist an improvement in the remuneration of civil servants. The Ministry of Finance has supported the increase in salaries, but, taking a leaf from British policy, it simultaneously introduced a system of deferred tax credits that could be extended to all incomes. In its budgetary policy, too, the Ministry of Finance is proceeding on British lines, that is of combining severe taxation with an active loan and savings policy. But its task this year will not be easy; it is faced with a prospective expenditure of some frs 400,000 million and a revenue which, in view of the low level of employment and business activity, may barely reach frs 150,000 million, in spite of the most drastic taxation.

The Liberation Loan, as a first step, has been successful in reducing the volume of purchasing power; further steps are contemplated, including the seizure of illegal profits, carefully defined by a recent decree. The interest on the national debt—amounting to frs 28,000 million in 1944—is

to be reduced by frs 1,500 million by the conversion of two loans of 4 per cent and one of 4½ per cent on to a 3 per cent basis. Moreover, the Ministry of Finance has succeeded in maintaining its policy of cheap money, in spite of the inflation in the prices of goods and services. To adjust the volume of purchasing power to the meagre supply of goods at current official prices, according to some formula, seems impracticable.

Fundamentally, the real difficulties of France are physical rather than financial—that is to say they arise from the extreme shortage of goods, from the anaemia of French industries and from the lack of adequate communications. These difficulties cannot be solved by financial measures. Even in normal times, it is a vice of the modern age that it thinks too much in terms of finance and not enough in terms of the physical realities of wealth production. It is not for the British to give advice to the French on the conduct of their own affairs. But perhaps it is permissible, from one ally to another, to express the hope that doctrinaire attitudes will not be allowed to impede the solution of practical tasks. Any liberated country is short of time, and of effective administrative machinery, and the cohesive force of informed public opinion is also inevitably lacking. It would be a pity if finance, which could be a lubricant, became an abrasive.

Investment Calculus

INVESTMENT considered as an applied science is an essentially modern concept. Until the middle twenties, investment was at best a matter of art, guided by a sixth sense and a respectful cocking of the eye towards Threadneedle Street on Thursday mornings. Since then, serious investors have sought a new rational approach to its problems and serious advisers have attempted to satisfy them. The literature of the subject is still comparatively small, and the latest work on the subject* deserves celebration for two special reasons: its author is a pioneer of scientific investment; and he first blazed the trail towards rational investment principles in these columns between 1928 and 1938.

A couple of decades is too short a period to unfold eternal verities, even about quantities and forces which can be accurately measured. In the field of investment, measurement is still only partial, and the imponderables can still exert massive and disconcerting stresses on the market. Hence, the artists and backers of hunches sometimes prove brilliantly right, while the scientific approach may go hideously wrong. To accept this situation as inevitable is to deny the application of reason to investment at a time when it was never more urgently needed. It is Mr Parkinson's task to show that changes in Stock Exchange values—particularly of ordinary shares—tend to be governed by regularity of pattern; according to the long, medium and short term texts in which these changes are studied. His method is frankly inductive (he suggests, perhaps a little pessimistically, that no other method will ever be applicable to the problem); he studies the behaviour of ordinary shares, relates it to the movements of other economic series, and seeks to isolate probabilities and principles which the investor can apply, knowing, at least, that they have worked in the past, to the problem of guessing the future.

Investors who seek the rational course of action must be prepared to work their passage. This book conducts them, with painstaking demonstration of detail, through an examination of the economic factors which produce—or, at least, act in conformity with—measurable fluctuations in equity share values in each of the three phases. It discusses the association of the secular rise in ordinary share values with the disconcerting fluctuations of the credit cycle. It breaks down the market cycle, in turn, into its constituent bull and bear phases. And, finally, it offers some suggestions—necessarily more tentative in character—on the identification of short-run market fluctuations, through a chart-reading technique. These movements, in their differing scope, are subjected to continual comparison with economic series which are appropriate, or, as sometimes happens, are merely available, for the period of study. Thus, the record of ordinary shares from 1870 to 1939 becomes, in Mr Parkinson's hands, a reflection of the rising national income of the country, measured, for want of a better comprehensive indicator, by such series as trade, consumption of tea and tobacco, production of coal and pig iron, and railway traffic.

* "Ordinary Shares." By Hargreaves Parkinson. (Eyre and Spottiswoode. 30s.)

MIDLAND BANK LIMITED

Chairman :
STANLEY CHRISTOPHERSON, J.P.
Vice-Chairman, Chief of Executive :
CLARENCE T. A. SADD, C.B.E., J.P., D.L.

STATEMENT OF ACCOUNTS

December 31, 1944

LIABILITIES		£
Capital paid up	...	15,158,621
Reserve Fund	...	14,110,609
Current, Deposit and other Accounts	...	1,004,140,444
Acceptances and Confirmed Credits	...	3,689,564
Engagements	...	10,930,491
ASSETS		
Coin, Notes and Balances with Bank of England	...	106,039,485
Balances with, and Cheques on other Banks	...	35,325,156
Money at Call and Short Notice	...	44,502,252
Bills Discounted (Treasury Bills £35,558,903)	...	36,116,958
Treasury Deposit Receipts	...	392,000,600
Investments	...	233,288,741
Advances and other Accounts	...	168,084,700
Liabilities of Customers for Acceptances, etc.	...	14,620,055
Bank Premises	...	8,435,994
Shares in Yorkshire Penny Bank Ltd.	...	937,500
Shares in Affiliated Companies :		
Belfast Banking Company Ltd.	...	
The Clydesdale Bank Ltd.	...	
North of Scotland Bank Ltd.	...	8,678,888
Midland Bank Executor and Trustee Company Ltd.	...	

Head Office : POULTRY, LONDON, E.C. 2

again, it is not the principles of action which are so baffling, but the tentative character of many of the economic series on which, in default of anything better, the business and market forecaster is compelled to rest his judgments. *The Economist Business Activity Index*, which Mr Parkinson uses so effectively in his re-examination of ordinary share movements since 1924, is certainly not free from such limitations. In retrospect, it appears to have told something like the truth, at or near the right time, about the cycle of 1929-37. Its relationship with the market behaviour of equity shares is chronologically a good enough fit. Yet movements in the index which later marked historical turning points—the peak of 1929 or the trough of 1931—probably looked tentative enough at the time, and remained unconfirmed sufficiently long to expose any medium-term investor to the risk of considerable movements in share prices.

Even for cyclical studies, the sources are not as adequate as they should be. There are, in this country, no statistical series that serve as capital activity forecasters, like unfilled steel orders, and our information about building activity even in normal times is lamentably small. Although Mr Parkinson has made ingenious use of the statistical material available, he would be the last person to regard it as adequate. The post-war investor will be unfortunate if he is not better provided with essential data. He requires a much more accurate measurement of Stock Exchange dealings. He requires quicker and fuller statistics, particularly on movements of stocks of commodities—which may well prove to be one of the first indices to be influenced by cyclical changes—and on the trends of production, consumption and capital construction. The speed and accuracy of the punched card and the calculating machine have been proved in the modern factory; they need to be applied to the gathering of economic statistics. When this has been done, many market influences which now can only be inferred from a trend will be known as facts.

A number of respectable investment canons may be shaken by this book. It is surprising, for example, to find interest rates and commodity prices treated as "distracting" influences in the formation of long-term share values, yet the charts present a plausible case for this suggestion, even though it is opposed to the classical deductive view of these forces in the credit cycle. Readers will find a clear summary of "chart-reading," or Dow theory rendered into English, which should persuade many of them to buy chart paper, and perhaps shares too, when they have played the short-term market as a hobby. There is, again, the suggestion that industrial debentures may provide a better hedging medium in depressed periods than the conven-

tional gilt-edged. And the maxim for successful investment is not to beat the market, but to follow, promptly and faithfully, what it does—though not what it says.

What are the consequences and the morals of these and innumerable other precepts which Mr Parkinson lays down? First, investment in equity shares is an expression of risk-taking in industry—in Lord Keynes's words, "The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelop our future." On the private objectives of investment, it will be recalled, Lord Keynes was a pessimist; it was a game of conventional valuation, having no long-term validity; market expertise was concerned solely in estimating in advance what average opinion anticipated average opinion on share values to be. The zest of making money quickly was, in his view, more attractive than the arduous and thankless task of seeking a socially advantageous investment policy. These thoughts were formulated in the bitter aftermath of the Wall Street crash and depression in the early thirties. Mr Parkinson, in the sixth year of war, shows that it is possible to reconcile the two views; that markets may be peevish and irrational, and in the short run are what operators make them; yet in the end, and normally at no great distance, they are brought into conformity with basic economic trends and expectations. The "mood" of the market is the great imponderable and at cyclical extremes it may temporarily overcome the forces of reason. Spectacular events—leaving the gold standard, or converting War Loan—may become for a time dominant causal influences, after cyclical factors pointing in the same direction fail for months to move the market.

Investment at a point of time is continuously complicated by the spread of economic fact and opinion through time, yet the problem must be solved if industry is to obtain resources in a free capital market and if the investor is to succeed in maintaining his capital intact. Perhaps the major post-war economic problem will be the provision of abundant capital to industry which, even before its wartime exhaustion, had too little. The paradoxical situation may occur of a rising national income coupled with an inadequate supply of private savings for industrial investment, for, in contrast to the situation in past periods of rapid capital accumulation, there are new institutional factors—such as the more equal distribution of incomes and a rigid taxation system—which may affect the individual's propensity to save. His savings provide only part of the new industrial capital required, but they can, perhaps, be more easily misapplied than institutional savings. It will be an important function of a rational investment policy to assist in the overthrow of the dark forces, and in the rehabilitation of British industry to a new level of productive efficiency and profit.

Business Notes

Finance for Industry

Official details have been given this week of the two financial institutions the nature and scope of which were discussed in general terms on page 83 of *The Economist* last week. The larger of the two is to be known as the Finance Corporation for Industry. It will be jointly owned by a large group of insurance companies, trust companies and the Bank of England in the proportion of 40, 30 and 30 per cent respectively. The capital will amount to £25 million, but it is not intended to call up more than 2 per cent of this in the first instance. The bulk of the corporation's resources will be provided by the exercise of its borrowing powers of £100 million. This will, in the main, be provided by deposits from the clearing and Scottish banks. The purpose of the FCI in the words of the Chancellor of the Exchequer, is

the provision of temporary or longer period finance for industrial businesses of the country with a view to their quick rehabilitation and development in the national interest, thereby assisting in the maintenance and increase of employment.

The FCI, it is stated, will take no initiative in reorganising industry; its primary purpose will be to provide finance. In doing so it will not be specifically debarred from taking up participations in the equity of the businesses it finances, but the general intention is that its help should be temporary and given by way of liened fixed interest

loans. The only official indications given so far of the nature of its accommodation is that it should only be made where the circumstances make normal banking accommodation inappropriate, where a market issue cannot through some temporary cause be made or where the amount required, or the extent and character of the necessary enquiries puts the operation outside the scope of the normal capital issue channels.

The FCI will be formally independent of the authorities. The influence of the Bank of England will be limited to that which it will exercise as the largest individual shareholder. The board of the company will be elected by the shareholders in the normal way and will consist of persons of wide business experience who will be assisted by an Industrial Advisory Panel. One of the directors will be a "scientist." The blue prints of the new institution are promising. Whether they are eventually translated into effective reality will depend wholly on the quality of the men chosen for the job. The tools to be placed at their disposal are almost all that could be desired.

Capital for the Small Man

The second of the proposed financial institutions is to be formed in order to supply medium and long-term capital for small and medium sized businesses in amounts,

say, from £5,900 to £200,000. Amounts below this range can usually be procured in the ordinary way from bankers, while larger loans become the province of the new issue market cum Stock Exchange. The Industrial and Commercial Finance Corporation, as it will be called, will have a capital of £15 million. Of this £500,000 will be taken up as a "token subscription" by the Bank of England and the balance will be subscribed by the clearing and Scottish banks roughly in proportion to their deposit liabilities.

There will be eight directors, the chairman being appointed by the Bank of England. Provision has been made for the constitution of an advisory panel; representatives of the member banks will use this body, if required to do so, in order to pass on information in their possession to the ICFC. In Scottish affairs, the board will be assisted by a Scottish Committee. In addition to its capital, ICFC will have borrowing powers of £30 million which will be exercised by means of loans and advances from the member banks pro-rata to their shareholdings.

The ICFC will not carry on a banking business. It will provide medium and long term credit and not grant revolving or self-liquidating advances. Since much of the business open to the ICFC would in the normal course appeal to the banks and as most of the business will be introduced through the banks, it is difficult to visualise very great scope for its activities. A useful line of propositions may, however, come to it from concerns which have been closed as a result of concentration during the war, whose connections with their previous bankers have been severed and which will require fairly long term capital to reinstate themselves.

Price Reverse

As was expected, the New Year opened with a burst of reinvestment demand, which raised the index of industrial ordinary shares, compiled by *The Financial News*, by over two points to 115.0, against the early August peak of 116.9. This rise has, however, been followed by a burst of

profit-taking, which, within a week, brought the index down to the end-October level. Those who pin their faith on the Dow Jones theory have thus scored a point. The latest peak is definitely lower than its predecessor. They are now confidently forecasting a fall to a new trough—not necessarily at once—which will be below the September dip to 107.6. All that can be said on that point is that, with the index down to 111.5, a slackening of the pace of fall was followed by a very tentative upward movement, mainly in post-war recovery shares.

Weakness has gone hand in hand with a considerable increase in the number of bargains received. Further, neither the weakness nor the expansion in business has been restricted to industrial equities. Fixed-interest stocks have continued firm and Far Eastern investments have been strong, otherwise almost every section shows falls. The decline is popularly associated with such indications as exist that the end of the war in Europe may be rather nearer than was supposed, and also with the fact that it is again Russia which is scoring the advances, while the territorial gains in the West are relatively insignificant. It seems that this feeling is now a matter of some importance, but it is difficult to believe that the fall produced by military developments would have been substantial but for the technical position. Broadly speaking, prices had been rising since mid-September. There had been a very sharp acceleration of the upward movement and a temporary reverse was to be expected.

Actually, there has been continuous buying by the public on each fall, and a moderate change in emphasis may well lead to a quite considerable recovery in quotations. Whether this occurs or not in the longer run must depend in large measure on the assessment of the political risk attaching to industrial equities. If companies are to be left reasonably free to make profits and decide on their use, subject only to income-tax payments of a non-discriminatory nature, the forces making for a rising national income will also ensure a rise in the general level of equities. If profits are to be rigidly controlled, some means of stimulating efficiency will have to be found to replace the profit motive.

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NATIONAL DISCOUNT COMPANY LIMITED

(Incorporating the business of Messrs. Reeves Whitburn.)

Statement of Accounts, 31st December, 1944.

	£	£
LIABILITIES		
CAPITAL AUTHORISED—		
270,000 "A" Shares of £2 10s.	675,000	
270,000 "B" Shares of £7 10s.	2,025,000	2,700,000
CAPITAL ISSUED—		
169,333 "A" Shares of £2 10s.	423,332	
230,667 "B" Shares of £7 10s.	1,730,003	2,153,335
CAPITAL PAID-UP, viz.:		
"A" Shares—fully paid....	423,332	
"B" Shares—£5 paid	1,153,335	1,576,667
RESERVE		1,100,000
PROFIT AND LOSS ACCOUNT—		
Final dividends	53,833	
Balance at Credit	224,089	277,922
		2,954,589
DEPOSITS, secured and unsecured, contingency and other accounts, and provision for accruing expenses		81,828,525
CONTINGENT LIABILITY—Bills Re-Discounted (excluding Treasury Bills) £2,935,384		2,935,384
		£84,783,114

	£	£
ASSETS		
CASH AT BANKERS		1,531,900
INVESTMENTS—		
British Government and British Corporation Securities	21,160,903	
BILLS DISCOUNTED and Short-dated Securities, less provision for Rebate	61,381,027	
LOANS and SUNDRY AMOUNTS RECEIVABLE	609,284	
FRESHLY PAID PREMISES (at approximate cost)	100,000	
SUBSIDIARY COMPANY—		
Shares	£100	
Less LOAN	100	
		£84,783,114

35, CORNHILL, LONDON, E.C.3.

Stock Exchange Requirements

The latest development in the process of tightening up requirements, which has been carried on by the Stock Exchange over a period of years, is the recasting of Section 10 of Appendix 34 A. This defines the undertaking which must be given by every company when applying for permission to deal. There are a number of minor changes and the requirement that, when a company has subsidiaries, a consolidated balance-sheet and profit and loss account must be circulated to shareholders is now officially incorporated, while there is a new requirement to inform the Share and Loan Department of "any proposed change in the general character or nature of the company's business." This last arises from the practice, which has become common, of entering new fields and only announcing the fact after a protracted delay. It will be generally agreed that shareholders have a right to be informed on such matters.

Another new item concerns drawings of stock. If the instrument constituting the stock does not lay down the units in which it is to be drawn, companies are required to consult the Stock Exchange if they wish to make drawings in units larger than £100. It appears that some companies, possibly to save labour, have drawn in very large units, with the result that substantial holdings have been completely paid off. When the stock in question stands at an appreciable premium, this is a considerable loss to the holder. It is not expected that there will be any difficulty in securing the general adoption of this requirement.

The most important part of the rulings is the new subsection (12) which requires a company to notify the Share and Loan Department immediately the board meeting has been held to consider the same, concerning

all dividends and/or cash bonuses recommended or declared; short particulars of any issue of new capital whether it be issued as a bonus or by way of right to shareholders or debenture holders; the net profit figures for the year (with comparison with previous year) even if this calls for the qualification that such profit figures are provisional or subject to audit; and any other information necessary to enable the shareholders to appraise the position of the Company and to avoid the establishment of a false market in the shares.

The italics are ours. This provision will be particularly welcome. No one wishes unduly to embarrass directors, but shareholders have a right to demand from them that their statements shall present a fair and reasonably complete view of the position. The section lays this duty upon them, and the decision whether they have fulfilled it or not will very largely depend on the results flowing from their statements. These requirements cannot be made retroactive, but the fact that many companies apply for permission to deal in small blocks of new shares every few years will mean that their effect will spread fairly rapidly.

Third Quarters' Profits

The computed gross profits of 494 companies which reported during the third quarter of last year show an increase of 13.8 per cent in total profits, after EPT and depreciation, but before tax, over the figures of three years earlier. (The statistics, in their usual form, are given on page 134.) More interesting, the increase as against the figures of a year ago is 7 per cent. The amounts distributed to holders of the equity are up by 17.7 per cent on the

three years, and by 5.6 per cent against last year. This rise took place despite the fact that the proportion of total computed profits allocated to free reserves and other allocations of the nature of savings rose on the year from 20.0 per cent to 22.3 per cent. It is not to be supposed that this rise in profits, appreciable as it is, marks any real change in the earning power of the companies concerned. It is in all probability a combination of the definite settlement of EPT standards, and a belief that a larger proportion of actual earnings can, or should, be disclosed. As is shown by Table VI, by far the most important section of industry represented in these companies are breweries and distilleries, but these contributed very little to the increase in profits. Most sections made some contributions, but, on the basis of reported net profits, oil and building materials show falls, while on the basis of computed gross profits these groups and, in addition, entertainment companies and manufacturers of textiles and motors all suffered a decline in earnings. The big rises were secured by land companies, coal, iron and steel, shipping, food and shops and stores.

US—Mexican Oil Settlement

The aftermath of the expropriation of the American oil companies in Mexico on March 18, 1938, by the Government of that country is now virtually cleared up. Details of the joint compensation award of April 17, 1942, were published in Mexico on January 15th. According to a cabled report, Mexico agreed to pay the United States \$23,996,000 plus interest at three per cent a year from the date of the expropriation; by the end of September, 1943, the total amounted to \$27,982,000. As \$9,000,000 had been deposited beforehand, the amount still owing at the end of September, 1943, was \$18,982,000. This balance was to be paid in five annual instalments from 1943 to 1947. The amount paid in compensation is only a fraction of the claims formulated by the American companies, but they were induced to accept it by the American Department of State, presumably for political reasons. No settlement, however, has yet been reached in respect of the properties of British companies that were expropriated simultaneously with those of the American firms; the British embargo on oil imports from Mexico is still in force. The time has surely come for a fresh attempt at a settlement. True, the Mexican Government, by its high-handed action, has committed a breach of the code of behaviour in international relations; but the past policy of the oil companies, too, is not completely free from criticism. But prolonged intransigence is in nobody's interest, and least of all in the British.

Certificates for Artisans

The prospect of a declining birthrate, the need for greater industrial efficiency and the proposed education of young people in their employer's time, have combined to induce industrialists to pay increasing attention to the recruitment and training of young workers. This has been evident in a number of industries, and in some trades where conditions compare unfavourably with the rest, improvements are being contemplated. The fear of a labour shortage is leading to competition to catch the worker while he is young.

The retail motor and repair industry is the first in the field to arrange for a definite course of training, based upon a five-year apprenticeship, and culminating in a certificate guaranteeing that the holder has attained a certain standard. Theoretical training will be given in technical colleges and it is the first time in the history of education that the assistance of the education authorities has been sought for industrial training at the artisan level. The scheme, many details of which remain to be settled, has been agreed by the Ministries of Education and Labour with the National Joint Industrial Council for the Motor Vehicle and Repairing Trade. It is felt by the sponsors that the setting of a recognised standard of competence will have a beneficial effect upon the maintenance of road transport vehicles, which, in turn, would increase the efficiency of transport and minimise road accidents.

The efforts of the industry to improve the education and efficiency of its workers are laudable and welcome. The aim is to confer on the artisan a status similar to that which a properly qualified professional worker has in his own profession. The raising of standards of craftsmanship will contribute to a higher standard of living. The

dangers of schemes involving the granting of certificates must, however, be recognised. They might lead to inflexibility both in recruitment and mobility of labour from one industry to another. Widespread certification sooner or later leads to the proposal that no one should be permitted to trade unless he is certificated. Too much rigidity in an industry would in the long run benefit neither itself nor the rest of the community, and it could do harm. But the best method of combating these restrictive rigidities is, no doubt, by direct attack and not by withholding support from schemes to improve the standard of technical education.

Approach to Mechanisation

Addressing the National Joint Industrial Council for the Motor Vehicle Retail and Repairing Trade, last week, Mr Bevin welcomed their proposals to raise the status of their workers. He advocated the principle that technical knowledge should be imparted as widely as possible, and that the number of workers called "labourers" should be reduced to the minimum. When full employment is assured, there is no fear that the teaching of his knowledge to others will lose the skilled worker his job.

Mr Bevin sounded a note of warning to employers. He cited a case of an employers' association, which, when faced with a new machine that could do the work of seven men, wished to cut pay to the unskilled rate, even though it was only a matter of 3d. an hour. As he rightly said, this attitude is a barrier to progress. On the other hand, the tendency on the workers' side to wish employers to keep on seven men when fewer would do, is another factor which mitigates against the use of labour-saving machinery.

A change of attitude is wanted on both sides. The employer should realise that he can afford to pay higher wages when machinery raises productivity, and the trade unions that it is to the general advantage that a given amount of work should be done with the minimum amount of labour. Probably the trade unions would be ready enough to fall in line if they were fully convinced that there is to be full employment. What is wanted on both sides is the hope for the future that can be expressed in an expansionist policy leading to the fulfilment of the export programme, and the raising of standards of living.

"Wealth from Waste"

An exhibition with the imposing title "Wealth from Waste" is being held in London until February 3rd, to show industrialists the part played in the war effort by the salvaging of waste materials arising in the course of production. The cutting down of imports to less than half the pre-war volume has made normal industrial waste a luxury that cannot be afforded. Throughout the war the aim has been "more from less," and it would be no false claim to say that it has been achieved.

There is no doubt that in ordinary industrial use much material was needlessly wasted. Research time has been devoted to salvaging and saving methods, with good effect; in some cases, entirely new uses for waste materials have been discovered. For example, sawdust is now considered not waste, but raw material. Obviously a great many of the new processes can be applied in peacetime, but there is a certain danger in believing that lessons of war can be learned like a multiplication table. Waste is always a bad thing, but it is relative. The reconversion of leather scrap or the recovery of tin from used cans may be necessary in wartime, but in peacetime new material may be cheaper.

All this is not to decry in any way or to discourage the fine work that has been done and which is portrayed by the Ministry of Supply's Department of Salvage and Recovery at its exhibition. War needs are still exacting enough, as those of the early peace years will be, to justify an increase in the number of Industrial Salvage Groups, of which there are so far 300, covering 10,000 firms.

Lublin Currency

The first financial measures taken by the Lublin administration aim at bringing into some order the monetary chaos prevailing in the Soviet-held parts of Poland. A new National Bank of Poland has been set up with a temporary seat at Lublin. On January 5th a decree was issued, under which the so-called "Cracow zloty" (the currency created

by the German authorities) is now being withdrawn from circulation and exchanged for new Treasury notes. On December 13th, it was decreed that the rouble, too, must be exchanged for zlotys. Data on the volume of the currencies in circulation are not available. The Lublin Minister of Finance has merely stated that the Germans have issued "tens of milliards" of zlotys, and that the depreciation of money has reached a stage in which barter has become almost the only form of trade transactions. The Cracow zlotys deposited with the banks are blocked. Private individuals are allowed to withdraw only 500 zlotys a month, while employers, public and private, can withdraw higher sums according to a scale comprising seven categories of depositors.

What is somewhat puzzling is that the rate of exchange between the valueless Cracow zloty and the Lublin zloty has been fixed at one to one. Even more puzzling is the rate of exchange between the rouble and the zloty, which has also been fixed at one to one. No doubt this rate of exchange, at which the zloty is fantastically over-valued, must have caused a flight from the zloty and mass purchases of roubles. The time during which roubles may be exchanged for zlotys is one month. In 1939 the Russians in eastern Poland ordered a sudden withdrawal of the rouble, leaving the inhabitants with almost no time for the exchange of their money. The monetary coup was then a measure of expropriation. This time no such coup has been effected. The extremely "generous" rate of exchange between the rouble and the zloty is clearly meant to be a political gesture designed to impress favourably the Poles.

Rubber Problems

For the first time since its formation, the Rubber Study Group, set up last year by the Governments of the United States, the United Kingdom and Holland, has been called to a full meeting in Washington. The meeting, which will last for several days, was scheduled to start this week and will co-ordinate the work so far done by sub-committees of the group in this country and the United States. The study group was formed after the dissolution of the

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During the war the factories of the G.E.C., of which the Express Lift Co. Ltd. is a subsidiary, have been engaged wholly on war production. Considerable technical advances of the utmost importance in lift design have however, been made as a result of ever-changing conditions and requirements, and new equipment standardized to a high degree, will be available after the war to all concerned with schemes of reconstruction.

Electrification Schemes

G.E.C. Electrification Schemes have been applied to all industries, including: Aircraft Factories; Chemical Works; Collieries; Food Factories; Gold Mines; Iron, Steel and Copper Works; Locomotive and Railway Carriage and Wagon Works; Motor Car Works; Oil Refineries; Ships and Shipyards; Textile Mills; etc.

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International Rubber Regulation Committee; but it has no regulatory tasks and is, indeed, expressly barred from working out plans for the regulation of the international rubber trade. No executive moves can thus be expected from the Washington meeting, but, with the time for a reconquest of the Eastern rubber-producing areas approaching and the United States synthetic rubber industry heading towards full production, the post-war rubber problems are becoming more acute and the committee will obviously find a full and important agenda.

Meanwhile the immediate rubber position is causing much difficulty. As the Combined Raw Materials Board pointed out in an appeal for rubber economy on November 26th last, the Allied stocks of crude rubber have fallen to the lowest level since the start of the war and are below the safety limit. Since that appeal was made the US War Production Board has issued a statement that natural rubber requirements for the tyre production programme in the first quarter of this year will be larger than prospective receipts from new production, so that stocks will have to be depleted further.

Production in Ceylon, the largest producing country still under Allied control, has recently fallen below the quota, so that the premium prices for the current quarter have been reduced. In Latin America, too, the current rate of production remains disappointing, so that hopes for an improvement in supplies are centred on the re-occupation of producing regions now controlled by Japan. Detailed plans for the resumption of rubber production and shipments in the Far East have been prepared by the Allies and can be put into effect without unnecessary delay.

More Synthetic Rubber

Meanwhile, supplies of synthetic rubber are rapidly rising, and are assisting the United Nations to bridge the gap till a return to more normal conditions. The United States, according to a statement by Mr Jesse Jones, former

Secretary of Commerce, now has a potential output of 1,000,000 tons synthetic rubber per annum. Actual production last year totalled 763,000 short tons, a quantity which met requirements of both the United States and this country to the full. The United States in 1944 consumed 710,000 tons of rubber, of which four-fifths was synthetic. This quantity was 221,000 tons more than in 1943, when synthetic rubber covered just over one-third of consumption. During 1944 the technique of employing synthetic rubber has been continuously improved and the amounts of crude rubber needed for admixture purposes are gradually contracting.

This will ease the problems caused by the scarcity of crude rubber, but it causes difficulties of a new kind. The larger the percentage of synthetic rubber in tyres, the greater is the heat generated. In large sizes of tyres, as needed for heavy trucks or aeroplanes, and made largely of synthetic rubber, the heat is so great that cotton cord does not resist it and high-tenacity rayon cord has to be employed. In spite of a vast expansion in rayon production in the past two years, the amount of rayon available for the making of tyre-cord is inadequate, and, in his review of the United States tyre production outlook in the first quarter of 1945, Mr J. A. King, chairman of the US War Production Board, indeed, pointed out that the supply of high-tenacity rayon cord probably is the most serious bottleneck in the tyre programme.

Farmers' Change of Heart?

The draft policy report of the National Farmers' Union has been discussed by its county branches. Negotiations are now taking place with the Scottish and Ulster Farmers' Unions, so that the report, when it is published, may speak for all United Kingdom farmers. For the N.F.U.'s new policy to have any hope of acceptance, it will need to be very much more realistic than the claims put forward by the same body in 1943. These asked for a permanent increase in the tillage acreage (excluding all leys) of about 60 per cent over the pre-war level, and small increases in the numbers of livestock; or, in other words, the N.F.U. not only wanted a permanently inflated agriculture, but wished to expend, almost exclusively, the most costly type of farming.

The N.F.U.'s last declaration of policy bore the stamp of the large arable farmers of East Anglia, but the considerable influence of this group has been reduced by recent changes within the organisation. It is not in the interest of all farmers to press for the maintenance of a large arable acreage, whose high cost in subsidies might not only reduce the assistance available to other types of farming but might disillusion the public with agriculture in general. The N.F.U.'s new secretary, Mr Knowles, who is known to give full weight to the needs of livestock production, may lead the way to a more rational policy. Addressing its general meeting this week, he claimed that

There is less inclination to nurse the belief that agriculture looks to its own affairs without studying their reaction on the general, social and economic structure.

It is greatly to be hoped that the N.F.U.'s new report will prove, in retrospect, Mr Knowles' statement. At present such proof is totally lacking. The N.F.U.'s past record unfortunately suggests not only that agriculture looks solely to its own affairs, but that it does so partially and short-sightedly.

Housing Sites

Last week Mr Willink gave the news that housing authorities have drawn up programmes covering 250,000 out of the 300,000 permanent houses to be produced in the first two post-war years. Housing authorities now possess 24,000 acres, or about half the sites needed for their immediate two-year programme. The acquisition of further sites will be helped by the right of all housing authorities under the Town and Country Planning Act, 1944, to purchase land compulsorily without holding a local inquiry.

This picture is not discouraging, but omnibus figures are sometimes misleading. Some local authorities are well behind with their purchase of sites, and their difficulties in making further purchases may be great. Much of the land already in the hands of the housing authorities was bought before the war, and a fraction of it has already

been laid out and partially developed. This means that the first instalment of permanent houses will have to be put on sites chosen under pre-war conditions, which will not often be the best place for them in the changed circumstances of to-day.

It is unlikely that any appreciable part of the two-year permanent housing programme can now be planned in accordance with industrial needs—or, indeed, with any need other than that of erecting the houses speedily. Half the sites are already bought, the other half must be bought shortly, and no legislation governing the location of industry has yet been introduced. How much this fact matters depends upon the district in question. In the case of the County of London, the need to select sites, almost in a vacuum, somewhere outside the built-up area, is a bad augury for the planned decentralisation envisaged in Professor Abercrombie's London plans.

Stock Exchange Capital

It would appear that the claims made for relief from taxation for Stock Exchange capital in a Note which appeared on page 873 of *The Economist* of December 30th exceed the hopes of those concerned. They would be content with the assurance of a reasonable basis for the valuation of holdings in a Stock Exchange company for the purposes of death duties. The conversion of Stock Exchange partnerships into companies with unlimited liability was sanctioned by the Committee in pre-war days, subject to certain conditions being fulfilled. Of these the most important in this connection is that the shares in the company can only be held by a natural person who is himself a member of the Stock Exchange. Consequently, a deceased estate would be forced to sell. There could thus be no question of the estate receiving a continuing dividend from a holding.

The contention advanced by the jobbers who put forward a case for consideration is that no goodwill exists in the business of the individual jobber, and a very considerable experience of the practice of brokers in such matters suggests that this generalisation is, broadly speaking, correct. Even temporary absence on war service has caused a transfer of custom, despite a desire not to make the absent member suffer. If this is conceded, then the claim of the jobbers in question that the proper valuation of shares in a Stock Exchange company—shares with a very limited market and carrying unlimited liability—is not what they, plus the labour of their owner, have produced in income in the past, but their share in the net assets of the undertaking. It would probably be conceded that if a higher price were paid to buy them back from a deceased estate, that would be the proper valuation. But it seems to be generally held that nothing more than the net asset value would be paid out; while it might at times be difficult to ensure even that. It would seem that, in very large measure, these arguments are applicable also to broking firms.

The matter is of some urgency, at least as applied to jobbers, for a large number of members, now long past retiring age, are only awaiting the return of younger members to take a rest. If the existing conditions continue to prevail, they may well take the bulk of their money with them, and this will mean a further deterioration in a position already rendered unsatisfactory by the impossibility of accumulating reserves to keep pace with the rising level of security values. In some markets, notably that for Government securities, there has been an unexpected heavy dearth roll, unconnected with enemy activity, over the past decade which makes early action all the more desirable.

Woolworth's Better Profits

Woolworth's preliminary statement for the year ended December 31, 1944, shows that profits have risen by the considerable sum of £666,000 to £5,869,645. Provision for taxation to date, at £3,059,803, is up by only £300,000 odd. Earned for ordinary, before deducting provision for future taxation, which is cautiously raised from £300,000 to £450,000, but after charging allocations of £250,000 to buildings reserve and £110,000 to staff benevolent fund,

works out at 61.3 against 52.1 per cent. The final dividend is raised by 5 per cent., giving a total distribution of 45 against 40 per cent.

These results mark the first break in a history of falling wartime profits, and are in some respects puzzling. The 1944 profits apparently include no EPT refund, as did the 1943. The chairman, Mr W. L. Stephenson, last year explained the considerable fall in stock shown in the 1943 balance-sheet by declaring the board's intention to eliminate all doubtful stock and to carry into peacetime a minimum of wartime productions. The board's intentions at the beginning of the year and the interruptions caused by renewed aerial attacks on Southern England during the year are evidence for expecting a lower rather than a higher turnover for 1944. But, whatever has in fact happened to Woolworth's 1944 turnover, there is reason to suppose that the money value of its sales has increased in common with that of retail stores in general. Low prices, which formed the foundation of Woolworth's peacetime prosperity, are much less important under conditions of acute "commodity hunger," and can be progressively increased. The wartime prosperity of a retail store depends much more upon its ability to provide, at any price, goods in especially short supply or currently wanted for some particular reason. This requires ingenuity and elasticity in varying bulk orders and in developing new lines. Woolworth's increased prosperity, may result from a display of these qualities.

The price of Woolworth's 5s. ordinary shares has risen, on the preliminary announcement, by the comparatively modest sum of 1s. 9d. to 69s. 9d., at which the yield is £3 5s. 6d. The further explanation of the company's increased profits, which can be expected in the full accounts, will be awaited with interest.

Chambers of Commerce Report

Annual reports for 1944 from the Chambers of Commerce of Leeds and Manchester provide a record of the problems that exercised the minds of business men during the year. It was inevitable that their discussions should centre on Government policy, either declared or awaited. Difficulties arising from the war and war production, the main lines of which had long been settled, were happily few and took up less of the Chambers' time than post-war reconstruction.

The shape of post-war problems and policy became clearer during the year, and much of the field was mapped in legislation and white papers. Government pronouncements covered a good deal of ground: full employment, education, social security, demobilisation and many other topics in which the Chambers were interested.

Probably the most vital question before the Chambers has been that of post-war exports. The Chambers did valuable work in putting forward demands for relaxation in the lend lease terms, which has now taken place. The reasons for the need to increase exports after the war appear to be sufficiently well recognised, but it is not always evident that the same is true of the means to the end. It is disappointing to find only scant mention, for example, of the parallel need to increase the productivity of labour. It is to be hoped that 1945 will see closer attention paid by industrialists to the vital problem of increased mechanisation to increase PMH.

Shorter Note

The radio industry shares with the aircraft industry the distinction of having expanded during the war to many times its previous size. Mr F. B. Duncan, speaking at the inaugural luncheon last week of the Radio Industry Council, of which he is chairman, said that in 1942 the industry was two and a half times its 1939 size. Heavy service demands for all types of radio equipment, including radio-location gear, have been met. Mr Duncan spoke of an invention, the details of which are still on the secret list, used in radiolocation, which after the war will be applied in other ways, for example, to an anti-collision device to be used on ships and aircraft. The new council is a federation of the four associations which cover the radio and electronic industries, and has been formed to co-ordinate their work.



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MIDLAND BANK LIMITED

ASSISTANCE FOR INDUSTRY

MR S. CHRISTOPHERSON ON FUTURE PROBLEMS

The ordinary general meeting of the Midland Bank Limited will be held on the 30th instant, at the head office, Poultry, London, E.C.

I feel some further attempt may usefully be made to remove deep-rooted misunderstandings about banking costs and profits. One still hears it said, for instance, that the war-time increase in deposits represents "costless credit," or funds which, apart from the cash retained to meet customers' day-to-day requirements, the banks have been able to utilise to their own profit without any countervailing outlay. This is far from the truth. The new deposits differ not one whit from the old in that they are debts from the banks to their customers, to whom the bank is responsible for the immediate availability of the money. The very fact that the Government maintains the economic life of the country at maximum intensity increases the routine work of the banks and the all-round cost of conducting it. It is a mistake, moreover, to suppose that the increased deposits involve the banks in no additional charge for interest. Over the whole mass of bank deposits, whether on deposit or current account, the average rate of interest allowed, to judge from our own experience, has declined less, since the inception of the "cheap money" policy in 1932, than has the average rate charged on the total of bank advances.

Since the outbreak of war the volume of advances has declined substantially, and the resultant diminution in earnings has been no more than offset by the additional income from enlarged holdings of investments. The income from the other pre-war items among the earning assets is about the same, and the sole net addition arises from the new asset, Treasury Deposit Receipts, which yield a rate of 1½ per cent per annum. Against this must be set the interest outgoings on new deposits and the fact that the banks are earning less from ancillary services in connection more especially with international trade, while their expenses have been largely increased on account of staff, special war-time security arrangements for the benefit of customers, war damage and other maintenance items.

DUTY OF THE BANKS

The first duty of the banks, in disposing of the surplus of gross income over expenses, is to keep themselves fully fortified against risks of capital loss, whether by bad debts or depreciation of investments. This is the primary obligation arising from their custody of the funds belonging to millions of customers large and small. The post-war period of adjustment to a peace economy may well bring with it some business casualties, and a bank can hardly be said to be performing full banking functions if it fails to accept reasonable commercial risks. We have repeatedly stated our readiness to look upon character with ability as the foundation of credit-worthiness.

Some people, however, while they approve in principle of this procedure, seem to suppose that the banks can allocate their profits on a scale, and with so much freedom from official restraint, that enables them to evade tax liabilities such as fall to other business undertakings. This again is a complete delusion. As the Treasury itself indicated some months ago, the Inland Revenue authorities have access to all the relative facts and figures about the internal accounts of the banks. It can definitely be said that no profit which the law designates, under the authority of Parliament, as subject to tax escapes its due weight thereof. In our own case, we have not yet incurred any liability to E.P.T.

The profits eventually available for distribution are spread over a wide range of ownership. In this Bank we have about 78,000 shareholders, many of them, such as those acting as trustees, representing more than one individual; the average holding of paid-up capital thus works out at about £195, and the average annual dividend received at £31 less tax. Over 40,000 of the shareholders own less than £100 of paid-up capital each; three out of every four own £200 of paid-up capital or less; and fewer than 2,000 of them, or about one in forty, hold more than £1,000 each.

NATION'S TASK AND NATIONAL ASSETS

During the past year much progress has been made, both on the side of Government and of business, with the preparation of plans for the restoration of a healthy flow of peace-time trade and enterprise. No one, by now, minimizes the difficulty of the task of transition; yet we ought not to allow ourselves to be overawed by what at first sight are alarming statements about the magnitude and consequences of our war effort. Some months ago, for example, Members of Parliament were advised to "steel themselves" for an official sum of "the cost of the war up to date"; it came to £24,000 millions. What does this figure mean? We shall do well to visualize it, not as a mass of liabilities (though indeed it does leave behind it a massive accumulation of debt), but as a cumulative measure of the flow of money over a given point—the point at which it issues from the Exchequer. The bulk of the flow passes through in wages and salaries and pay of the Forces, business profits and other payments for services rendered; and from all these personal incomes a large part is forcibly withdrawn to the Exchequer in taxes. A further large share passes back to the Exchequer on loan, being thus transformed into debts due from the community as a whole to millions of individual capitalists (there are 18½ million depositors in the Post Office Savings Bank alone) within the community. The rest goes in current consumption, curtailed as it is by rationing and other restrictions. The diminution of the volume and lowering of the quality of consumption is a partial measure of the current real cost of the war, paid as we go along.

I shall perhaps be reminded that the nation's stock of capital in the form of houses, factories, machinery and other assets has been heavily reduced through enemy action, deferred replacement and other factors. Even here, however, we must not lose sight of the large number of Government factories erected, the modernization of equipment in war industries, and the great improvement in the tools of agriculture, of all of which a large part may be carried over in full utility to meet the needs of peace.

RESTORATION OF PHYSICAL CAPITAL

The restoration of our physical capital is a task that lies in our own hands, and it is my view that, if we tackle the job wholeheartedly, it can be accomplished in a comparatively short time. For be it noted, for our assurance, that we have learned something in this war more valuable than anything we have aspired to in previous national crises. We have risen to the demands of the emergency with a degree of unity in purpose and in action never before attained. I have yet to be told why the task of rebuilding Britain should provide less of an inspiration to united, enthusiastic effort than the task of defeating the assaults of unscrupulous enemies.

I firmly believe, moreover, that once the nature of the problem is widely understood,

the same inherent qualities will be vigorously applied to righting our international position, suddenly upset as it has been by the unstinted contribution of everything we have to the attainment of victory. It is true that our course will be influenced strongly by the policies of other countries, particularly the great trading nations among the Allies; and if agreement can be reached on the broad principles of international commerce our task will be so much the more readily accomplished. The self-interest of every country in the world requires a strong and prosperous Britain; but even should collaboration lag, let us remember that Britain's relations with self-governing Dominions and other parts of the Empire provide the unshaken foundation for a combined effort at post-war reconstruction. Furthermore, the primacy of Britain as a market for many of the world's principal products and her reputation for high standards of quality and workmanship are ready to hand as powerful instruments for re-establishing her commercial leadership.

QUALITIES OF LEADERSHIP

As I read the story of this nation, the driving-power of that leadership is to be found in the twin qualities of integrity and enterprise, expressed in a thousand ways throughout the ever-widening range of adventure in industry and trade. These things remain; they cannot be wrested from us by any enemy or by any combination of misfortunes; they have risen triumphant over both, again and again. The success attained in our war economy is in part the result of integrity in business, in public administration and in workmanship. In the differing circumstances of reconstruction these same qualities will be forthcoming, and as controls are relaxed and removed the field will be opened up for a resurgence of that spirit of personal enterprise which will win us back our position in international business relations and reassert our leadership in world affairs.

To set out upon a course that leads beyond reconstruction to advancement—and this at a time when our main preoccupation must still be with the task of waging war—is an act of supreme and warrantable faith in the spirit of the British people. Greater social security, improved standards of living, more leisure, better education—all these can be fitted in to the pattern of our aspirations for a happier society; but the plans depend for their fulfilment on personal morality rather than material conditions—their mainspring is the quality of the individual and his sense of duty to the whole community.

SINGleness OF PURPOSE NEEDED

Elaborate planning will be of little use unless as individuals we show the same concern for the general good, the same singleness of purpose, as have inspired the war effort of the nation. On the international plane, too, the governing factors are moral. Hot Springs, Dumbarton Oaks, Bretton Woods—each falls into its rightful place and can serve its final purpose, in the welfare of mankind, only if the machinery is operated by individuals whose qualities of mind and character are cast in the same mould of integrity and enterprise. Understandings on right and wrong in international affairs cannot be defined and carried into practice in legalistic terms, with measured, pre-determined rights and penalties—they have their roots in mutual trust and understanding of each other's difficulties; they find their expression in honourable observance of the spirit rather than the letter.

For our part, the real, the traditional assets are still there to be used: the spirit of adventure and enterprise in undertakings; the courage and vigour to carry them out; and the efficiency and integrity to make them succeed—these are the real benefits of partnership of employees and employers. The quality required to overcome difficulties in industry and commerce both at home and abroad are simple—they are vision, initiative and hard, honest work from everyone.

LLOYDS BANK, LIMITED

POSITION OF EXTREME LIQUIDITY

ASSISTANCE FOR EXPORTERS

LORD WARDINGTON ON FUTURE PROBLEMS

The annual general meeting of Lloyds Bank Limited will be held on the 2nd proximo at the head office, 71 Lombard Street, London, E.C.

The following is extracted from the statement by the chairman, the Rt. Hon. Lord Wardington, circulated with the report and accounts:—

Our profit at £1,655,000 is £140,000 more than last year, and must I think be regarded as eminently satisfactory. It is the natural outcome of our increased figures. The total of our current, deposit and other accounts is the highest in the history of the bank, and is £91,000,000 more than it was last year. It finds its counterpart in the rise in our Treasury deposit receipts. Practically the whole of our increase in deposits has been lent to the Government in the form of Treasury deposit receipts. These, as members know, give a gross return of 1½ per cent., and as a large part of our increase in deposits is interest bearing, the advantage from a profit earning point of view is not great. It must also be remembered that our expenses have risen during the year.

The other changes in our balance sheet figures are not of great importance with the exception of our holding in Treasury bills, which is £6,000,000 down. Our cash is naturally up, and stands at 11.4 per cent. to our deposit liabilities. Investments are £12,000,000 less than they were last year, and loans and advances are also £8,000,000 less, and bear the lowest percentage to our deposits which we have ever seen, the figure being only 12.7 per cent.

HOLDING OF TREASURY DEPOSIT RECEIPTS

The outstanding feature of the balance sheet is the large proportion of our assets invested in Treasury deposit receipts. This represents over 38.4 per cent. of the deposits. It forms much the largest item in our assets, while loans and advances, which used to have pride of place in this respect, are now a very poor third. The question naturally arises as to what will happen when, after the war, the expected demand for loans to assist in the conversion of industry from a war-time basis to one of peace takes place.

Treasury deposit receipts have a currency of six months, and from a banking point of view are an ideal investment, as every week considerable amounts mature: but if at the same time the Treasury make corresponding demands for renewals, no fresh cash from that source will be available for lending to industry. It is true that, if necessary, they are discountable at the Bank of England, but to lend to the Government at 1½ per cent. and borrow at 2 per cent. can hardly be considered an economical proposition. An alternative method would be to realise investments, and a large proportion of these are short term bonds, but they do not mature with the same regularity as Treasury deposit receipts, and it would not be desirable for all banks to be realising investments at the same time.

LOANS FOR INDUSTRY

At present we are in a most unusual position of extreme liquidity, our liquid assets being no less than 61.3 per cent. You will remember that last year I stated that we should in consequence be in a position to lend money to industry in considerable volume and to be more liberal in our qualifying conditions as to repayment, without, however, departing from sound banking principles. This was interpreted in some quarters as indicating an intention on the part of the bank of following the continental practice of investing in industry, even

to the extent of obtaining a controlling interest of share capital.

This, of course, is the last thing I had in mind, and I merely meant to emphasise our liquid position and to show our willingness and ability to assist in the financial arrangements necessary for a return to peace-time conditions; but if the Treasury wish us to maintain the present proportion of Treasury deposit receipts in the years immediately following the war, or even to increase them, our capacity for meeting the demands of industry will be to that extent impaired. But of course it is always possible for the Government, who in these matters have sole control, to broaden the credit basis in order that it may synchronise with any legitimate expansionist programme.

EXPORT TRADE

Much thought has been given to post-war problems, though definite conclusions are rendered difficult by the necessity for not relaxing the war-time effort. One of the most important is the prospect of our export trade, a matter to which I referred last year. It has been the subject of debates in both Houses of Parliament, of many speeches and of a still greater number of articles. I make no excuse for again emphasising its importance, for it is fundamental to the life of this country, and our social and economic well-being hinges upon the recovery and expansion of the export trade. Nearly all our trade, internal and external, depends on our being able to pay for raw materials we do not possess; moreover, we also have to import a large proportion of our food. To enable us to do this, exports, both visible and invisible—and bear in mind that the latter have been seriously reduced by sale of foreign investments and loss of shipping—are an absolute necessity, and we must recover our power to export, not only to our pre-war limits, but on a much extended scale.

The Government can do much to help, and a good deal of preparatory work has already been done. The reorganised Department of Overseas Trade, under the Foreign Office, should be able to tender useful advice, to give timely notice of impending contracts and of developments likely to provide openings for trade. The endeavours of our representatives at Bretton Woods to find a substitute for the inelastic gold standard is a case in point. So far there has been no agreed conclusion on this technical and complex subject, but some solution must be found to secure those engaged in international trade against undue fluctuations in monetary values. Something, too, can be done by Government in protecting our valuable invisible exports in the shape of overseas investments. There are not merely the concern of the private investor—the income therefrom should assist materially in paying for essential imports—and too often such investments have not received fair treatment.

TRIBUTE TO AMERICAN ASSISTANCE

The prospects of our export trade have been recently brightened by the new arrangement in regard to lend-lease. Our gratitude for the sympathetic help and encouragement we have received from the U.S.A. cannot be exaggerated or ever forgotten. It is as lively as it is enduring, but I sometimes think we are not paying them a compliment when we treat them as if they were so thin-skinned that they take offence at any action on our part which might be described as competitive. They know that we have been their best customers, and that in order to buy from them our export trade must be prosperous and to some extent competitive. After all, competition does not exclude co-operation,

and America is fully aware that the prosperity of one depends on the prosperity of all and that she will suffer if we are poor. America knows that we have subordinated everything to the supreme object of winning the war, that we have devoted ourselves to this purpose to an extent unknown in any country, resulting almost in the extinction of our export trade. Hitherto, the official attitude over here has given industry a sense of frustration, and I cannot help feeling that our excessive tenderness towards America is calculated to create on the other side of the Atlantic an impression of unreality.

LABOUR'S PART

Industry has many problems to face in making post-war preparations, and it is disconcerting if all tentative plans in this direction and exhortations to be ready are met by inhibitions and restrictions of all kinds. A clearer indication of Government policy is necessary to clarify the uncertainties which confront our exporters.

Labour also has its part to play in restoring our export trade. Under the stimulus of war and with a whole-hearted realisation of the immensity of our common effort, it has, with some few exceptions, responded magnificently. Never has the country as a whole been so unanimous in its determination to work for a happy issue to our life struggle. When our victory over Germany is complete, and still more after the defeat of Japan, there may be a natural tendency to relax. But labour, as quickly as anyone else, has set itself against the mistakes we have made in the past, and the wise amongst them will realise that the difficult post-war period will be no time for striving for shorter hours or restrictions on output. After all we have gone through this may sound a hard gospel, but if we are to maintain our position in the world we shall all have to work harder than ever.

THE BANK'S EXPORT INDEX

Lastly, we come to the part which the banks can play in restoring our export trade. They are willing and anxious to give all financial assistance in their power, but there are other ways in which they can help. This bank, in order to assist its exporter customers, has for many years maintained records of commodities produced by them so that, subject to their approval, information may be supplied in response to enquiries from overseas through our associated banks, agents and correspondents. This Exports Index has recently been revised, and is serving a useful purpose in putting customers who are exporters in touch with enquirers.

A kindred service is provided by the bank in gathering from its correspondents abroad information as to the needs of overseas importers, which would materially aid our exporter customers in planning for post-war trade. In this connection, our Associated Bank, the Bank of London and South America, Limited, has already produced a valuable handbook dealing with trade requirements and potentialities in the South American countries, and it is hoped that similar information relating to other areas will soon be available.

EXPORT OFFICIALS AVAILABLE

The bank's assistance in providing information and guidance on the mechanism of such business, on shipping and documentary arrangements and on licences and currency problems, is available through our well-equipped Colonial and Foreign Department, expert officials from which can, in special circumstances, visit our branches to confer with customers who need their advice and guidance.

In concluding these remarks, I am sure the members would like to join with me and the board of directors in expressing our highest appreciation of the work of the staff during the past year, which has brought about such good results. We also remember those of our number who are serving in the Armed Forces, extending our sympathy to the families of those who have given their lives for the country and to those who have relatives who are prisoners of war.

WESTMINSTER BANK, LIMITED

HIGHLY SATISFACTORY PROGRESS

ASSISTANCE FOR INDUSTRY

THE HON. RUPERT E. BECKETT ON POST-WAR NEEDS

The annual ordinary general meeting of the Westminster Bank Limited will be held on January 31st, at 41, Lothbury, London, E.C.

The following is a summary of the statement by the chairman, the Hon. Rupert E. Beckett, circulated with the report and accounts:—

Our deposits and other accounts show an increase on the year of approximately £57 million, and this augmentation of our liabilities is reflected in a corresponding expansion on the assets side, mainly in our quick assets. Cash holdings have increased by £11 million, call money by £8 million, bills by £8 million, Treasury deposit receipts by £18 million and investments by close upon £5 million. Our loans and advances, although showing an increase of £7½ million at 31st December last, decreased, on the year's average, by £2.3 million. After providing for all taxation (including national defence contribution), the year's profit, at £1,366,907, exceeds that of 1943 by a little over £19,000.

DIVIDEND REPEATED

The directors have decided to pay the same dividends of 18 per cent. on the partly-paid shares and 12½ per cent. on the stock (both less tax). The other allocations are the usual £300,000 to officers' pension fund, and this year £300,000, instead of £250,000, to bank premises reinstatement and rebuilding account. This leaves the sum to be carried forward to the next account at £535,285, which is some £10,000 less than the figure brought in. The accounts of the Westminster Bank show a further increase in deposits and a concomitant increase in liquidity, with the natural consequence that the profits remain relatively stable. The progress of this healthy business continues to be highly satisfactory.

Our foreign auxiliary, overwhelmed by war in 1940, has, thanks to the success of the Allied Forces, now been delivered and I am happy to be able to report that all its branches have been freed.

CHANGED DISTRIBUTION OF ASSETS

Before the war the deposits of the clearing banks amounted to £2,245 millions, and at the end of November, 1944, the total had almost doubled at £4,398 millions. The changed distribution of the assets of the London Clearing Banks is reflected in figures extracted from their monthly statements. These changes in the distribution of bank assets are a direct consequence of the war. Arising from the war-time increase in the credit base, the swollen deposit resources of the banks are spread primarily between their assets items of investments and Treasury deposit receipts. Bank investments consist, of course, of Government securities. The November, 1944, monthly statement of the London Clearing Bankers shows that Treasury deposit receipts represent no less than 35.1 per cent of their deposit liabilities. The amount employed by the banks in Treasury deposit receipts is on an ascending scale, for by their issue the Government are enabled to borrow, from the banks, that margin of credit which is considered surplus to the community's requirements. The volume of credit available is determined by H.M. Treasury, and the increase in the credit structure during the war is the result of the Government's war expenditure. The decline in bank advances from £984 millions in 1939 to £738 millions is noteworthy.

War time brings about a complete re-orientation of our trade and industry, for the whole community has to concentrate its activities exclusively on the national effort. Some export trade is, of course, being transacted, but the vast bulk of the nation's output is to meet our own and our Allies' war

needs, with the majority of producers engaged directly or indirectly for the Government, as their sole customer and debtor. For them, their pre-war procedure is thus considerably simplified. They have the readiest market for their goods; it is huge and well-nigh insatiable, and provides the fullest outlet for all they can produce. This development is inevitable in a closed and controlled war economy, and producers, with their single assured customer, viz. the State, have no longer to encounter the forces of home and foreign competition.

HELP FOR GREAT AND SMALL FIRMS

The banks have given the readiest financial assistance to great and small firms alike, providing the means to enable the fullest expansion of production, to meet the huge demand, even in cases where a firm's own resources would not normally have justified it. The overriding consideration with the banks has been their desire to stand behind the nation and cooperate with the Government in its stupendous war effort. The provision of additional and extraordinary financial requirements has been facilitated by the system of progress payments, under which the Government pays its contractors instalments for work done. Expenditure on the war effort has thereby become in a large measure self-liquidating, and the provision by the banks of this type of finance is in strict accord with British banking tradition even if it is, and indeed must be, on an enlarged scale.

It should be observed, however, that coincidentally there has been a progressive liquidation of the nation's stocks of peace-time goods without replenishment, and this accounts, in large measure, for the reduction in the banks' advances during the war. It is a general world-wide wartime phenomenon. With the whole industrial machine still working for the war effort it is nevertheless opportune, in view of the approach of the end of the war in Europe, to make preparations for the transition from war employment to peace employment. No nation can undergo the ordeal of war, and especially of this war, without impoverishment and economic exhaustion, and those well-meaning people who imagine that we shall, as a nation, emerge better equipped and ready for a triumphal entry into a New World will, I fear, be badly shocked by the realities of international devastation and dislocation.

ADJUSTMENT TO PEACE CONDITIONS

Industries and businesses, both big and little, whose normal activities have been diverted and adapted wholly or in part to purposes of war, will need adjustment to, and equipment for, the resumption and extension of their peace-time activities. Not only have we had to hold in abeyance all the work that would normally have been fulfilled during the years of war—in itself a colossal accumulation—but we shall also have to repair all that has been broken down and destroyed during the war years in every department of our social and national life. In short, we have three tasks to combine in one. To catch up the arrears; to restore the war-time damage; and to reconstruct anew. The immensity of the task will be apparent to everyone, and when we remember that the same tasks confront all the nations of Europe and elsewhere, it will be seen that work to the maximum extent, and with the greatest energy and concentration, is ahead for many years.

We as a nation will be concerned to rebuild internally, and also externally, for our dependence upon export trade has been if anything brought home to us with added emphasis during the war. Our internal and external trade are indeed vitally related to each other, but our internal programme and

needs must not distract our attention from the development of our export trade on an unprecedented scale. In many cases, not only have we to make up the leeway of development in the war years, but we have entirely to modernise equipment which has failed to keep pace with research. In this respect some other nations may have marched ahead of us, and in the fierce competition we shall encounter in the post-war years it behoves us to be at least as well equipped as any of them.

GREAT DEMANDS ANTICIPATED

The need for the import of raw materials which can only be paid for by exports, the necessity for the simultaneous provision of large quantities of consumption goods, and the re-equipment of industry, will occasion great demands on the supply alike of finance, materials, and labour. Almost every manufacturer will have to re-equip and re-tool; every wholesaler and retailer with empty shelves will need to re-stock. In the aggregate, financial requirements must run to enormous sums, and one of the major post-war tasks will be to attract the savings of the nation, which have during the past 5½ years been devoted to the Government financing of the war, to these particular purposes.

In pre-war years 50 per cent of the resources of clearing banks were employed by way of advances in direct assistance to industry. The ratio of advances to deposits was already only 43.8 per cent in August, 1939, and in the latest figures it has fallen sharply to 16.8 per cent: in other words, it is now less than one-third of what it was in former years. The funds that have thus been left unused by industry have gone partly into investments, but to a far greater extent into Treasury deposit receipts, the total of which is already nearly £1,550 million. This forms a reservoir from which may be drawn the large funds that will become necessary when the war ceases and the whole process of national reconstruction begins.

GRADUAL BUT ASSURED PROGRESS

The banks will naturally facilitate the changeover from the Government to industry as their prime debtor, but in all spheres of our national activity post-war progress will of necessity be gradual though assured. Finance and credit must march in step with this development.

The accumulated war-time savings of the nation, in so far as they remain in the hands of the banks and become available by the retirement of Treasury deposit receipts will, through the intermediary of the banking system, be devoted to the provision of finance for the furtherance of desirable schemes of industrial development, for essential re-equipment and for the export trade. Other savings of the nation will be available for direct investment in the provision of finance for these essential objects. It is hoped that by one or other of these means the financial requirements of industry and business will be provided for, but it is relevant to remark that unless British industry can be reasonably assured of normal profits—and by this is meant not taxed retainable profits—no development in the machinery for the provision of finance can have any chance of success.

But finance is less likely to be a limiting factor than the availability of material and labour which, in the immediate post-war world, will largely be needed for the building and reconditioning of houses and their re-equipment, and for the provision of much needed consumption goods.

ADEQUACY OF BANKING SYSTEM

The impact of war demonstrated the adequacy of the preparations made by the banking system for the maintenance of all essential banking services and for the complete mobilization of banking activities for the support and furtherance of the national war effort. Peace, when it comes, will find the preparations of the banking system to deal with the problems and difficulties of the post-war period fully sufficient.

NATIONAL PROVINCIAL BANK LIMITED

CONSIDERABLE EXPANSION OF FIGURES

HELP FOR SMALL BUSINESSES

MR COLIN F. CAMPBELL ON POST-WAR TRADING

The 112th annual general meeting of The National Provincial Bank Limited will be held at the head office, 15, Bishopsgate, London, E.C., on the 30th instant.

The following is the statement by the chairman, Mr Colin Campbell, which has been circulated to shareholders with the report and balance sheet as at 31st December, 1944.

The only change I have to report during the year in the constitution of the Board of Directors is the election of Mr D. F. Anderson, who has a wide knowledge of Shipping and whom I welcome, as I am sure he will give valuable service to the bank.

MANAGEMENT AND STAFF

The work of the management and staff again calls for special mention. Normal releases to the forces of the younger members of our staff have continued and we have found it increasingly difficult to replace them, thus adding to the already heavy burden borne by the personnel remaining with us. This position became particularly acute in the London area during the flying bomb attacks, and we were obliged to appeal to our country branches for volunteers to assist in the metropolitan area. The response was immediate, and I am glad to take this opportunity of expressing my appreciation of the splendid spirit of co-operation shown by all concerned.

Despite our difficulties, I think I can again say without hesitation that the efficiency of the work of the Bank and the service to the public have been well maintained, and our thanks are due to the managers and staff for their continued loyal and unstinted service. We are grateful, too, to the managers and staff who have so willingly remained in the active service of the Bank beyond pensionable age to help us in these difficult years.

MEN WITH THE SERVICES AND CASUALTIES

The shareholders will, I know, be interested to hear that we now have nearly 5,000 members of our staff serving in H. M. Forces, apart from those directed into industry. Further decorations have been awarded, and it is pleasing also to hear of the many promotions which have been gained. Our good wishes go out once more to all serving members of our staff with the hope that their return is appreciably nearer.

Inevitably the number who have made the supreme sacrifice continues to grow, the total is now just short of 200, and our deepest sympathy is extended to their relatives. We forget neither the families of those posted as "missing," nor of those who are prisoners of war in Germany and the Far East, and we sincerely hope that their anxiety will soon be relieved by the receipt of reassuring news. We are very conscious, too, of the hardships suffered by our staff remaining in the Channel Islands, which we trust may shortly be ameliorated.

STATEMENT OF ACCOUNTS

During the year which has just ended there has been considerable expansion in our Balance Sheet figures. Current, deposit and other accounts have been increased by £68,569,660 to the figure of £589,911,939. A satisfactory liquid position has been maintained. Against our liabilities we show cash items, short money and bills amounting to £40,551,042, with Treasury Deposit Receipts of £214,000,000, and investments, mostly British Government securities of reasonably short life, amounting to £133,776,403. The advances made by the

Bank have increased during the year from £108,687,467 to £114,502,138, but, of course, the proportion of this figure to deposits is much reduced compared with pre-war days. When trade returns to its normal peace-time channels, and the necessity for the financing by His Majesty's Government of purchases of commodities and raw materials has disappeared, we shall hope to see the Bank's power to assist its customers reflected in a substantial increase in the item of advances.

RESULT OF YEAR'S OPERATIONS

The year's trading has resulted in our showing a net profit of £1,270,670 5s. 4d., as compared with £1,256,394 19s. 5d. for the year 1943. We have brought into the accounts from the previous year a sum of £609,614 1s. 0d., so that the amount available aggregates £1,880,284 6s. 4d. An interim dividend has already been paid, and a final dividend at the same rate will require a total sum for the year of £710,956 4s. 0d.

The allocations proposed are as follows:—To bank premises account £100,000, to pension fund £150,000 and to war contingencies fund £250,000, leaving to be carried forward to the next account a sum of £669,328 2s. 4d.

TRUSTEE DEPARTMENT

It is some time since I made reference to the activities of the Bank's trustee department, and I do so now because the very considerable increase in the business of this department has proved beyond doubt that it is providing a valuable service to our customers, and indeed to others, which is much appreciated.

There is definite evidence that the public are becoming increasingly conscious of the desirability of appointing a corporate trustee, and notwithstanding the problems we have to meet in the way of providing a staff for this fast growing feature of the Bank's business, I am glad to be able to say that the standard maintained is of the highest, and the department is well-equipped to deal with the anticipated further demands upon its services. When the war is over we hope to provide for the public extended facilities by opening trustee branches in several new centres.

ASSOCIATION WITH INDUSTRY

A year ago in the short statement sent to the shareholders, I alluded to the help which the Bank is always ready to afford to the small trader and man of moderate means and good reputation. From such sources in the past many sound businesses have developed. We look forward to an extension of opportunities in this direction.

Our business has close and far-reaching association with the great industries of this country, including agriculture, in which enterprise and skilful management have done so much to enable the huge burden of war production to be successfully borne. Both coal and cotton have been subjected to much criticism during the year, which we hope will lead to a still greater degree of efficiency in these all-important trades. If this country is to maintain its position and materially develop its resources, these great basic industries must also be able to rely on receiving full financial support.

NEED FOR TRADE FREEDOM

Probably no subject has occupied the thoughts of all political parties and industrialists more than that of ensuring full employment after the war, upon which in

large measure rests the prosperity of British trade generally. With some of the proposals placed before the public, bankers would be in full agreement, such, for instance, as the control over foreign exchange, over the import of luxuries and the distribution of food; but I am convinced that this prosperity will be best served by the utmost freedom being given to those engaged in business who, by long experience, understand the problems connected with their particular trade, whether at home or overseas.

It is from this angle that the prolonged discussions, culminating in the Bretton Woods proposals, have to be considered. Definite progress has been made showing that other nations are willing to consider wide cooperation in a real effort to avoid the restrictive methods which came into force after the last war. No doubt further discussions will take place before any final agreement is reached on this most difficult and important subject.

AT THE SERVICE OF THE CREDIT-WORTHY

In the meantime, the development of banking methods is continuous and its services are at the disposal of all credit-worthy people, so that with the distribution of the wealth of the country spread over an infinitely greater proportion of the population than was the case in pre-war days, it is to be hoped that many who were not in the habit of taking advantage of banking services will do so and by this means will help forward the much larger volume of trade that will be necessary. It cannot be emphasised too forcibly that for many years to come this country will be facing the world as a debtor instead of a creditor nation, so that a large increase in the volume and value of our exports is essential to the maintenance of the standard of life at present enjoyed.

In this connection, the problems of social insurance have also their bearing. The men and women of working age—which is a limited number when we exclude those who are beyond work, and the children—will have a heavy task before them. These burdens can be borne only on the assumption that full employment is assured and that the markets of the world are free to receive the results of their work in the form of manufactured products.

GREATER COMPETITION COMING

The skill of our workpeople is admitted throughout the world, but we must expect to be faced with greater competition both from the Dominions as well as from foreign countries than has been experienced hitherto.

There must of necessity be collaboration and closer association between Government and industry than has existed in the past. This should be beneficial to the welfare of the country generally as well as to those directly engaged in industry, provided that the initiative and the drive associated with private enterprise are not discouraged, for it was these qualities that gave the country such a commanding position in the past.

EFFECT OF HIGH TAXATION

Taxation at a high level brings in its train many disadvantages, not the least of which is the drawing off from trade of profits which should be available for replacement, development and research. The sooner some of this burden can be lifted the better for all, because it is clear that the highest degree of efficiency will be necessary if we are to maintain our position as a world power.

The difficulties which have arisen in Europe in those countries which have been released from the bondage of German occupation show very clearly the dire effect of Fascist domination. It will be for us to demonstrate, as the end of the war approaches, the immense advantages of our free institutions and method of approach to new developments.

WILLIAMS DEACON'S BANK LIMITED

SATISFACTORY RESULTS—INCREASED PROFIT

POST-WAR PROBLEMS

MR G. P. DEWHURST'S STATEMENT

In place of his usual annual address, the following statement has been circulated by Mr G. P. Dewhurst, chairman of Williams Deacon's Bank Limited, in advance of the annual general meeting held on the 25th instant.

CHANGES ON THE BOARD

From the report in your hands you will see that during the past year the board has lost through resignation the valued services of Sir William Whyte, and I should like, in your name, to assure him that we have highly appreciated the knowledge and experience which he has made so readily available in the direction of the bank during the past eleven years. It is with regret that we lose his services as a director.

To fill the vacancy on the board thus created, the directors have appointed Mr John McArthur Thomson.

Mr Thomson is no stranger to us here. Coming from the Royal Bank of Scotland, London, to become assistant general manager of this bank in 1936, he filled from 1938 the position of general manager with conspicuous success and only relinquished that appointment last April to become cashier and general manager of the Royal Bank of Scotland. We wish him every success in his new position and are glad to feel that we still have him with us as a member of the board.

NEW GENERAL MANAGER

To succeed Mr Thomson we have appointed Mr John Humphreys King as general manager of the bank.

Mr King has had, prior to becoming an assistant general manager in 1939, a varied experience in different capacities on the staff of the bank, and we have the fullest confidence that he will fill his new position with distinction and I take this opportunity of offering him our best wishes together with the assurance of our wholehearted support.

You will also notice from the report that we have appointed Mr George Jagger as an assistant general manager and we feel sure that he will do full justice to this appointment.

Before referring to the accounts, I would like to offer the board's congratulations to our colleague, Sir Ernest E. Bird, on the honour of knighthood which was recently conferred on him in the Birthday Honours List.

STAFF WITH THE SERVICES

Also, before going further, I feel I should recall to your thoughts our ever-present anxiety regarding those members of the staff who are now serving with His Majesty's Forces. They now number 524, and I regret to say that 18 have been killed in action, two have died on active service and 11 are prisoners of war. To the relatives and friends of those who have given their lives for their country we take this opportunity of offering our sincerest sympathy, which we also extend to the relatives of those who are prisoners of war.

I would also wish, at this stage, to assure all those members of the permanent staff who are serving with the Forces that a warm welcome awaits them on their return from service—a prospect which the recent victories of Allied arms seem to have brought appreciably nearer—and that everything possible will be done to facilitate the speedy resumption of their banking duties.

BALANCE SHEET ITEMS

Turning now to the figures of the balance sheet, you will see from the report in your hands that deposits at £80,471,000 again appear at a record figure, showing an increase of over 8 per cent. as compared with last year.

Whilst the introduction of tax reserve certificates three years ago must have considerably retarded the rate of increase in bank deposits, the tendency would now appear to be weakening for we find that the increase in the total of such certificates has started to lag while the rate of increase in bank deposits is again on the up-grade, suggesting that the amount of certificates outstanding is approaching its ceiling and that caution is being observed in estimating the tax liability of a few years ahead.

The only other change of note on this side of the sheet is an increase of £47,000 in acceptances and credits opened on customers' account.

ASSETS

Turning to the assets—the liquid position of the bank is strikingly apparent.

Including Treasury deposit receipts, the quick assets show an increase of over £5,000,000 as compared with last year and represent nearly 55 per cent. of our deposits.

Our holding of British Government securities has also been increased by £1,600,000. On the other hand, in contrast to last year's experience, advances to customers are less by £565,000.

I feel the figures I have given, while stressing the liquid position of the bank, will enable us to play our full part in the reinstatement and re-equipment of industry during the transition period from war to peace. I will enlarge upon this later.

PROFIT AND DIVIDEND

Turning now to the figures of profit and loss, our net profit, after making the usual provisions, appears at £211,774 17s. 9d., as compared with £201,844 12s. 4d., or an increase of £9,930. This profit, with a balance of £151,932 17s. 6d. brought forward from last year, gives us a total of £363,707 15s. 3d. now to be dealt with.

After transferring £100,000 to staff pension fund, additional to the usual annual contribution, and £30,000 to property maintenance reserve, we are in a position to pay dividends at the rate of 12½ per cent. on both our "A" and "B" shares and carry forward to next year's account £116,520 5s. 3d. as against £151,932 17s. 6d. brought in.

Before leaving the results of the year's trading which, I submit, may be looked upon as satisfactory, I would wish to refer firstly to the steady increase in the number of our connections during the year and secondly to the number of our customers who, we find, are appreciating the advantages of utilising the services of our trustee departments.

POST-WAR PROBLEMS OF COTTON INDUSTRY

The areas served by this bank have, of course, rendered immense services to the war effort and although the whole energies of the cotton industry are still harnessed to the needs of supply for the prosecution of the war, I think if we take stock of the vast achievements of the Allied Armies and the substantial progress that has been made both in the East and the West, the trade as a whole is fully justified, as far as present circumstances permit, in laying its plans for meeting its post-war problems with a view to the recovery of lost markets and the entry into new ones. The difficulties facing the industry are many and various, but not to my mind insuperable if the Government and individuals alike play their respective parts.

Looking at the present improved state of the financial structure of the trade, the necessary finance for expenditure on research, re-equipment and new machinery should be in some measure available from internal resources, though here taxation

relief and a more liberal allowance for depreciation on wasting assets would play an important part.

Again, where entry into markets abroad is dependent on the negotiation of trade treaties by the Government, obviously such commercial arrangements must entail more direct contacts between merchants here and overseas markets and an intensive study on the spot of the needs and requirements of their customers abroad.

PRIORITY ALLOCATION FOR MACHINERY, MATERIALS AND MAN POWER

Then, too, spinners and manufacturers may fairly expect that a priority in allocation for their requirements of machinery and materials will be granted them without undue delay.

And last, but not least, is the question of man power, and how best can labour, after so long a period of service elsewhere, be attracted back to the mills.

Improvement in working conditions and amenities on a scale at least comparable with those provided in other industries has already been taken in hand and will doubtless play a very important part, but labour from the Forces and munition works must be allowed to resume its old employment at the earliest possible moment consistent with the wartime needs of the country.

If employers and operatives alike will show in this transition stage between war and peace which awaits us, the same energy and determination that they have thrown into their war effort, I submit they have a right, in matters beyond their control, to expect a corresponding measure of support and encouragement from the Government.

ENGINEERING INDUSTRY

As to the engineering industry, the part played by both the heavy and light branches has been of a notable character and the technical progress made during the war, coupled to the proved efficiency of so many of its units, will, I have every hope, enable it to respond adequately to the heavy demands which will be made on it during the reconstruction period.

Both the above-named great industries—and space alone prevents my reference to several others—will have an important part to play in the restoration of our export trade, so vital an element in our national economy, and the high degree of liquidity disclosed by our figures will enable this bank to extend support in full measure towards the furtherance of that object.

IMPORTANCE OF EXPORT TRADE

The transitional stage of change from war production to peace production will require in many cases somewhat careful navigation and although that period must obviously be accompanied by an intense demand for goods of every kind we should not, as a nation, I submit, allow our long-term view to be thereby clouded. In the long run international competition will return and—I speak in the simplest terms—we have, as a nation, to meet it with diminished assets and increased liabilities, so that I make no excuse for emphasising that the future of our export trade was never more important. In fact it can be said that in face of our worsened financial position, due to the fact that we have had to fight the war without reckoning the cost, we shall have to rely as never before on the proven skill of our craftsmen and operatives and on the abilities of our manufacturers and merchants to provide commodities at a price acceptable to the world buyer. This skill and those abilities have not failed us in the past nor should they, given proper support, be found wanting in the future.

As I have indicated above, this bank is prepared to extend its support in full measure to our customers during the periods of reconstruction and transition and I may, perhaps, be allowed to say that I do not forget either those ex-Servicemen who will be anxious to re-start businesses abandoned in the national interest or all those small-scale enterprises which contribute so much to the health and balance of a national economy.

NATIONAL DISCOUNT COMPANY, LIMITED

FURTHER INCREASE IN TURNOVER

SIR SIGISMUND MENDEL'S REVIEW

The annual ordinary general meeting of the National Discount Company, Limited, was held, on the 24th instant, at 35, Cornhill, London, E.C.

Sir Sigismund F. Mendl, KBE, the chairman, presided.

The following is the chairman's statement circulated with the report and accounts for the year ending December 31, 1944:

I again do not propose to make a speech at the annual general meeting to be held on January 24, 1945. I am therefore sending to the shareholders a short statement, together with the balance-sheet and profit and loss account.

MARKET FEATURES

The discount market during 1944 has very few features on which I need dwell. The small margin of profit between interest and discount remains, as in the past war years, at a very minute figure, and had it not been for our expanding operations in the short-bond market, we should certainly not be able to give as good a showing as is contained in the accounts now submitted.

There has been a further increase in the company's turnover. Deposits have risen by £9 million to the total of £81 million. This increase is reflected in a corresponding rise in investments and bills and short-dated bonds discounted. The total of bills re-discounted is no longer included in the bills discounted and short-dated securities figure as before, and is now shown as a contingent liability. The reserve, which was reduced by £576,667 10s. to £1,000,000 in accordance with the resolution submitted and approved at the last general meeting for the capitalisation of this amount and paying up £2 10s. per share on each of the 230,667 issued "B" shares, has been increased to £1,100,000 by the transfer of £100,000 from the profits for the year.

PROFIT AND DIVIDEND

The profit and loss account shows that after making provision for rebate, taxation and contingencies, the gross profit for the year is £251,633. After deducting expenses and directors' remuneration totalling £55,265, there remains a net profit of £196,368 which, with the balance of £223,854 brought forward from last year, gives a total of £420,222. From this sum £100,000 has been transferred to the reserve, as mentioned above.

Interim dividends were paid in July amounting to £42,300, and it will be proposed, at the forthcoming meeting to pay a dividend of 2s. 6d., less tax, on the "A" shares, making 10 per cent. for the year, and 7s. 6d., less tax, on the "B" shares, making 13 per cent. for the year, which is equivalent to the rate per cent. paid before the shares were increased to £5 paid up, and to carry forward to the next account the sum of £224,089 against £223,854 brought in.

TRIBUTE TO MR MONTAGU NORMAN

The discount market received with great regret the announcement during the year of the resignation of Mr Montagu Norman from the position of Governor of the Bank of England, which post he had held for a record period. Mr Norman's kindly interest in the operations of the discount market had always been most marked, and it is only fitting that those connected with it should express their appreciation and gratitude for his many conspicuous services to the City and financial business generally, and wish him many peaceful years in which to enjoy a rest from his strenuous labours. Regarding his successor, Lord Catto, we

are happy in the thought that this responsible position is occupied by one so eminently qualified to appreciate the difficult problems that will arise during the post-war era.

My usual observations with regard to the able manner in which the company's affairs have been conducted by Mr Bate and his colleagues in the manager's room have more than ordinary application to their successful operations during 1944, aided by the loyal co-operation of a much depleted staff.

The report and accounts were unanimously adopted.

MARTINS BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and fourteenth annual general meeting of Martins Bank Limited was held on Tuesday, 23rd January, at the head office, Liverpool, Mr Frederick Alan Bates, M.C., A.F.C., D.L., chairman, presiding.

The chairman said that in accordance with war-time practice he had issued a statement in place of the remarks he would normally have made at this meeting, and there was nothing he desired to add to that statement. He proposed the adoption of the report and accounts and confirmation of the payment of a final dividend of 7½ per cent., making, with the interim dividend paid in July, 15 per cent. for the year.

Mr A. Harold Bibby, D.S.O., D.L., a deputy chairman, seconded and the motion was carried unanimously.

Mr Herbert Barlow proposed and Mr J. W. Holt seconded the re-election of Mr A. H. Bibby, Mr R. V. Buxton, and Sir N. F. Warren Fisher, as directors. The resolution was unanimously approved.

On the motion of Mr D. A. Sutcliffe, seconded by Mr A. Bryce Muir, the auditors were reappointed.

Mr W. B. B. Stoddart proposed a vote of thanks to the chairman, expressing appreciation of the shareholders at the results laid before them.

The chairman in acknowledgment paid tribute to the service of the officers and staff, from the chief general manager to the junior members, whose efforts made possible the success of the bank and its service to the public.

Mr J. N. Furniss, director and chief general manager, returned thanks for the warm expressions of appreciation, which were particularly gratifying in view of depleted staff, and the continuing expansion of business both in value and in the number of transactions.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The fiftieth ordinary general meeting of Barclays Bank Limited was held, on the 24th instant, at the head office of the bank, 54 Lombard Street, London, E.C. 3.

Mr Edwin Fisher (the chairman) presided.

Mr P. J. Diboll (the secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present, the report and accounts and also the statement by the chairman, which had been previously circulated, were taken as read.

In the course of his remarks the chairman said that the jubilee of the bank's incorporation as a limited company would fall in July next year. Their predecessors had started business in Lombard Street some 250 years ago. On the allocation from profits of £64,767 to the staff widows' fund, Mr Fisher mentioned that, as a special matter, the board had decided that the bank should carry the greater part of

the burden of the payment of annuities to widows of men who had lost their lives in the war. They were glad that it had been possible to do this, instead of leaving the whole of the liability to fall upon the resources of the fund, and he felt sure the stockholders would agree with their decision. Continuing, he referred to the 45 decorations and awards which had been bestowed upon members of the staff serving with the Forces and particularly to the award of the Victoria Cross to Major William Philip Sidney, who had been attached to the bank's Pall Mall local head office. Lieutenant Gerard Ross Norton, of the staff of Barclays Bank (Dominion, Colonial and Overseas), had also gained that incomparable honour. He expressed his warm appreciation of the services of Mr Norman Jones, a general manager, who retired at the end of 1944.

The chairman then moved:—
"That the report of the directors produced, together with the annexed statement of the company's accounts as at December 31, 1944, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent., making 10 per cent. for the year, on the "A" stock, and a final dividend of 7 per cent., making 14 per cent. for the year, on the "B" and "C" stock respectively, less income tax in each case, be declared, payable on the 8th proximo, to the stockholders registered in the books of the company on December 31st last."

Sir William M. Goodenough, Bt. (deputy chairman), seconded the motion, which was carried.

The retiring directors were re-elected and the auditors, Messrs Price, Waterhouse and Company and Messrs. Kemp, Chatteris and Company, were reappointed for the ensuing year.

A vote of thanks to the staff and a vote of thanks to the chairman for presiding at the meeting were unanimously accorded, and the proceedings terminated.

RADIO RENTALS, LIMITED

INCREASED DEMAND

The eighth annual general meeting of Radio Rentals, Limited, was held, on the 24th instant, in London, Mr H. F. Hunt (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts:—The fifth year of the war proved to be one of extra difficulties, more especially as your company had most of its premises and the majority of its subscribers in "Southern England" where the enemy's attacks were concentrated. The company's instruments have stood up remarkably well to treatment that was not visualised when they were designed, which speaks well for the good workmanship in their construction, and we are glad to say the losses were negligible.

The trading profit at £111,178 compares with £112,658 last year, and after conservatively providing no less than £87,403 for taxation, there is a net profit for the year of £23,775 as compared with £23,116 last year. Your board, in recommending a final dividend of 15 per cent., making a total of 20 per cent. for the year, are proposing to increase the carry forward by £10,000 to £54,003. The balance sheet shows the strong financial position of the company.

The demand we are now experiencing appears to increase at an even greater rate than that at which the supply diminishes, and it is possible that we shall not receive a sufficient number of new sets this year to enable us to maintain the gross rental income and so offset the effect of the reducing rentals which we charge our subscribers. Our proportion of the "War-time Civilian Receivers" has not been delivered to the dates expected, but we anticipate early deliveries, thus enabling us to supply the would-be subscribers who have placed deposits with the company to be included in our priority waiting lists.

The report was adopted.

RIO DE JANEIRO FLOUR MILLS AND GRANARIES, LIMITED

The fifty-ninth annual general meeting of this company was held, on the 23rd instant, in London.

Mr S. C. Sheppard (chairman) said that the board's recommendation of a final dividend of 1s. per £1 unit of stock, less tax at 10s., making the total dividend for the year 8 per cent., less tax, was amply covered and left the carry-forward increased by £3,236 to £60,088. The past year had been full of difficulties, for not only had there been a stricter control than ever in the selling prices of all the company's products, but transport conditions had become more and more restricted both by land and sea.

The following cable had recently been received from the general managers in Rio:—"Trading conditions continue satisfactory with good demand for all products are hopeful of obtaining some improvement in local controlled prices shortly." The report and accounts were adopted and the dividend recommendation approved.

ASSAM RAILWAYS AND TRADING COMPANY, LIMITED

SALE OF RAILWAY UNDERTAKING

The annual general meeting of the Assam Railways and Trading Company, Limited, was held, on the 23rd instant, at

Winchester House, Old Broad Street, London, E.C.

Mr E. A. A. Joseph (the chairman), who presided, said that as they had not yet received the accounts for the past year it would be necessary to adjourn the meeting. Shareholders would receive notification of the adjourned meeting together with the report and accounts.

An extraordinary general meeting was then held to consider a resolution authorising the directors to sell to the Government of India for £1,770,000 the company's railway undertaking with the colliery line extension and all stocks and stores, and to negotiate terms with the debenture stockholders for the repayment of their stock.

The resolution, after some congratulatory remarks by shareholders and after the chairman had replied to a few questions, was carried *nem. con.*

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1944	Total Bargains in S.E. List	Corrs. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Jan. 12	6,874	5,948	114.2	136.9	3.03	3.64
" 19	6,463	5,171	113.4	136.7	3.04	3.67
" 26	6,152	4,989	112.0	136.8	3.04	3.71
" 3	6,686	4,793	111.5	136.8	3.04	3.75
" 10	6,498	4,657	111.8	136.7	3.04	3.74

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 124.0 (Jan. 3).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

1926 = 100

1944	Average	Transactions	1945	Average	Transactions
Jan. 11	133.6	2,213,000	Jan. 15	132.5	2,013,000
" 12	133.1	1,745,000	" 16	132.3	1,209,000
" 13	133.1	775,000*	" 17	133.1	1,833,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1944		Jan. 3, 1945	Jan. 10, 1945	Jan. 17, 1945
	Low	High			
354 Industrials	95.1 (a)	108.4	109.7	111.5	111.4
20 Rails	88.9 (a)	116.8 (d)	120.7	122.8	122.8
20 Utilities	85.0	93.5 (c)	93.5	94.2	94.6
408 Stocks	93.6 (a)	105.7	107.8	109.7	100.4
Av. yield %†	4.84 (b)	4.43	4.53	4.47	4.50

† 50 Industrial Com. Stocks. (a) Feb. 9. (b) May 3. (c) Oct. 18. (d) Dec. 20.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
January 27, 1945	17,238,187	17,151,497	...

To Shareholders only. Particulars of Government issues appear on page 133.

Year (to date)	Including Conversions	Excluding Conversions
1945	78,769,847	59,143,350
1944	72,005,865	70,045,665

Destination* Nature of Borrowing†

Year† (to date)	U.K.	Brit. Emp. ex U.K.	Foreign Countries	Deb.	Pref.	Ord.
1945	59,143,350	NH	NH	58,942,100	146,250	55,000
1944	69,927,415	118,250	NH	69,927,415	68,750	49,500

* Conversions excluded † Includes Government issues to Jan. 17, 1945, only Above figures include all new capital in which permission to deal has been granted

A YEAR'S CAPITAL ISSUES

The following tables give yearly figures for capital issues, on both "old" and "new" basis, with the usual comparisons.

TABLE I—TOTAL BORROWING (MILLION £)

Calendar Years	British Government	*Home Corporations	Others	Total Home	Empire	Foreign	Total Issues	Index
1928	83.9	14.9	164.8	263.6	63.2	42.3	369.1	100
1929	1,457.1	NH	0.3	1,457.4	0.4	NH	1,457.8	398
1930	1,586.3	NH	1.8	1,588.1	1.5	0.1	1,589.7	431
1931	1,466.3	NH	0.8	1,467.1	2.5	NH	1,469.6	397
1932	88.0	54.9	183.9	326.8	29.3	1.2	357.3	100
1933	1,457.1	NH	9.2	1,466.3	0.8	0.1	1,467.2	410
1934	1,586.3	1.7	12.5	1,600.5	9.7	0.6	1,610.8	448
1935	1,466.3	NH	5.3	1,471.6	2.7	NH	1,474.3	418

* Including County and Public Board Loans.

TABLE II—COMPANY ISSUES (MILLION £)

Calendar Years	Old Basis				New Basis			
	1941	1942	1943	1944	1941	1942	1943	1944
Debentures	1.5	NH	NH	1.3	2.0	2.8	5.6	2.3
Preference	0.1	0.1	0.1	0.9	0.6	1.1	2.2	3.1
Ordinary	3.0	3.1	2.8	2.3	10.8	7.1	9.7	5.0
Total	4.6	3.2	2.9	4.5	13.4	11.0	17.5	10.4

TABLE III—ANALYSIS OF NEW CAPITAL APPLICATIONS (Excluding Conversions)

	Whole Year Old Basis		Whole Year New Basis	
	1943	1944	1943	1944
British Govt. Loans	1,586,331,000	1,465,344,900	1,586,331,000	1,465,344,900
Corporation Loans	NH	NH	1,717,000	697,800
Mines	49,700	697,800	607,800	228,800
Breweries	NH	NH	507,200	31,000
Motors, etc.	225,000	31,000	764,200	282,500
Exploration, etc.	NH	70,000	299,800	44,800
Estate and Land	330,000	NH	346,600	NH
Iron, Coal, Steel, etc.	260,500	215,000	4,433,500	465,100
Stores and Traders	NH	NH	465,100	32,800
Rubber	NH	NH	32,800	348,800
Electric Light, etc.	NH	11,400	1,537,200	104,600
Gas and Water	NH	NH	120,000	11,500
Tramway & Omnibus	NH	NH	NH	6,250,000
Manufg. and Misc.	1,364,900	2,259,800	5,377,800	1,473,344,900
Total	1,588,561,100	1,468,629,900	1,602,540,000	1,473,344,900

FINANCE AND BANKING

THE MONEY MARKET.—Conditions in the money market have suddenly become more stringent this week. Heavy revenue payments have been the main factor at work, and their effect has been supplemented by calling of loans by the clearing banks which have been making up for their January statements. At the same time, the position has been eased by the fact that no TDR payments were called for this week. No TDR payments were made in the corresponding week six months ago, but owing to an overlap the small amount of £5,000,000 actually matured this week. Treasury bill payments were £10 million in excess

(Continued on page 135)

GOVERNMENT RETURNS

For the week ended Jan. 20, 1945, total ordinary revenue was £116,948,000, against ordinary expenditure of £109,450,000 and issues to sinking funds of £400,000. Thus, including sinking fund allocations £11,118,210, the deficit accrued since April 1st is £2,500,401,000 against £2,433,112,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Jan. 22, 1944	April 1 to Jan. 20, 1945	Week ended Jan. 22, 1944	Week ended Jan. 20, 1945
ORDINARY REVENUE					
Income Tax	130,000	707,522	767,332	77,308	79,908
Sur-tax	80,000	39,242	36,158	6,050	6,500
Estate, etc.					
Duties	100,000	78,411	87,259	2,005	3,318
Stamps	19,000	15,140	11,115	1,180	1,490
N.D.C.	500,000	24,843	27,375	520	6,019
E.P.T.		386,325	398,119	6,019	8,413
Other Ind. Rev.	1,000	488	252	70	40
Total Ind. Rev.	200,000	1,251,972	1,327,610	93,152	99,669
Customs	564,900	445,348	469,233	8,885	10,929
Excise	472,900	372,300	388,300	5,300	5,000
Total Customs & Excise	1,037,800	817,648	857,538	14,185	15,929
Motor Duties	27,000	23,351	17,728	6,683	492
P.O. (Net Receipts)					
Wireless Licences	4,850	3,190	3,270	...	...
Crown Lands	800	730	740	...	...
Receipts from Sundry Loans	7,350	6,303	5,825	593	562
Miscellaneous Receipts	24,000	63,549	66,401	1,592	295
Total Ord. Rev.	310,180	216,672	227,912	11,624	11,648
SELF-BALANCING P.O. & Brdcastg.	112,370	88,300	93,250	2,450	2,450
Total	321,470	225,502	237,262	11,864	11,938

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Jan. 22, 1944	April 1 to Jan. 20, 1945	Week ended Jan. 22, 1944	Week ended Jan. 20, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	289,925	334,051	1,308	6,404
Payments to N. Ireland	9,000	5,868	6,445	...	...
Other Cons. Fund Services	7,000	6,873	8,958	223	221
Total	436,000	302,666	347,454	1,531	6,625
Supply Services	550,139	428,621	442,093	10,980	10,940
Total	593,399	458,874	476,839	11,331	11,604
SELF-BALANCING P.O. & Brdcastg.	112,370	88,300	93,250	2,450	2,450
Total	604,979	467,047	486,164	11,378	11,824

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £1,746 to £3,553,162, the other operations for the week (no longer shown separately) reduced the gross National Debt by £24,098 to £22,097 million (amended).

NET ISSUES (£ thousands)	
P.O. and Telegraph	120
NET RECEIPTS (£ thousands)	
Foreign Trade Guarantees	52

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts	Bank of England		
1944						
Jan. 22	1200.0		Not available			
Oct. 21	1440.0					
" 28	1450.0	2300.0	497.0 0.8 1705.0		8952.8	
Nov. 4	1460.0		Not available			
" 11	1470.0					
" 18	1470.0					
" 25	1470.0	2305.5	513.8 21.5 1700.5		6017.3	
Dec. 2	1470.0		Not available			
" 9	1470.0					
" 16	1470.0					
" 23	1470.0					
" 30	38.06.0		587.7 59.2 1794.5		6247.4	
1945						
Jan. 6	1470.0		Not available			
" 13	1470.0					
" 20	1460.0					

TREASURY BILLS

Date of Tender	Amount		Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied (in)		
1944				
Jan. 21	90.0	202.5	90.0	26
Oct. 20	120.0	221.5	120.0	34
" 27	120.0	223.3	120.0	37
Nov. 3	120.0	211.3	120.0	41
" 10	110.0	206.1	110.0	35
" 17	110.0	209.7	110.0	36
" 24	110.0	217.5	110.0	30
Dec. 1	110.0	232.4	110.0	23
" 8	110.0	221.7	110.0	32
" 15	110.0	219.1	110.0	28
" 22	110.0	205.4	110.0	27
" 29	110.0	208.0	110.0	17
1945				
Jan. 5	110.0	224.2	110.0	36
" 12	110.0	211.1	110.0	37
" 19	110.0	216.3	110.0	32

On January 19, applications at 99 15/16 Od. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 32 per cent. of the amount applied for, and applications at higher prices in full. Applications at 99 15/16 Od. for bills to be paid for on Monday were accepted in full. £110 millions of Treasury Bills are being offered for January 26. For the week ended January 27, the banks will be asked for no Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BOND SUBSCRIPTION

Week ended	N.S.C.				3% Defence Bonds		3% Savings Bonds		1% Exchequer Bonds (1950)
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OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Jan. 1944	Jan. 1945	Jan. 1945	Jan. 1945
12 U.S.F.R. BANKS	20,120	17,837	17,806	17,786
Gold certifs. on hand and due from Treasury	19,501	17,837	17,806	17,786
Total reserves	20,120	18,690	18,685	18,679
Total cash reserves	360	245	267	283
Total U.S. Govt. secs.	11,913	18,734	18,907	18,651
Total loans and secs.	11,964	18,768	19,041	18,784
Total resources	34,167	40,089	39,710	39,827
LIABILITIES				
F.R. notes in circ.	16,906	21,743	21,695	21,665
Excess m. bank res.	1,120	1,300	1,300	1,300
Mr. bank res. dep.	13,014	13,921	14,057	14,156
Govt. deposits	404	592	528	334
Total deposits	15,376	16,122	16,175	16,028
Total liabilities	34,167	40,089	39,710	39,827
Reserve ratio	62.3%	49.4%	49.3%	49.6%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,938	20,619	20,593	20,572
Treasury & bank currency	4,093	4,130	4,130	4,129
LIABILITIES				
Money in circulation	20,408	25,326	25,257	25,209
Treasury cash and dep.	2,731	2,960	2,900	2,704

RESERVE BANK OF INDIA
Million rupees

	Jan. 1944	Dec. 1944	Dec. 1944	Jan. 1945	Jan. 1945
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	158	175	178	163	155
Balances abroad	1,287	3,528	3,423	3,327	3,521
Sterling securities	7,448	8,913	9,043	9,143	9,243
Ind. Govt. rup. secs.	583	578	578	578	578
Investments	78	149	161	148	138
LIABILITIES					
Notes in circulation	8,529	9,999	10,096	10,210	10,301
Deposits: Govt.	491	2,621	2,546	2,483	2,672
Banks	734	763	759	677	687
Reserve ratio	91.4%	92.8%	92.9%	93.0%	93.2%

CENTRAL BANK OF ARGENTINA
Million paper pesos

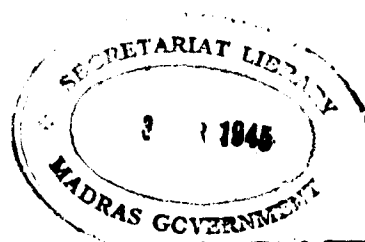
	Nov. 1943	Oct. 1944	Nov. 1944	Nov. 1944
ASSETS				
Gold at home	1,073	1,243	1,243	1,242
Other gold and for. exch.	2,029	2,524	2,498	2,529
Non. Int. Govt. bonds	105	92	92	91
Treasury bonds	391	768	768	768
LIABILITIES				
Notes in circulation	1,796	2,197	2,210	2,263
Deposits: Government	504	631	631	620
Banks	1,019	1,321	1,302	1,339
Certs. of participation	7	148	137	127
Reserve ratio	88.3%	83.9%	83.6%	83.6%

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Nov. 1943	Nov. 1944	Nov. 1944	Nov. 1944
ASSETS				
Gold and sig. exch.	31.89	37.32	38.31	38.83
Advances to State	38.39	25.88	25.88	25.88
Investments	10.32	11.74	11.74	11.74
LIABILITIES				
Bank notes	34.95	38.08	37.99	37.98
Demand liab.: State	15.88	10.31	9.10	9.69
Banks and others	29.53	25.34	27.51	27.27
Reserve to sight liab.	39.6%	50.5%	51.2%	51.8%

AUSTRALIAN COMMONWEALTH BANK—Million £A/s

	Jan. 1944	Dec. 1944	Dec. 1944	Jan. 1945
ASSETS				
Gold and English ster.	41.79	50.80	50.86	50.86
Other coin, bullion, etc.	9.08	21.51	21.23	22.30
Call money, London	57.86	135.28	136.89	139.58
Secerts. and Treas. bills	244.37	237.66	229.01	235.83
Discounts and advances	19.00	20.81	20.92	20.19
LIABILITIES				
Notes issued	185.26	198.24	202.49	203.96
Deposits, etc.	181.85	201.02	192.25	203.96



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THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION

INDUSTRIAL PROFITS

The following three tables give the material for companies which published their reports in the third quarter of the year which is not repeated in the cumulative tables given each quarter. Full publication will be resumed in respect of the figures for the fourth quarter companies.

TABLE I
494 THIRD QUARTER COMPANIES' GROSS PROFITS—
NEW BASIS (IN £'000's)
(All figures gross)

	Year 3 Preceding (1941)	Year 2 Preceding (1942)	Year 1 Preceding (1943)	Latest Year (1944)
All interest	5,702	5,303	5,080	4,873
Preference divs.	13,387	13,353	13,265	13,587
Equity divs.	35,825	37,702	39,942	42,172
Sub-totals	54,914	56,358	58,287	60,632
Free reserves and carry forward	11,900	12,076	12,324	14,316
Other savings*	1,698	1,910	2,220	3,080
Profits before tax, after E.P.T.	68,512	70,344	72,831	78,028
Per cent of Year 3 preceding	100.0	102.7	106.3	113.8
Rate of tax applied in grossing up	10/-	10/-	10/-	10/-

* Redemption funds, deferred repairs, etc. (grossed up at corresponding rates of tax).

TABLE II
DISTRIBUTION OF PROFITS AND RETURN UPON CAPITAL†

	Proportion of Gross Profits			Rate of Payment (Gross)			
	Prof. Div.	Ord. Div.	To Free Reserves	Deb.	Prof.	Earned on Ord.	Paid on Ord.
1941	%	%	%	%	%	%	%
1st quarter	17.7	73.1	9.2	4.5	6.1	16.3	14.5
2nd "	23.4	75.9	10.7	4.6	6.8	10.6	9.0
3rd "	25.7	65.0	9.3	4.5	6.9	12.1	10.6
4th "	29.5	54.1	16.4	4.6	6.4	10.9	8.4
Whole Year	23.4	68.5	11.1	4.5	6.8	12.4	10.6
1942							
1st quarter	19.9	71.3	8.8	4.2	6.9	17.0	15.1
2nd "	23.8	63.4	12.8	4.3	5.9	9.9	8.3
NEW BASIS							
1st quarter	17.6	63.8	18.6	4.7	6.0	17.3	13.4
2nd "	21.3	54.6	24.1	4.6	6.0	11.6	8.6
3rd "	20.8	59.5	19.7	4.8	6.3	12.0	10.0
4th "	25.6	50.0	24.4	4.9	6.4	14.1	9.4
Whole Year	20.8	56.8	22.3	4.7	6.2	13.9	10.0
1943							
1st quarter	18.3	60.3	21.4	4.7	6.2	18.5	13.3
2nd "	23.0	60.5	16.5	4.4	6.5	10.6	8.3
3rd "	18.4	61.4	20.3	4.6	6.2	15.9	11.9
4th "	24.0	48.1	27.9	5.0	6.3	15.8	10.0
Whole Year	20.8	57.7	21.7	4.7	6.3	14.8	10.6
1944							
1st quarter	18.5	61.1	21.4	4.2	6.3	18.0	13.5
2nd "	18.8	58.7	22.5	4.3	6.0	13.4	9.7
3rd "	18.6	57.7	23.7	4.2	6.5	17.2	12.2

† Original 1941-42 figures based on adjusted net profits old basis. Subsequent figures on gross profits, new basis as given in Table I.

TABLE III: PROFITS BY INDUSTRIAL GROUPS

Group	No. of Cos.	Computed Gross Profits (£'000's) New Basis		Reported Net Profits (£'000's) Old Basis	
		Preceding Year	Latest Year	Preceding Year	Latest Year
Financial Land	43	5,269	6,936	2,317	3,252
Investment Trusts	29	2,458	2,481	927	968
Electric Supply	1	767	791	534	556
Hotels, Restaurants	4	343	304	140	132
Newspapers	18	2,865	3,176	1,519	1,620
Shipping	7	2,691	3,213	1,299	1,594
Telegraphs and Telephones	1	140	144	53	109
Tramway and Omnibus	1	231	219	114	447
Entertainments	3	893	903	435	714
Oil	8	1,545	1,508	547	3,897
Rubber	72	5,718	5,548	4,012	3,897
Tea	36	1,105	1,080	910	894
Breweries and Distilleries	35	12,150	12,302	5,662	5,998
Food, Confectionery, etc.	18	4,050	4,450	2,466	2,663
Shops and Stores	20	2,657	2,897	1,328	1,369
Textiles	13	1,921	1,803	883	1,064
Tobacco	1	72	76	63	593
Building Materials	20	1,403	1,211	733	774
Electrical Equipment	6	1,528	1,550	757	1,310
Coal	15	3,058	3,716	1,821	2,315
Iron and Steel	18	7,157	8,265	3,055	3,315
Motors and Cycles	12	3,909	3,732	1,914	1,514
Engineering	24	1,410	1,496	729	585
Shipbuilding	2	1,219	1,209	589	5,050
Other Companies	81	8,310	8,959	4,489	
Totals	494	72,831	78,028	37,234	40,197

THE ECONOMIST PROFIT FIGURES

The defects of company accounts and the complications of income-tax make it impossible to present statistics of profits in a simple, standardised form. The following definitions may assist the reader:—

(a) **Gross and Net Profits.**—Gross profits are profits before payment of standard income-tax (but after such other taxes as EPT and NDC). Net profits are profits after tax. In many cases, figures of gross profits can be calculated only by adding back what appear to be the appropriate amounts of tax to the net figures published.

(b) **Accounting Period and Reporting Period.**—Company reports are published some time after the end of the period in which the profits were earned. The figures can be grouped by the quarter in which they are published (i.e., by the reporting period) or by the quarter in which the company's financial year ends (i.e., by the accounting period).

(c) **Old Basis and New Basis.**—On the old basis the net profit consisted of preference and ordinary dividends as published, whether gross or net, plus actual allocations to free reserves. Total profit was the largest figure of the profit and loss account, excluding capital profits and transfers from reserves. The figure was struck before depreciation if that was disclosed. On the new basis no net profit figure is provided. It can be obtained by deducting from the gross the appropriate rate of tax. The gross profit is the gross total of interest and dividends plus additions to free reserves and other savings, both grossed up at the stated rate of tax.

Before the Conference

THE meeting of the three Heads of State will soon take place. Mr Harry Hopkins, the President's personal precursor, is already making straight his ways in London, Paris and Rome. Any day now, secret planes, laden with incognito, will leave for unknown destinations. The world's triumvirate will again meet face to face to determine the last stages of the war and the first steps of the peace.

The troubled year since Teheran has brought forth enough political problems to occupy the attention of a series of conferences. The Americans are known to be disturbed at the conduct of both British and Russian policy in liberated territory. The short-term dependence of Britain and Russia on America's economic resources offers an opportunity for forceful diplomacy—at great risk to long-term harmony. It is not certain, however, whether American dissatisfaction takes the form of a threatened withdrawal from Europe or of insistence on a larger hand in its problems. The other Allies can justly ask Mr Roosevelt to clarify this fateful point.

On this matter alone, it would be possible to draft a long and packed agenda. Yet it is questionable whether it will in fact occupy the centre of the discussions. It may well be that the actual subject-matter of the conference is being decided not in the Chancelleries of the nations, but on the battlefields of Pomerania and Brandenburg. Russian armies are already fighting on German soil. Their forces are

advancing on Berlin. It is not impossible that before the Big Three meet, the German capital will have fallen.

What then? Can the Russians, in control of such a key centre, shelve any longer the problem of the administration of occupied German territory? There will be no obvious precedent to follow. Every other enemy country has produced in the hour of defeat a government ready to collaborate with the Allies against the Germans. It is most unlikely, especially after the purge of July, that Germany can now throw up an acceptable administration ready to collaborate against the Nazis. Equally it is inconceivable that the Russians or their Allies should attempt to govern Germany without the aid of any sort of German administrative structure. What can they use to fill this gap?

There is little evidence to suggest that these urgent problems of government have already been thought out and settled on the basis of joint agreement. The European Commission may have evolved armistice terms. It is believed to have mapped out the different spheres of occupation for the three armies. But agreement on the future administration of occupied Germany is still to seek. Only if the Conference meets soon enough and works fast enough, can it still reach an agreed solution. The compulsion of time suggests that the German problem will stand at the head of the Allied agenda and that its urgency may exclude everything else.

It is practically impossible to guess along what lines a solution will be sought. Impenetrable mystery hangs over the intentions of the Foreign Office and the State Department. The hope is that the darkness covers thought and planning, and not their absence. Officially the Russians, too, have so far been silent, but they have given some hint of a policy in the use they have made and are making of their Free German Committee. Some German regiments are serving in the Russian advance, chiefly, it seems, as a sort of Pioneer Corps. If the Russians do intend to make use of their prisoners as the nucleus of an administration, are the Americans and the British satisfied with the Russian choice? Have they candidates of their own? Do they intend to suggest the inclusion of soldiers or émigrés of their own choosing? If so, they would seem to be singularly ill prepared for such a policy. It is doubtful whether any serious attempt has even been made to sift non-Nazis from Nazis in the prison camps.

Thus the British and Americans may be faced with three possibilities. They could recognise the Russian administration. Alternatively they could carry on without an administration in their own zone—a policy which would invite the most invidious comparisons. Or, again, they could set up one or two separate administrations in their own areas. This is, perhaps, the intention—a sort of dismemberment by default. Yet it may be questioned whether decisions by default are the surest way of securing a rounded and consistent policy.

If Germany is the centre of the Allied discussions—and it is hard to see how it can be otherwise—it is surely essential to reconsider the decision not to invite the French to the Conference. There is really no excuse for the omission. There can be no settlement in Western Germany with which France is not associated. When General de Gaulle said that French troops expected to occupy the length of the Rhine, he was expressing more than a national aspiration. He was reminding his British and American Allies of a pertinent fact. They talk confidently to-day of an occupation which is to last years, even decades. Yet nothing in the attitude of their soldiers suggests that a long period of garrisoning will be anything but a prolonged penance. The same difficulties do not arise with the French army. The fact that it may be negligible to-day is no reason for dismissing it as negligible in five or ten years' time. Staying power is a

vital factor in a peace settlement when it is a question of maintaining troops in Western Germany. The French have almost certainly more staying power on the Rhine than the Americans—or the British. No plan drawn up without their acquiescence can be counted complete.

Some critics of French policy since General de Gaulle's visit to Moscow support the veto on French participation for the reason that French policy for Germany is a bad policy and that in any case the French representative would simply follow the Russian lead. It is true that the French have given their support to the so-called Rhine-Oder "solution" of the German problem, but they will not be argued out of it by being excluded from international discussion of the question. Moreover to exclude them from a Big Three Conference on these grounds makes no sense at all, for there is all too much evidence to suggest that the Russian, American and British Governments are all committed to the same fatal policy. As for the fear of French reinforcement of Russian policy, if indeed this is an evil, then it is far more likely to come about if the French believe that President Roosevelt has excluded them from the Conference of the Great Powers and that Mr Churchill has made little or no effort on their behalf.

Of the three Great Powers, it is Britain's interests that will be most damaged if France is absent from the Council table. There is unhappily little realisation in this country of the fateful and overriding necessity of Anglo-French understanding. It is no exaggeration to say that in the post-war world—whether the problem be Germany or the Mediterranean or the colonies or economic recovery—the British and the French will stand or fall together. There is still in France a great store of unexpended good will for this country. But the capital is not without limit. The days will eat away the precious store if no gesture or act is made to underline British friendship. The known and eminently reasonable desire of the French to attend the Conference gave and still gives the British Government an opportunity to show its friendship and to express in the most open and forcible form its conviction that in future it can settle no European problem without the co-operation of France. Faced with so categorical an attitude it is not likely that either the Americans or the Russians would raise further objections. The opportunity has nearly slipped away, yet if, even at this eleventh hour, it could be seized, it might open a new chapter in the closer political and economic association between Britain and France.

How Many Houses?

THE national housing programme is in danger of being lost from view in a cloud of half-truths and half-policies, of doubled demands and quadrupled expectations. The subject is complex and difficult to serve up in capsule form, and it is also powerfully charged with politics. But it is not so difficult or so dangerous that it could not be explained and set in its proper perspective if the task were approached with care and candour. As things are, the public is being fed with some curious notions which, if they are not soon authoritatively scotched, will bedevil the subject for years to come. Thus there is a very simple and obvious explanation of the fact that no effective beginning has been made with the urgent matter of the Portal house—namely, that no effective end has been made with the still more urgent matter of the German war. But between the political opposition and the grand confederacy of interests who, for various reasons, fear the steel house, the impression has been given that the delay has been due to administrative bungling and that, as a result, the Portal house is dead. Or, again, Ministers who rightly emphasise the high priority that is accorded to housing in post-armistice plans conspire with the starry-eyed dreamers to convince the public that a million new houses will spring out of the ground before the sound of battle dies away. Lord Woolton tried to correct this impression in his speech at Wolver-

hampton last week; but it will take more than one speech to stop the spate of wishful thinking.

The truth appears to be that the post-war house-building programme is being very carefully prepared, and also that it is not quite ready. How carefully it is being prepared is very clearly and instructively set out in a new book by Sir Ernest Simon.* A very great deal of care has been given to questions of design, construction, materials and fittings and to the training of building labour. No less than 23 technical committees have sat and there are few corners of the whole building process that are not vastly better illuminated today than they have ever been before. A great deal of attention has also been given to where the houses should be built. But for all these technical preparations, the major decisions of policy are still to be made. How many houses are to be built? Of what sorts? By whom? And at whose expense? The delay in answering these vital questions may be due to the division of authority between the Ministry of Works and the Ministry of Health. But they have to be answered before the programme can start.

* "Rebuilding Britain—A Twenty-Year Plan." By Sir Ernest Simon. Gollancz. 256 pages. 6s. net. Sir Ernest's book is encyclopaedic in the information it contains—in fact, it is the only place where all the recent developments (including some that have not yet happened) can be easily surveyed.

The complexity of the problem is quickly revealed by even the simplest attempt to analyse it into its parts. As Sir Ernest Simon points out, there is need for a manpower plan, a building plan and a materials plan, as well as a policy for town planning. The word "plan" is used advisedly, for in each case the clearest necessity exists for some form of central direction. The manpower of the industry is now scattered and needs to be swiftly collected—though not in such numbers as merely to create an unemployment problem a few years later. The chief hope of building the necessary numbers of houses without putting a crippling burden on the state finances is by organised flow of materials and mass production of components. All these call for central direction; and on all of them Lord Woolton had encouraging things to say. But perhaps the biggest need for planning is in the planning of demand, for with a costly piece of consumer's capital like a house, completely unregulated demand may result in the most violent fluctuations. Indeed, as the experience of Scotland between the wars has shown, it is possible for there to be a heavy demand for houses without its calling into existence an equivalent supply.

But this is not an end to the complexities. For as the recent report of the Conservative Housing Sub-Committee* pointed out, there are, in housing, not the familiar two phases but three. There is the first emergency phase of repairing the damage done during the war, catching up arrears and providing a roof of some sort for every family. Then there is the intermediate programme of bringing the quality of housing up to a minimum standard by removing the twin evils of the slums and overcrowding. And finally there is the phase of replacing houses that, without being either insanitary or overcrowded, are nevertheless obsolete or obsolescent.

Much of the present discussion is led astray by the fact that, after the last war, these three phases, if they existed separately at all, called with equal urgency for large numbers of houses. The demand, whether measured by social need or by money demand, did not grow any less as the years passed—on the contrary, it seemed to grow more intense, and the peak was not reached until very nearly twenty years after the Armistice.

This time conditions are, in this respect, different. It is true that the immediate demand for houses is even more urgent this time than last owing to the much greater amount of air-raid damage. The Conservative Report estimates the accumulated deficit of houses in England and Wales, including the most urgent instalment of slum replacement and also a number of dwellings to house the five-year increase in the number of families, at 960,000. However great the pressure, however bold the

experimentation, there is no possibility of building this number of houses in less than four or five years at the very least. It is not a matter of greater or less Ministerial energy and competence, or of greater or less willingness to spend money, but, as Lord Woolton pointed out, of hard material facts such as the recruitment of labour and the re-starting of production of materials and components. Any politicians who imply the contrary are merely indulging in vote-catching. Clearly, until this first million houses have been built, until there is a dwelling for every family, they deserve all reasonable priority.

The second phase will be largely one of clearing the slums. Sir Ernest Simon detects a great rise in the national definition of a "slum"—which is technically a dwelling unfit for human habitation—and on the very scanty basis of evidence from two large cities alone concludes that one-third of all the houses in the country are now slums. This will take a great deal of swallowing. No doubt one house in three is of inferior quality. No doubt one house in three could with advantage be replaced. But to call them all slums is, by inference, to confer on their replacement an urgency almost equivalent to that of meeting the immediate shortage of the post-war years. It is to insist that the replacement of 4,000,000 houses is so important that it must take precedence over most, if not all, other objects of economic policy. This would be an immensely costly undertaking. On Sir Ernest's own minimum estimates, this programme would cost £240 million a year, of which £100 million would have to be found in subsidies. Moreover, these figures depend on two very large assumptions, namely that the general level of prices after the war will only be 30 per cent above pre-war, and that economies in methods of construction can save as much as £100 a house. The £240 million of total cost needs to be set alongside the fact that the total net investment of the British community on all forms of capital—industrial and social, productive and unproductive, machinery, transport and all forms of building—was only £305 million in 1938 at the prices of that year. And the £100 million of cost to the state has to be set alongside the very heavy burdens that have already been accepted.

In either case, the job can be done; it is within the physical bounds of possibility. But the question to ask is whether the replacement of one-third of the houses of the country within ten years is a matter of such urgency that it must have allocated to it such a very high proportion of the capital resources or of the taxable capacity of the country. And when this question is asked, the only answer can be No. To say that replacement of the "slums" at this rate cannot be afforded is not to say that there is any shortage of money; it is to say that there are plenty of other and at least equally urgent things for which manpower and materials will be needed.

Unfortunately, the Government, at the prompting of a Committee of which Sir Ernest Simon was chairman, have accepted the policy of expanding the permanent size of the

* "A Policy for Housing in England and Wales." Published by the Conservative and Unionist Party Organisation, 24 Old Queen Street, S.W. 1. 54 pages.

Another example of **A CAPITAL ANNUITY**

Part capital, part interest . . . £250 per annum guaranteed for thirteen years . . . of which, on average, £212 is capital repayment and £38 is taxable interest . . . and, after the thirteen years, an annuity of £375 (subject to tax) continuing for life . . . this can all be secured by a female life aged sixty-four for a present investment of £4,000



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building industry to a total of 1,250,000 men. A labour force of this size means about 400,000 houses a year. At this rate, the Armistice deficiency of a million would quickly disappear, and even if the preposterous figure of 4,000,000 slum houses be accepted and the determination made to wipe them off at heavy cost in public money, they would keep the industry busy for only another ten years. By that time, every house in the replacement of which public money could on any pretext be spent would have disappeared. From that time onwards—say from about 1960—the volume of building would depend on the amount of spontaneous, unsubsidised replacement plus such small amounts as are required owing to changes in the location of industry. Sir Ernest himself admits that unsubsidised replacement is a very difficult economic operation. It will always better pay the owners of existing houses to reduce their price or rent by just enough to undercut the new house than to abandon their assets by pulling them down or letting them stand empty. No more than a trickle of spontaneous replacement has ever existed in the past, and though that is no argument against its happening in the future, the onset of a decline in the population is hardly likely to provide propitious circumstances. It will certainly not produce circumstances in which the whole country can be entirely re-built every thirty years.

In short, the Government's cardinal error has been to decide on such a very large inflation of the building industry. It cannot influence the crisis years 1945-50, because the amount of building—or at least of traditional building—that can be done in those years will be the same whatever the ultimate target. In the intermediate period 1950-60, an industry of 1,250,000 could only be sustained by an outpouring of public money and by giving building a priority over all other forms of investment, such as, for example, the very badly needed industrial re-equipment of the country. And the longer the demand were thus artificially sustained, the more complete would be the collapse, and the larger the unemployment among trained and guaranteed workers, in about 15 years' time. The present policy thus ensures a serious misapplication

of capital resources in one decade and a mass of building unemployment in the next.

It would be far better to concentrate on a much more moderately-sized permanent industry and to admit, what is in any case the fact, that the only hope of meeting more than half the primary deficiency of a million houses within five years is to produce most of them by non-traditional methods—that is, outside the building industry. The Conservative Report is entirely right in laying strong emphasis on this. Factory-made houses have to meet a formidable confederacy of vested interests—the builders who fear a permanent rival, the engineers who have other uses for the steel, and a vast number of perfectionists who, consciously or not, take the view that no house at all is better than an imperfect house. But they are the chief hope for the crisis years.

The first step to wisdom is, therefore, to reverse the decision to inflate the industry to 1,250,000. A more reasonable average size for the industry would be about 900,000 men (though even this may be on the large side). And since, as Sir Ernest Simon now agrees, some expansion and contraction of the building industry must be allowed for as an anti-depression measure, the permanent garrison of the industry should not be more than about 700,000. To keep even these numbers employed would require a large subsidised replacement programme, which should be divided into two parts. The worst houses, the real slums, should be cleared by a steady programme, while the less urgent cases, the near-slums, should be held in reserve for clearance as an anti-depression measure. The total number of houses built in the decade 1950-60 would doubtless be fewer than Sir Ernest Simon's 4,000,000. But they would be enough to meet all really urgent needs; and they would leave some demand for houses over to sustain the industry in its very difficult decade of the 1960s.

If this is the size and shape of the programme, the other major issue to be settled is the financial means by which it is to be carried out—in other words, the form of subsidy required. This must be left for a second article.

The Second Austrian Republic

WITH Budapest virtually in Russian hands, the battle for Austria will not be long delayed. The Russians have already appealed to the Austrian people to form Committees of National Liberation and to strike at the rear of the German forces. The immediate effects of such appeals may not be great; but they show that political warfare is playing a part in the fight for Austria. The basis of this appeal is the view that Austria is a subjugated country, and not part of the Reich. Such an approach first appeared in the declaration on Austrian independence issued on November 1, 1943, by the Three Powers at the first Moscow Conference. Unfortunately there is little evidence to show whether or not the general principle of independence has been translated into specific plans. If Austria is not to be treated as a province of Germany, will the military occupation of the country be of short duration? Will an independent Austrian administration be set up soon after liberation? If so, on which political groups do the Allies intend to base it? Have any attempts been made to bring together the representatives of the Austrian political groups in exile and to discuss with them the regime which is to be established in Vienna?

To a large extent these decisions will tend to be taken by the Power which first occupies Austria. The present military situation suggests that Russia will be that Power; and that the Russians may, therefore, assume the chief responsibility for the Austrian settlement. Yet earlier reports spoke of an agreement between the major Allied Powers on a joint occupation of the country. Whatever the present strategic circumstances, a joint occupation seems to be the more likely solution. Austria's position at the cross roads of Europe will certainly compel all the major Powers to interest themselves in its fate. The only sound solution would, therefore, be a joint agreement in

advance among the Allies on the shape the settlement will take.

The Allies' declaration that the restoration of Austrian independence is one of their war aims does not alter the fact that on the morrow of liberation Austria will have none of the attributes of sovereignty. No change of Government similar to those which have taken place in Budapest, Sofia, Bucharest or Rome can take place in Vienna; there can be no continuity of Government either with the Nazi administration or the old independent Austrian Government which preceded it.

This negative aspect of the problem—the lack of government—is obvious and raises no great controversy. It is much more difficult to answer the positive question: what sort of government can be installed in Vienna? Like most continental exiles, the Austrians are discussing which of their governments was the last legitimate and constitutional government. Austria's sovereignty was extinguished in March, 1938, when the Germans entered Vienna. On the face of it, the restoration of Austria's independence ought to mean a plain return to the *status quo* of 1938. Right Wing and Conservative opinion in Austria, in so far as it has not followed the Nazis, will certainly stand for this solution. On the Left the view has been advanced that a return to 1938 will not do. The Austrian Socialists regard the "Dollfuss interval" or the "Clerico-Fascist" system that prevailed in Austria from 1933 to 1938 as anti-constitutional and illegitimate. They demand a return to the *status quo* of 1933, in other words, to parliamentary democracy based on the constitution of 1920. From a strictly formal and legal viewpoint, Allied diplomacy may be inclined to go back to 1938 and to link up the threads of Austrian independence at the point at which they were actually severed. In spite of its failures

and eventual bankruptcy, the Dollfuss regime did preserve Austria's formal independence until 1938. On the morrow of liberation, however, the controversy will certainly sound like futile constitutional hair-splitting.

The system which, under Dollfuss and Schuschnigg, lasted from 1933 to 1938, was based on a relative balance of forces between the Nazis and the Socialists. The Nazis were still too weak to gain power, while the Socialists were no longer strong enough to exert the dominating influence which was theirs under the democratic Republic. This gave the Heimwehr the chance to gain authoritarian control over the country and to drive both Nazis and Socialists into a somewhat unreal underground. The Heimwehr has long since been swept away; and to a large extent it has been absorbed by the Nazis. The alignment of political forces on the morrow of Austria's liberation will be very different from its last days of independence in 1937 and 1938. The Austrian Socialists are probably not over-optimistic when they hope for an ascendancy of the Left, at least immediately after the war. Whatever the legal subtleties of the issue the popular mood in liberated Austria will probably demand a return to the democratic forms of the pre-Dollfuss period. It is for this reason, too, that the Monarchist plan to restore the Austrian throne to the Habsburgs seems quite hopeless.

But what will an ascendancy of the Left mean in liberated Austria? Before the *Anschluss*—the union of Austria with Germany—the Austrian Labour movement was only very slightly affected by the split between the Socialists and the Communists—the Communists were a tiny sect and the Socialists spoke for the whole of the Labour movement. The fact that they were defeated by the Heimwehr in February, 1934, probably did not diminish their moral standing with the Austrian working classes; on the contrary, the fight itself, which contrasted so sharply with the sad passivity and capitulation of the German Left, surrounded the party of Otto Bauer and Julius Deutsch with a halo of heroism. The new prospect of strong Russian influence in Austria may, however, make it more difficult for the Socialists to take the lead. Their differences with the Communists may become more serious; although the Austrian Socialists were counted among the Left in the second International, they always insisted on their political independence *vis-à-vis* Moscow. In exile the controversy between Communists and Socialists has grown bitter, with the Communists laying stronger emphasis on Austrian nationalist feeling and coalescing with the Monarchists against the Socialists. In liberated Austria such a coalition may, perhaps, turn the balance against a revived Social Democratic Party.

Other reasons, too, will make the return to the *status quo* extremely difficult. The Austrian administration has been thoroughly nazified; and it will be a formidable task to reverse that process. In a recent statement on the second Austrian Republic,* the Socialists outlined their programme for a purge in Austria's administration and economy. The problem that arises here is how to eliminate Nazi influence from the life of the second Republic and yet maintain the Republic's democratic character. Can a strong and influential body of opinion be put beyond the political pale without detriment to the working of a democratic system? On the other hand, can any democratic system be made to work at all, if the cadres of the Nazi movements—and they are by no means a small minority—are not rendered harmless? The dilemma is not confined to Austria; it is admittedly a European problem. It has already caused much trouble in the liberated Allied countries; and in the sharpest and most tragic form it will arise in Germany itself.

These are some of the problems that will exist immediately after liberation. In the long run, however, the really fundamental question is whether Austria will finally be content with the restoration of its independence. Will the

* *Die Zweite Republik Österreich*. By Karl Czernetz, Oscar Pollak and W. Rosenzweig. London, 1944. Price 1s. 6d.

demand for an *Anschluss* not be raised again in the future? May it not in time disrupt the second Austrian Republic, as it disrupted the first? Immediately after the war the question may not be very urgent. The first reaction to the experience of Nazi rule and government from Berlin will, in all probability, be a strengthening of Austrian national feeling as opposed to pan-Germanism. Strong opportunist motives will also induce Austrians to opt for separation from Germany. As an independent State, Austria can at least formally disclaim responsibility for Germany's record in the war. It would clearly be inconsistent on the part of the Allies to regard the Austrians as having been a subjugated nation and also to demand reparations or indemnities from them. Austrian politicians who would otherwise perhaps be inclined to be rather sceptical about "Austrian nationhood" may, therefore, still regard independence as a convenient protection against the rigours of the peace settlement.

But the issue transcends opportunist and temporary calculations. The demand for the *Anschluss* is much older than the Nazis; it is likely to survive their collapse. Throughout the nineteenth century it was the Progressives, Liberals and Socialists who preached union with Germany, a union that was then obstructed by dynastic interests in the various German-speaking countries. After the collapse of the Habsburg monarchy in 1918, the Socialists were the flag-bearers of the *Anschluss*—the Socialist Otto Bauer framed the resolution for an *Anschluss* at the first session of the Austrian Constituent Assembly in 1919. It was only when the *Anschluss* came to mean the absorption of Austria into a nazified Germany, that the Austrian Left opted for independence.

At present, uncompromising advocacy of Austrian separatism comes from the Monarchists and the Communists, while the Catholics and the Socialists seem more cautious in their approach to Austrian "nationhood." Socialists in particular seem to be confused on the issue. Their most prominent leader, Fritz Adler, has in commenting on the Allied statements on Austria's independence made some strong reservations. His view is that Austria ought to be granted the right of self-determination, which is the right to choose between *Anschluss* and independence. Other Socialists, headed by Oscar Pollak, seem to have accepted the gift of independence without reserve, but not without misgiving. It would certainly be a mistake to expect that, when the memories of the war and of Nazi rule have faded, a non-Nazi Germany will offer no attractions to Austria.

Sooner or later the Austrians will find that economically and politically they cannot stand alone. A customs union, if not a federation, between Austria and its Danubian neighbours—Hungary, Yugoslavia, Czechoslovakia—might be a possible alternative to a new *Anschluss*. It might revive in a republican form an economic unit that existed under the Habsburgs. But, so far, Russian policy has vetoed projects of Eastern European and Danubian regional federations; and Allied policy seems to have tacitly accepted this veto. Yet the "Neither-*Anschluss*-nor-Federation" attitude offers no positive and constructive solution to the Austrian problem.

In the years between the wars the lack of a practical solution to this dilemma made Austria a storm centre of European politics. As long as the former Central Powers lay prostrate after the defeat of 1918 the Western Powers insisted on the letter and the spirit of every provision and prohibition made in the peace treaties. Mild and peaceful attempts by Austria to enter into a customs union with Germany were effectively resisted and frustrated. Yet, when the *Anschluss* was achieved by force, Allied policy was paralysed and helpless. Will these mistakes be repeated after this war? Sovereignty, without a larger political and economic framework, can be a strait-jacket in which the Austrians find not independence but strangulation. The Allies have the chance in 1945 of rectifying the false settlement of 1919. But the evidence at the moment suggests that they will repeat it.

NOTES OF THE WEEK

The German Retreat

In the three weeks since their break through on January 12th, the Russians have freed western Poland, overrun the German provinces east of the Oder, and in certain areas are already across the river. It is doubtful at the time of writing whether Marshal Zhukov's powerful drive on Berlin can be halted. The speed and depth of the Russian attack have been such that it cannot have failed to create the wildest disorder and confusion. Even though details are lacking, it is known that a tremendous trek of German civilians is taking place. The pre-war population of East Prussia, Pomerania and Silesia to the east of the Oder amounted to about seven and a half millions. To this must be added the Germans who lived in Western Poland and those who were evacuated to eastern Germany during the bombing of the western provinces. The figure before the Russian attack may have been as much as 10 million.

It does not seem that the men have been removed. Boys and old men, workers and civil servants have almost to the last man taken their place in the fighting fronts. Soldiers from rear establishments of the Wehrmacht, the police, men of the *Volkssturm* battalions, and the so-called *Landwacht* are being widely used for defence. Big towns like Breslau and Königsberg have been changed into military strong points, closely invested by Russian armies.

It is obvious that the mass evacuation of the provinces east of the Oder has created severe congestion in Berlin and other places in central Germany. The direction of foodstuffs to new areas of consumption, the need for rush transports of military reserves and supplies must have created extreme difficulties, the extent and importance of which can only be guessed at this moment. So far no panic has been reported. Gauleiters in their capacity of regional Defence Commissars and other regional and local Nazi Party officials seem to have acted with ruthless speed and efficiency in clearing refugees off the roads and trains in order to make room for military transports. Civil servants who tried to leave their posts have been publicly executed, and there is no doubt that special police with considerable experience in these matters have so far been able to prevent chaos and panic. But the margin between order and collapse must be narrow, and will grow narrower at each Russian advance.

Swan Song?

What a poor creature after all is this Hitler. And how bankrupt the political concepts underlying National Socialism. On January 30th, the twelfth anniversary of his advent to power, Hitler and his Reich faced the supreme crisis of their existence. Such crises commonly bring out what is deepest and truest in a regime. In 1940, Mr Churchill's eloquence put new heart into embattled Britain. We would fight them on the fields and on the hills and on the beaches, he said, evoking in every Englishman the determined pugnacity born of profound patriotism. In 1941, during the Battle of Moscow, Marshal Stalin, remaining in the threatened city, spoke with confidence of Russia's inexhaustible reserves and prophesied in the teeth of defeat "Therefore our army must win and will win. The German army must be defeated and will be defeated."

Hitler at the microphone on January 30, 1945, had nothing to say about the fighting. The titanic struggle in the east was barely mentioned. He had no word of confidence to give the Reich. His only theme, apart from the stalest repetition of all the old Nazi folklore—Jewry, the stab in the back and so forth—was the threat of Bolshevism.

The bourgeois world is completely unable to put up an effective resistance against bolshevism... the democracies will not be able to rid themselves of the evil spirits they have called from Asia's steppes.

For positive encouragement he offered his people the choice between a fight to the death or death for surrendering. Negative and destructive to the last, National Socialism in its final epitaph offers its people bogies, nightmares, terrorism and sudden death.

Free Generals

The Russian sponsored Free German Movement is still something of a puzzle. Originally it emerged from the

obscurity of exiled Communist circles in Moscow, and its rôle was confined to making routine propaganda in German over the Russian wireless. The flag of Free Germany was then still supposed to be red.

A new glamour accrued to the Free German Committee when, after the victory of Stalingrad, its leadership of "proletarian poets" was pushed into the background by generals from the Wehrmacht, authentic, true blue Junkers with General von Seydlitz at their head. Two more colours were added to the red flag of the Free Germans, and soon the Imperial black, white and red and Imperial emblems adorned the Free Germans' gatherings, held a stone's throw from the Kremlin. Their appeals to the Germans were more and more addressed to Conservative and Nationalist sentiment in the Reich. Little attempt was made to revive memories of the old German Labour Movement. The Free Germans have not called on the mighty names of Karl Marx and Friedrich Engels, who with Lenin are now almost regarded as the Russian forbears of Marshal Stalin.

With the recent accession of Marshal von Paulus, the Committee undoubtedly acquired a more serious standing, and a few weeks ago it was able to issue a Manifesto to the German people with the impressive signatures of fifty German generals. Even so, the Committee has so far been little more than a body of propagandists. Only recently have rumours appeared to the effect that a Provisional German Government under Marshal von Paulus is about to be set up and that regiments of German prisoners of war organised into a Pioneer Corps have been advancing westwards in the wake of the victorious Russian armies. It is quite probable that the Free Germans will now be assigned some political tasks wider and more responsible than straight propaganda. The Kaiser has gone, Hitler seems to be going—will the generals stay once again?

Confused Evidence from Greece

The issues in Greece have not so far been disentangled either by Sir Walter Citrine's mission or by the publication of the Government's White Paper (Cmd. 6592) on the Situation in Greece. Both Sir Walter and the Government give convincing proof of the existence of atrocities, which the critics of the Government's policy have at no time denied. The White Paper states that the responsibility for the Civil War rests with the Communists, who, long before the fighting, were conducting a reign of terror in Greece, and who have now lost the support of any other Left Wing political group.

Here, however, the evidence of Sir Walter Citrine does not tally with that of the Government. When he visited EAM headquarters at Levadia, he found there the established trade union leaders, M. Kalomiris and M. Theos, the Socialist leader, M. Stratis, and M. Marolis, the former secretary of the railway workers' union. These men denounced M. Dimitriou and the other trade union leaders appointed by the Plastiras Government as puppets and Metaxists; they also denied categorically that either the Socialist Party or the ELD (Union of Popular Democrats) had broken away from EAM.

The situation is clearly not as simple as Mr Leeper's telegrams suggest. At all costs, there must be no question of the British supporting a Government of the Right from which the genuine popular forces of the country—and of the Resistance—are excluded. Mr Leeper admitted that "Red Terror easily leads to a White Terror," and, ominously, reports now come from Athens of the mutiny of the Right Wing parties under Monarchist leadership. The Regent may be a guarantee of impartiality, but clearly, as Mr Leeper himself suggests, the British Government must exercise the utmost pressure to secure liberal treatment of the Left. The best step the Greek Government could now take would be to prove the truth of its statements on the break-up of EAM by including in the administration the moderate Socialist and Democratic leaders who are reported to have split away.

Air Policy Debate

The Government's policy for civil aviation is gradually getting under way. A lively debate in the Commons last Friday looked back with general approval to the achievements of Lord Swinton at Chicago and at Montreal. Even more, the House looked forward to the further tasks before the new Minister. A working separation of civil aviation matters from the Air Ministry is already in existence. The final divorce will come with a formal Bill, soon to be introduced. Except for the very necessary appointment of a competent Under-Secretary to speak for Lord Swinton in the Commons, the stage is set for a rapid attack on the fields of Government policy so far undefined.

Much the most debated question is that of the new *dramatis personae* of civil air transport. On this, Sir Stafford Cripps promised the House, Lord Swinton was now working, and a report of his progress would soon be submitted. His decision is not an easy one with so many different opinions to reconcile. In the new national organisation, BOAC may well suffer a sea-change and may be obliged to relinquish some of its exclusive rights. A compromise solution is clearly probable. The transition period requires some central control and organisation to take over where purely military transport leaves off. At the same time, the over-riding need to expand British air services to every part of the world makes it impossible to refuse the offer of shipping and railway interests to operate overseas routes without subsidy. Neither private enterprise nor a chosen instrument can therefore be given an exclusive right in the immediate post-war development of civil air transport.

More important than the content of the plan, which in any case must come up for review as conditions become more settled, is the speed with which it is submitted, discussed, and put into operation. Lord Swinton's reported determination to allow no criterion save that of efficiency and service to the public in his choice of policy is encouraging. There will undoubtedly be, as there has been in the past, considerable pressure (particularly in the House of Lords) exerted by shipping and railway interests, for example, to get more than a fair share of the cake. The new Minister may have a hard time resisting these and other pressures, and it is good to hear that he is determined to do so.

OTA

The White Paper (Cmd. 6589) on the work accomplished by the Occupied Territories Authority from 1941 to 1943 gives the impression of good and remarkably inexpensive stewardship. Administering British and Italian Somaliland, Eritrea, Cyrenaica and Tripolitania all the time and Ethiopia and Madagascar for part of it has cost the British taxpayer a deficit of only £3,500,000. The reason is probably that nothing more than a day-to-day administration was attempted, the officials relying on local stores and supplies and foodstuffs, working only those enterprises which contributed directly to subsistence and undertaking none of the development schemes which eat up capital. Even so, it seems remarkably cheap.

It cannot be said that the Report points to lessons or experience which will be useful elsewhere. In the main, it is concerned with the administration of Italian colonies. In Italian Somaliland and Cyrenaica, the Civil Affairs officers were able to work to some extent through the local Arab tribal structure and the customary of British colonial practice of indirect rule has been employed. In Eritrea and Tripolitania, however, the problem could not be solved in these terms. The population tended to be concentrated in large towns, the Italian administrative machinery broke down, yet an important Italian colony remained. These colonists were removed from Italian East Africa—some 46,000 of them; in Tripolitania they remain. In Eritrea and Tripolitania, therefore, OTA has had to provide a new administration, helped in the case of Tripolitania by the natives, the Italians and the Jewish community alike.

If the Report throws no light on other experiments in occupation, it at least brings to the fore some troublesome questions of future policy. The economic advantage to East Africa, if Ethiopia, Eritrea and the Somalilands are administered as one area, stands out clearly in the Report. Abyssinian independence bars such a unity, unless it can be achieved through some loose federation. On the Mediterranean coast the chief problem is the poverty of the Italian colonies and their dependence upon outside supplies. Is any Power except Italy interested enough to make them a going concern? And this leads to the final problem.

What is the future of all these Italian colonies? The Senussi in Cyrenaica have been promised that the Italians will not return. The fate of the other colonies has yet to be decided, but the decision cannot be indefinitely delayed.

* * *

More Money for the Colonies

The promise in the King's Speech that more money would be granted for colonial development has been fulfilled in a new Colonial Development and Welfare Bill presented to Parliament this week. At present, £5,000,000 is made available each year, but if—as has been the case—the amount is underspent, the balance has to be returned to the Treasury. Under the new proposals, a total sum of £120 million is to be made available over the ten-year-period ending March 31, 1956; the annual ceiling will be £17,500,000, but if it is not reached, the balance will be carried forward instead of returned. This will enable the colonies to undertake long-term development schemes instead of confining themselves to small projects whose cost can be clearly estimated in advance. Moreover, the annual grant for research has been raised from £500,000 to £1,000,000.

The new Bill is thus a considerable improvement on its predecessor. But the old doubts about the efficacy of this sort of fund in raising the colonies' standard of living remain. From the point of view of welfare—for building schools and hospitals—it is excellent. But for achieving a big expansion in colonial wealth something more positive is needed than a fund which is passively drawn upon as occasion arises. A way still has to be found by which the right of colonies to work out their own development can be combined with the positive application of capital on a large scale and over wide areas covering, if necessary, more than one colony.

Another difficult question is the maintenance of the schemes that are carried out. The grants are for capital expenditure, and the colonies are expected to maintain the works, once built, out of their own resources. It is true that permanent subsidising of colonial expenditure is in-

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compatible with an advance towards responsible government, but what is the use of providing the colonies with schools and hospitals if they cannot support enough teachers and doctors? A possible solution would lie, as *The Economist* has advocated before, in transferring the cost of the salaries and pensions of the unified colonial service to the Imperial Exchequer. This reform would set free considerable resources for local needs, and the establishment of the new Colonial Development and Welfare Fund would be a suitable occasion for putting it into effect.

War Crimes Dispute

It is really rather unfair that Mr Herbert Pell should have managed to persuade some sections of the American press that dirty work is afoot in the Allied War Crimes Commission. The statements he has made since Congress refused to renew the appropriation for his expenses suggest that he has been fighting an uphill fight to bring the German Gestapo to justice for their crimes against Jews, Liberals and Christians and has been foiled by British and American officials who, one must infer, wish the murderers of these innocent Germans to go unscathed.

The real point at issue is not, however, the intentions, sinister or otherwise, of the Foreign Office and the State Department. It is the actual terms of reference laid down for the War Crimes Commission. The declaration made at Moscow in November, 1943, established its agenda—to examine the evidence against German officers and officials guilty of crimes against the peoples whose countries they have occupied. Where such a crime can be proved, the guilty Germans are to be extradited back to the scene of their crime and there tried according to the laws of the land. It was recognised, however, that such a procedure would not cover Hitler, Goering, Himmler and other guilty leaders. It was therefore laid down in the same declaration that

those criminals whose offences have no particular geographical location will be punished by a joint decision of the Governments of the Allies.

It is thus clear that the category of crime Mr Peel wishes to deal with—offences committed by Germans against Germans in Germany—does not fall within the Commission's prescribed terms of reference. The right course for Mr Pell should therefore be to agitate for a new Commission or for wider terms for this Commission. It helps neither Allied understanding nor the cause of justice to suggest instead that somebody, somewhere and for some reason is out to condone German crime.

Jugoslav Reconciliation

The conflict between King Peter of Yugoslavia and Marshal Tito seems to have been patched up by the re-appointment of Dr Subasitch to the post of Prime Minister and by the King's recommendation that the new government put into effect the Subasitch-Tito agreement. King Peter has not altogether withdrawn his objections to the agreement; but he has decided not to raise them in a categorical form which would make co-operation between the Royal Government and the National Committee of Liberation impossible. He has also handed over his powers to a Regency Council whose members are still to be appointed. Whether the agreement will really ease the tension in Yugoslavia will now depend on Marshal Tito's willingness gradually to dismantle the single party system which he has built up under the strains and stresses of the war. The economic and political plight of Yugoslavia is so desperate that all parties should now feel the obligation to put first things first and concentrate their efforts on the immense tasks of reconstruction.

An Industrial Health Service

One of the most controversial statements in the White Paper on the health services is the definition of "comprehensive," which, in the Government's proposals, covers all kinds of personal health treatment, but excludes both the school medical service and the industrial health service. The exclusion was possibly dictated by administrative expediency—by the wish to avoid overloading the Ministry of Health before the minimum of a personal health service was properly established—but, whatever the reason, it is hardly logical for the state to provide a health service for people at home, and to ignore them while they are at work, or, if

a national industrial health service is set up, to make it responsible to a different Government department. As the Social and Preventive Medicine Committee of the Royal College of Physicians points out in a second interim report, the general practitioners, who will be in the front line of the proposed national health service, will also be the main body of the industrial health service, and difficulties would be bound to arise if they came under two separate departments.

The Committee outlines a plan for an industrial health service which would be comprehensive indeed, for it would include not only the 250,000 establishments covered by the Factories Act of 1937, but mines and quarries, offices and shops, hotels and catering organisations, transport services, and even agriculture and fisheries—"in fact, any place of work except when that work is done at home." The aims of such a service show clearly that there would be no overlapping between it and the personal health service. It would promote the general health of the worker by providing a good working environment, and fitting the worker into that environment; prevent occupational disease; assist in the prevention of injuries; organise and supervise a service for the emergency treatment of injured and sick workers at their place of work; take an active part in the rehabilitation and resettlement of disabled workers; undertake health education among the workers; and promote research and investigation.

The difficulty about putting this ambitious scheme into force is the enormous staff it would require. For instance, there are at present about 200 whole-time and 700 part-time works doctors, almost all of the former being attached to the big factories employing over a thousand workers. But in peacetime, as the Committee points out, more than half the workpeople of the country are employed in factories with less than 250 operatives, and if they, together with all other workers, are to be provided with adequate medical supervision, there will have to be an enormous increase in the number of works doctors. Moreover, to suggest that these should for the most part be general practitioners, with special training in industrial medicine, who would work part-time in the industrial service, is no solution, for it is generally recognised that there will be barely enough GPs to staff the personal health service alone.

To begin with, therefore, it might be as well to concentrate on a few of the essentials of an industrial health service. It should certainly form part of the national health service, because a single administration would economise manpower by allowing more elasticity in the different parts of the service, and also—a simple but important point—by reducing the number of forms and certificates a doctor would have to fill in. Secondly, since there are already the beginnings of a national scheme of rehabilitation and resettlement, it should be extended and expanded as quickly as possible. Thirdly, research into occupational disease and its prevention should be undertaken on a wide scale, and a beginning should be made with the placing of workers in jobs suited to their aptitudes. Even if the more general aims of an industrial health service have to wait until there are enough doctors to staff it adequately, much could be done at present which would bring a large reward in improved industrial efficiency.

The ILO Meets

The governing body of the International Labour Organisation reached several conclusions in the course of its meeting which came to an end on Wednesday. Perhaps the most important and practical of these was the decision to set up immediately seven international industrial committees, on a tripartite basis, for the transport, mining, iron and steel, engineering, textiles, oil and building industries. The principle of industrial committees had been agreed at Philadelphia in April, 1944, and the task of the governing body was to prepare the details of the machinery, and to decide on whether they should be bipartite or tripartite. The employers, who wanted them to be purely employer-worker bodies, found themselves outvoted by 21 to 8. If these committees are to have any practical value, it is obviously desirable that Government representatives should be included, in order to hold the balance between the two sides, and to lend greater weight and authority to their work.

As usual with ILO meetings, the main interest of the proceedings centred upon the constitution and future of the organisation itself. Sir John Forbes-Watson, the British employers' delegate, threw a few carefully chosen stones into the millpond of complacency, when he urged the ILO to face facts, and not to try to run before it could walk. He

illustrated his point about the lack of responsibility on the part of certain members by the fact that out of 67 conventions drawn up between 1919 and 1939, 50 per cent of all the countries had ratified fewer than five conventions, while Great Britain, with 34 ratifications to its credit, topped the list.

His proposal that the adoption of certain minimum standards should become a condition of admission to the ILO deserves careful consideration. But any tendency to make the ILO an exclusive club for the higher standard countries would defeat the objects for which the organisation was formed, and there is much sense in the workers' argument that the fact of membership of the ILO represents a powerful lever for enforcing minimum standards on recalcitrant or reactionary governments. What is needed, if the ILO is to perform the very large tasks which it is setting itself, is a policy which will suit at the same time the hard-headed realism of the Forbes-Watson school, and the aspirations of the South American workers, expressed at the governing body's meeting by Senor Lombardo Toledano, the Mexican labour leader.

World Labour in Conference

World labour is having a busy time. On the heels of the ILO governing body, the International Federation of Trade Unions met on Thursday, and next week the postponed World Trade Union Congress is taking place. This Congress will be the most important gathering of world labour ever held, and will represent over 40 million organised trade unionists. It will include delegates from all the Allied countries, and several neutrals, while the British Empire will be strongly represented. Countries which will not be represented include Italy, Finland, Spain and Greece, while the American Federation of Labour has refused to attend, because of the presence of CIO and Soviet trade union delegations.

Both the IFTU and the World Congress will be primarily concerned with the restoration and reorganisation of the international trade union movement, but there will be differences in their approach to the problem. The IFTU, in which the AFL is powerfully represented, is likely to press for a reconstruction of the present organisation, which excludes the Russians and the CIO, while opinion at the World Congress will be overwhelmingly in favour of an entirely new worldwide organisation, in which presumably Britain, Russia and the CIO, by virtue of their membership, would play leading parts. The fact that the British TUC is a member both of the IFTU and of the World Congress, and that its formal relations in America are with the AFL but not with the CIO, will place a certain strain on the diplomacy of British trade union leaders.

The reconstruction of the international trade union movement is not a remote problem, but one of burning topicality. The restoration of free and democratic trade unions in liberated countries is a complicated matter, as Sir Walter Citrine is finding out in Greece. It is obviously desirable that the world organisation should be as comprehensive as possible, and the greater its organisational strength, the better its position will be to assist the development of trade unions in weaker countries. Within the general framework, special committees, such as the revived Anglo-French trade union committee, which has just completed its first meeting, can do much to promote trade unionism, but they are no substitute for a vigorous world organisation.

The Great Freeze

Major Lloyd George obviously could not be blamed for the weather, the coldest for 50 years, nor for the conversion of the whole countryside into a Breughel landscape. Railway locomotives were frozen up, Welsh ports became un navigable, many pits had to close down, and many miners were snowbound, horses could not be used for deliveries because of the icy roads, and patches of fog added to transport difficulties—these facts might properly be described as "circumstances outside the control" of the Ministry.

Now that the Great Thaw seems to be setting in, the difficulties of transport may automatically be solved, and Major Lloyd George can breathe again. But the fact remains that the long spell of exceptionally cold weather and the shortage of labour endangered the whole structure of distribution.

It is useless to repeat now that a system of fuel rationing, introduced in 1942, and operated during the two last relatively mild winters, might have saved the situation, but it seems equally pointless to exhort people to save coal to-day, when so many people have no coal to save. The position is particularly acute in the London area, which has been the most heavily bombed, and where 400,000 homes, because they have no storage space, rely on their coal merchant's weekly visit for their hundredweight of coal. The merchants who are responsible for distribution find it more possible to deliver in bulk to hotels, offices and so on, rather than small lots, and the result is gross inequality.

What is surely needed is an immediate plan for the pooling and zoning of supplies, under which the Government would control all the coal coming into London (or provincial centres), would organise the pooling of transport and manpower, enlisting soldiers, civil defence workers and, if necessary, the Home Guard, on an emergency basis, and arrange a system of registration for coal from its dumps, so that the limited supplies would be more fairly distributed among the civilian population.

Gas and electricity consumption is in a rather different category, and both can be controlled at source. Electricity consumption has increased by 50 per cent over pre-war, and gas consumption by about 13-14 per cent, and it is clear that both domestic and industrial users should exercise maximum economy. Firms have been asked by the Minister of Production to cut down their consumption by 10 per cent, but if voluntary appeals fail, Mr Lyttelton has said that directions will be issued and prosecutions for non-compliance would be instituted. So far, war production has not suffered, and this must clearly have first priority. But it is important that as far as possible cuts of electricity and gas should be exercised in as equitable a manner as possible, and avoid minimum interference with hospitals and similar institutions.

Chinese WPB

The opening of the Ledo Road should bring some relief to the difficult supply situation in Free China. It is hoped that the Calcutta-Kunming pipe line will soon be in use as well. Together they will to a small extent compensate for the loss of 80 per cent of China's industrial resources and communications. Hitherto the best that could be done to supplement the thin resources of free territory was to import about 30,000 tons of goods a month by plane over the hump from India. Even so, the supplies very often remained at Kunming for weeks before they could be distributed. Free China has only 6,000 lorries, most of them three years old.

More could in the past have been done with the mineral reserves and industrial resources in free territory, but the financial confusion and incompetence of Chungking prevented full use being made even of the resources which were available. Now, however, there is hope that a new mobilisation of effort will double and treble production in the course of the year. On his return to China in November, Mr Donald Nelson persuaded the Chungking Government to set up a War Production Board, and in liaison with the High Command, this new board worked out a firm ordinance plan for the Chinese armies. It arranged for a loan of ten billions in Chinese national currency from four big banks, and accepted an American technical mission of six experts, five on iron and steel, one on alcohol. These men are spending three months touring the industrial plants and advising on improvements and costing.

All this new activity may lead to better supplies, more efficient armies in the field, and to a growth of confidence and enthusiasm among Chungking's followers. At the same time, it will give the United States a growing stake in the stability and prosperity of the Chungking regime. As Mr Nelson put it in his Report to the President—

The success of China's venture in planned war production, if properly followed up through American Government and business channels, will make for close post-war economic relations between China and the United States.

Newfoundland's Future

There has been so much constitutional progress in the dependent Empire during the war years that the position of Newfoundland is particularly disappointing. When it lost its Dominion status, in 1933, the Imperial Government gave a pledge that responsible government would be restored as

soon as the island was self-supporting again and provided that the people of Newfoundland requested it. During the war the island has become, financially, self-supporting in the sense that, in addition to paying its way, it has also lent some £2,000,000 free of interest to Great Britain. But not only have the Newfoundlanders not requested a return to responsible government, they are apparently quite apathetic about their future.

At various times in the last two years the Government has been asked in Parliament for a statement on the future of the island, particularly after the goodwill mission of three Members in the summer of 1943. Last May, Lord Cranborne stated that machinery would be set up in readiness to enable the Newfoundlanders, as soon as the German war was over, to express their views on the sort of government they want, and the Newfoundland members of the Commission of Government came over to discuss the matter with him in the summer. This week, however, Lord Cranborne gave a most disappointing progress report. He said that the continuance of the war in Europe had made a readjustment of the timetable necessary, and he was unable to say even what sort of machinery will be set up.

It is quite true that Newfoundland's present prosperity is artificial, being based on wartime conditions, and that, as Lord Cranborne said, its economic prospects after the war cannot at present be assessed. It is also true that when Newfoundlanders express an opinion at all, they are virtually unanimous in not wanting a return to the sort of government they had before 1933. But Lord Ammon, one of the members of the goodwill mission, also found "a vague but healthy desire for some form of increased representation."* The political apathy and the unpopularity of the present Commission of Government arise largely from the latter's complete dissociation from the people. It has done some excellent things, and, according to Lord Cranborne, it is going ahead with reconstruction schemes, for which it has ample funds. But it is difficult not to feel that a stronger attempt should be made to give the Newfoundlanders better representation in it and in its work.

Agriculture and Shipping

Mr Tom Williams, Joint Parliamentary Secretary to the Ministry of Agriculture, speaking at Liverpool on Tuesday, reconciled the interests of agriculture and shipping in a totally unconvincing way. The claim that higher agricultural wages would help shipping by raising the demand for imports is true only if such a pledge does not involve an equal or greater loss of purchasing power by the rest of the community. But Mr Williams's worst mistake was his apparent identification of a prosperous agriculture, which is certainly desirable, with a large agriculture, which is equally certainly not—least of all from the viewpoint of shipping interests.

His argument for an enlarged agriculture is based on a defeatist attitude towards export trade. In contrast shipping prosperity rests on a high level of exports; any policy failing to recognise this and seeking relief from export problems by working for self-sufficiency in Britain does the shipping industry real disservice. Perhaps realising this awkward implication, Mr Williams attempted to prove as well that the margin between home and overseas food prices will not be large. Two of the measures he suggested—guaranteed markets and "reasonable" prices—will do nothing to narrow it. Nor will this margin be narrowed by the suggested possibility that overseas agricultural producers and workers will insist on higher remuneration for their efforts; for similar claims have already led to the wartime doubling of farm wages, and it is generally and rightly agreed that their present level should be at least maintained after the war. The best that can be hoped from this factor is that its effects here and overseas will cancel out.

* "Newfoundland. The Forgotten Island." By Lord Ammon. Fabian Publications, Limited. 1s. net.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, and this may mean a gap of many months before the despatch of copies can be resumed.

Scientific Research in India

Not the least important obstacle to a planned economic development for India will be the dearth of sufficient trained people to guide industrial and agricultural progress. Factories, machines and irrigation works will not by themselves provide the means to raise the country's national income. Besides the training of skilled workers to operate mechanised production, there will be the much more difficult problem of organising scientific research on a large enough scale.

A report by Professor A. V. Hill to the Government of India makes practical suggestions as to where and in what way existing research facilities and organisations, in medicine, agriculture, industry, natural resources, engineering and defence, can profitably be expanded. Throughout his report the author is emphatic on the inadequacy of existing Indian research and the enormous field waiting for development. A comprehensive report of this kind will be of real value in the planning of Indian reconstruction.

Whether Professor Hill's less specific proposals for the finance and central organisation of extended research work are readily adaptable to smooth running under the constitution of independent India is less certain. In such circumstances, scientific research would need more than ever to preserve a degree of independence from political pressures and conflicts. Professor Hill's suggestion for a special Minister responsible for six expert Boards of Research is not, for these reasons, entirely satisfactory. Nor is his urgent plea for funds from independent sources likely to make any real contribution to the problem. Further consideration of possible safeguards will be necessary—in which Indian research organisations should take a leading part—if the best possible value is to be gained from Professor Hill's important proposals.

Planning Pubs

By way of appendix to the Town and Country Planning Bill, the Licensing Planning (Temporary Provisions) Bill, read for the second time last week, has the object of including public houses in the replanning of blitzed areas. This is to be done by special licensing planning committees—representing both the local authorities and licensing justices—which will have the responsibility of deciding on the number and location of pubs in their area. Normally, the area will be a single licensing district, but in special cases areas will be combined under the same committee, to include, for instance, overspill areas to which people from badly damaged and congested districts will move.

The principle of combining the functions and responsibilities of licensing justices and local authorities is clearly indisputable where blitzed areas are being rebuilt. The justices could hardly construct a plan, by themselves, for new and existing pubs which would fit into the general scheme of reconstruction evolved by the local authority. The general scheme, however, could easily fall foul of the justices in its replanning of pubs, and protracted negotiations might be necessary to resolve the deadlock.

How far this association of authority could be extended all over the country might well be reviewed before the 5-year reconstruction period, for which the Bill is designed, comes to an end. The Solicitor-General was at pains to explain the democratic safeguards on the power of the new committees. The 50 per cent representation (through the local authority) on the committee, and the obligation to hold a local inquiry into persistent objections to its decisions certainly give the public far greater control over the distribution of pubs, and the standards set for them than they ever had under the licensing justices. The principle of the new Bill, if it is wisely applied, may well mark a new development in social history. Since pubs have come so largely under the distant control of large brewers, the influence of the local customer on the amenities of his (or her) pub has become less. The development of the public house as a local club in districts too small for the more highbrow community-centre, will depend, in blitzed towns at least, on the energy with which rights, old and new, are exercised by the people themselves.

Vital Statistics—Correction

A Shorter Note last week gave in error the number of marriages in 1942 as 191,426. This figure relates to the number of newly-married people; the corrected figure should be 95,713. The argument of the Note still holds good, since the marriage-rate for the third quarter of 1943 was still 76.408 lower than the average for the third quarter of 1938-43.

Letters to the Editor

Persian Oil

SIR,—A report of recent discussions over oil concessions in Iran which appeared in your issue of January 13th refers to what by now has become a legend which seems to have gained credence in certain quarters and is more or less accepted as a fact, i.e., the question of British and American interests endeavouring to acquire oil concessions in northern Iran during the course of last year and the contemplated acquiescence on the part of the Iranian Government to these requests.

The truth of the matter, however, is that since the outbreak of war no negotiations have been concluded, or even virtually concluded, by the Iranian Government with British and American interests for oil concessions in Iran, and that in no circumstances have the British and American interests separately or jointly asked for any concessions in northern Iran. Early last year proposals were submitted by certain British and American interests for concessions in the Persian Gulf regions and the Iranian coast of the Arabian Sea, these having no connection whatsoever with northern Iran. The proposals were nevertheless rejected by the Iranian Government.—Yours faithfully,

A. H. HAMZAVI,

Press Attaché, Ambassade Impériale de l'Iran

Domestic Service

SIR,—Your survey of the problem of organising domestic service leaves out of account the views and responsibilities of one important party to the future Charter—that is, the employer or, in home terms, the housewife.

If, previously, she employed a servant to cook or clean or both, her war experiences have taught her a new respect for the drawbacks of domestic service, notably for its monotony: same hour, same grease, same muddy vegetables. In compensation for them, she will be ready to hand out the pay and amenities you mention. But wartime practice has also taught her how to measure the rate and efficiency of the service she gets in return. She has become a knowledgeable judge, since there is no job she has not done herself. She has also become wholly versatile, and will expect equal versatility, during working hours, from her single, well-paid helper.

If all housewives were to convert their war experience into intolerance of bad work for good pay, they could soon work up the Charter into a code of status. Gilt-edged proficiency certificates with room for employers' endorsements, to be given upon the request of the holder, would become documents of meaning and value.

But, for the few employers who see the logic of sticking out for quality, there are thousands who would give anything—money, sunny bed-sitting room, fare to Blackpool—despite broken crockery and watery cabbage, in return for shuffling off tomorrow's washing up.

These are the saboteurs of the Charter. One of Miss Markham's formidable tasks is to wake them to the need for employers' standards if the worker is to take pride in her status. Here, as well as among undomestic males, is a field for "suitable propaganda."—Yours faithfully,

London, W.

ELIZABETH NEAME

Winter Generally

SIR,—The Government has spent large sums, and the more enlightened members of the medical profession have exercised much ingenuity, in a campaign to instruct the public as to the infectivity of the "common cold," influenza, throat infections, etc. It is therefore depressing to find you stating your belief that "draughts" are the causative factor, or, at least, a cause of these work-destroying illnesses.

Draughts cause discomfort and loss of heat, but are not and cannot be the cause of infectious diseases.

The worst offenders in keeping alive this popular misconception are the more ignorant and thoughtless doctors, who still, parrot-like, repeat the heresy daily to their patients.—Yours faithfully,

Harley Street, W. 1.

SURGEON

Unconditional Surrender

SIR,—For the first time, Mr Churchill, in the recent Commons debate, made the point that the interpretation of the term unconditional surrender, in its application to the defeat of Germany, would be conditioned by the nature of the British peoples who, he said, were not monsters but moral beings. If those responsible for the formula of unconditional surrender have always meant this, they have failed to say so plainly before. Instead, an all-devouring spectre of relentlessness has stalked the battlefields of Europe, and, to the German people, the issue has appeared as annihilation for the Fatherland versus annihilation of the Fatherland. In such an issue there is only one honourable choice for a military race and so, in the face of the apparent inevitableness of victory for the United Nations, a prolongation of the hopeless fighting.

The purpose of the United Nations' struggle is the establishment of peace and not the creation of a potential for revenge. Their sacrifice has already been made; to seek compensation for that sacrifice would destroy its moral value. Perhaps, therefore, the Big Three, at their next meeting or sooner, could be persuaded to make a definite address to Germany on the lines of Mr Churchill's qualification of unconditional surrender, and to couple with it a Christian offer of freedom for the German people from dishonour or reprisals in return for an immediate cessation of hostilities.

What greater victory could there be than the establishment of a lasting peace?—Yours faithfully,

Trinity College, Dublin

A. PAKENHAM-WALSH

Monopoly in Embryo.

SIR,—I have read with considerable interest your excellent article under the above heading. But you suggest that it is only the multiple stores who are putting up any strong opposition, whereas, in fact, the department stores have from the outset been most emphatic in their condemnation of the proposals which, although not openly expressed, undoubtedly form the basis of the Hardware Trade Alliance.

Any such scheme of price or margin fixing can only result in the raising of prices to the consumer—and that is entirely contrary to the policy of departmental stores, who, by their system of bulk purchasing from manufacturers and by efficient distribution, have brought about a substantial increase in the purchasing power of the consumer. No sensible person could possibly wish to put a brake upon these progressive activities.—Yours faithfully,

London, E.C. 1.

ERIC M. GAMAGE,

Chairman, A. W. Gamage, Ltd.

Patent Medicines

SIR,—May I point out that the Chemists' Friends Scheme to which you refer in the article in your issue of January 6th has a dual purpose (a) the restriction of sales of medicines to the persons specially trained for handling medicines, and (b) the examination by a Standards Committee of all articles placed on the list, with a view to preventing misleading claims or "fear" propaganda in regard to those articles and the examination of each article pharmaceutically to make certain that it is worth while as a medicine, and that the price is reasonable. It is not a price-fixing scheme.

The public is, therefore, being protected in this scheme against worthless but expensive medicines. In fact, many articles are refused and others have to be improved in some respect or other before they can now be accepted.

The Standards Committee is slowly but surely raising the standards for these proprietary medicines.

May I point out that the technical knowledge of the chemist is of value to the public, because there are many cases where a friendly word can be given by the chemist to the prospective buyer of an advertised medicine which does result in the customer seeking necessary medical advice instead of wasting money on a medicine which cannot possibly have the desired effect whatever the advertisements may promise. He can only do this when he knows his

customer because advertisements often warn the public against advice of this kind.

Chemists have nothing to fear from your proposals for the control of advertisements and a cost analysis of proprietary medicines, because the margin of retail profit on these articles is one which has already been examined by a Government Committee and found to be reasonable.

May I add that the public expects a pharmaceutical service and the qualification for the service is, comparatively speaking, on a high level. Is it unreasonable that those who enter the calling should take such steps as are available to them, to prevent as far as possible encroachments by all and sundry? There can be no monopoly because of the intensive competition amongst chemists themselves and between them and the multiple firms, co-ops, &c.—Yours faithfully,
G. A. MALLINSON,
Secretary, The National Pharmaceutical Union.

The Coal Industry

SIR,—Any analysis of the coal industry must necessarily involve generalisation, and a generalised truth can never be much more than half a truth. Even the facts of the case are relative; the low rate of output of the British miner, compared with the American miner, cannot be dissociated from the physical conditions of the seams in the two countries and the ratio of the coal extracted—extremely high in British practice—to that left underground and lost for all time. Machinery is not a universal panacea for the output problem. In some of the large South Yorkshire collieries, where capital has never been short and the technical management has always been of the best, coal-cutting machines have actually been taken out, as higher rates of output have been obtained without them. American-type machines would be useless in these conditions because of the heavy roof pressures, which necessitate the close spacing of supports. Machines are being developed by British manufacturers to meet these conditions, but the difficulties are formidable. Furthermore, it is one thing to provide machines but quite another to get men to use them effectively; the American miner regards a machine as an instrument for reducing his manual labour and increasing his standard of living; the British miner is apt to regard a machine as an instrument for putting his workmate out

of a job. This difference in attitude has far-reaching effects.

The main emphasis of your contributor's proposed solution to the troubles of the coal industry appears to be placed on amalgamation. But even when the amalgamations have been effected on the basis of mutual agreement between the collieries themselves, the benefits have proved more theoretical than real, and the economic benefits of enforced amalgamations are, to say the least, extremely problematical.

My own experience, which began as a pick-and-shovel miner and has subsequently embraced that of a machine miner, assistant colliery manager and HM Inspector of Mines, leads me to believe the falling coal output to be chiefly due to the present system of control and to the fact that the miner, who is a hero in adversity, is a fool in prosperity. Theoretically the Government is in control of coal production through the Ministry of Fuel and Power. But the mines to-day are operated under the virtual control of the miners themselves. Failure in coal production is not floundering on a mere dualism in control, which is alleged to be shared between the Ministry and the colliery owners, but rather on a multi-willed control exerted by thousands of individual miners, each of whom has the power to temper his efforts to suit his own convenience.

War necessities have put an immense premium on the services of the miner, and this premium has given him a sense of power. He has chosen to wield this power with all the obstructive energy of a spoilt child. Consequently, one sees no prospect whatever of an increased output until economic forces come into operation with the effectiveness of a stern father.

Your contributor refers to the disproportionate number of men employed on the underground haulage systems compared with coal getting; this is perfectly true, but he does not give the reason. In every other important mining country except Great Britain, electric trolley locomotives are used for haulage; but here cumbersome rope haulages have to be used, because the Safety Regulations—the most onerous to operate in the world—prohibit the use of the necessary trolley wires.

Having offered these criticisms, may I say how heartily I can endorse so much of your contributor's analysis and constructive suggestions?—Yours faithfully,

Westminster, S.W. 1

HAROLD STOREY

AMERICAN SURVEY

PMH Again—An American View

(From a Correspondent in New England)

LORD KEYNES'S mission to Washington in December, and the announcement of a new phase in Lend-Lease that ensued, served notice on the American people that a new stage in Anglo-American economic relations is beginning. They are left wondering whether all aspects of it are likely to be pleasant.

Although Lend-Lease is presumed to have been the central theme of the Keynes mission, it was not Lend-Lease that disturbed the American mind. In the first place it would be hard to find, even on the busiest street corner, a half-dozen Americans who ever presumed that the Lend-Lease account would be balanced in monetary payments. Most Americans hold the view that their Allies hurled the Lend-Lease weapons at the common enemy, and are grateful for the service. As to machine tools and a few items not hurled, no serious problem is likely to arise.

The problem that is really, and progressively, troubling Americans is the impression that Britain is presently like a bird with a broken wing, and that she is more interested in getting protection so she can limp around with the broken wing than she is in healing it; while Americans, with their usual impetuosity to make a million overnight, are looking for a lusty and healthy partner in putting two motorcars in every European barn and a chicken in every Zulu's pot.

The broken wing is, of course, the present state of British industry.

It is true that few Americans have given careful study to Sir Frank Platt's textile mission report; nor have they, of course, read the unpublished report on British coal-mining

made by the special American mission. But the average American has seen and heard enough to plant the impression that British production methods are less than half as efficient as American practices.

The popular impression is that a Tory class holds, largely through inheritance, the bulk of British industry and that as a consequence British industry suffers from absentee ownership, generally incompetent management, and uninspired labour forces.

The picture is somehow reminiscent of America's own New England, which in the years following the last war lost many of its larger textile mills and other industries, while American Colonel Blimps lounged in their Boston Clubs and talked about the high quality of their products. Having no protection from the Southern textile mills, or from the Middle Western machine goods makers, New Englanders finally besirred themselves, found new methods and new products and are now emerging from the war in a stronger position than seemed possible a decade ago.

It is now being openly suggested in the United States that what Britain really desires in the way of post-war help is some sort of agreement under which producers in the two countries will divide up markets and hold up prices. In America that spells cartels, and there is no deadlier word.

This impression is certainly a vivid barrier to winning any effective American help in protecting the British status quo. Few Americans (outside of Chicago) dream of going off in a huff if Britain will not play the American

brand of ball. But the consideration that Britons may wish to ponder at this moment is that there is undeniably a substantial bank of friendship towards Britain accumulated in the U.S. Americans generally understand the hardships that the British people have undergone. And if technical and material aid were requested in putting British industry on a truly world-competing basis it would very likely be forthcoming.

It is undeniable that many Americans would see their own interest well served by a resurgent British industry. For, as in late years they have come to see America's military future closely linked to that of Britain's, just so they see America's economic future coupled with that of Britain.

There has been a lot of hard thinking in America—and a lot of hard propagandising—about world trade, and the conclusion is now held by a safe majority that it was cartels, subsidies, tariffs, bartering and governments trading with other governments which generated much of the economic friction preceding the war. So there is a conviction that only by progressively removing those trade restrictions (within the United States as well as without) and energetically trading with the rest of the world can (a) prosperity be attained at home, (b) living standards be improved throughout the world, and (c) an effective blow be struck for peace.

Thus this current trend of thinking contains the elements of a crusade—and is not, therefore, to be underestimated. Further, Americans feel that their influence and the volume of their trade alone cannot effect such a pattern in the world as a whole. But they believe that with the full co-operation of the British Commonwealth of Nations the world can be attracted to such a design. A concomitant of this American dream is the belief that there is no saturation point to the amount of Anglo-American goods that might be consumed in a prosperous world.

To this end, it is seen as an American advantage to have a strong and competitive British economy, one with coal mines producing coal under terms of man-hours comparable with the United States, and with steel and other prices thereby lowered to competitive levels, with textile mills able to produce the low-count "bread and butter" fabrics, and with industry generally in tip-top shape. It is the American contention that during the war it has been demonstrated to Britain that America can help along this line, and a request for such help would certainly meet with far greater American enthusiasm than the present weak overtures for protection from competition, trade agreements, cartels and what not.

Such is early 1945 American opinion. President Roosevelt has had a large part in shaping it. He is not one, as the record indicates, to get very far ahead, or behind, of public thinking. Those presently shaping Britain's approach might usefully ponder what they are heading into.

American Notes

The American Mood

Mr Roosevelt's authority in the field of foreign negotiation has been strengthened not only by the Vandenberg plan, but by a letter from the sixteen new Senators assuring him of their support for an international security organisation. This is in contrast with the famous "round robin" of Senators opposed to the League 26 years ago, which rung the knell of Wilson's hopes. The freshmen Senators went on to urge that America's allies should be assured by all reasonable means that the United States intends to share in the responsibility and direction of the settlement of the war and the maintenance of peace; and that the United States should

arrange to participate affirmatively in all decisions affecting the establishment of law and order in the liberated or enemy countries.

The signers, who included ten Democrats and six Republicans, ranged from Senator Fulbright to Senator Capehart, of Indiana, a reputed isolationist.

Some hint of the direction in which the President's influence will be exerted at the meeting of the Big Three is contained in a dispatch from London by Mr Raymond Daniell to the *New York Times* giving an "authoritative preview" of the U.S. attitude. Gossip in the American press has linked this with the visit of Mr Harry Hopkins, whose rapid transit of the capitals of Europe has been a modern version of "Pippa Passes," except that Mr Hopkins' theme song does not appear to have been "God's in his Heaven, All's right with the world." For the veiled authority

invoked by Mr Daniell was represented as saying that the American people are in a mood in which the actions of their Allies could bring them into wholehearted co-operation for maintaining peace, or could create a new and more rigid American isolationism. In Rome Mr Hopkins has indicated that the United States would tolerate no totalitarianism in the liberated countries, "whatever the tag." As the posters say, "You have been warned."

It is undeniably true that the attitude of many politicians and commentators in the United States is that participation in a world security scheme is a gift which America will make to the world if it is pleased and will withhold if it is displeased. America still thinks of itself as the New World, able to opt in or opt out of the affairs of humanity as it pleases. To this degree Isolation still colours much American thinking.

However strong the desire to secure American participation, it is doubtful whether the mood of America constitutes as decisive a big stick as the Administration appears to believe. The promise of collaboration loses something of its value when it is held so lightly that it can be withdrawn as a matter of discipline; and it is not certain that the gulf between American collaboration, tinged with Olympian detachment, and American isolation, conditioned by the inevitable entanglements of self-interest and V-bombs, is as wide as Mr Hopkins might wish his hearers to believe. Any move by the United States towards constructive participation in the affairs of the world is, of course, to be welcomed and encouraged. But it would have to be more sharply defined, and backed by something more tangible than the manifesto of the freshman Senators, before it would be likely to be recognised as a bargaining weapon by, say, Marshal Stalin.

A Bill of Divorcement

In some quarters it is said that by his nomination of Mr Wallace to succeed Mr Jesse Jones, the President hoped to precipitate and clarify the issue of post-war employment policy and to reaffirm his adherence to those social objectives which were soft-pedalled in the pre-election months. If so, he has had a speedy and discouraging re-

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2 Allow your correspondents ample time to reply before enquiring about your cables. Remember that Government cables must be given priority over others in war.

3 Don't mislay cables sent to you. This causes your correspondents to cable for a reply and thus congests the Empire's circuits with unnecessary traffic.



sponse in the vote of the Senate Commerce Committee to reject Mr Wallace by 14-5; and in its decision, by 15-4, to adopt Senator George's Bill to divorce from the Department of Commerce the control of the lending agencies which were joined to it by Executive Order in 1942. It is within Mr Roosevelt's power to veto the George Bill; and the coalition of Republicans and Conservative Democrats probably would not be able to override the veto. But if this were to happen, Mr Wallace's appointment would be unlikely to be confirmed, despite the pressure which his supporters are bringing to bear upon the Senate. The position seems to be that Mr Wallace's hopes of becoming Secretary of Commerce hinge upon that office being divorced from the financial authority which Mr Jones enjoyed and which Mr Wallace covets.

The lending agencies grouped under the Federal Loan Administration include the Reconstruction Finance Corporation, War Damage, Metals Reserve Company, Defense Supplies, Rubber Reserve Company, and the Export-Import Bank. Loans outstanding total about \$40 billion. Of this, according to an interview with Mr Jones, the RFC has about \$20 billion invested in war plants and facilities, including \$3 to \$4 billion in raw and critical materials. Mr Jones expressed particular alarm about the policies Mr Wallace might adopt when the war plants cease operating and "fall back into RFC's lap."

The mere mention of the agencies grouped around the RFC indicates the width and force of their impact, not only on the domestic economy but on foreign economic policy. They constitute a very nearly ideal instrument for carrying out an integrated policy for full employment and foreign reconstruction. This instrument is now in the process of being broken up. Not only are the financial agencies likely to be divorced from the Department of Commerce, but Congress has been led to realise, and to view with alarm, the immensity of the powers it had delegated. There is a move underfoot to institute rigorous Congressional supervision of the RFC and its subsidiaries.

The Personal Element

Mr Walter Lippmann believes that Mr Wallace really will be in a stronger position if he is not burdened with the details of financial administration. He argues that the job essentially is one of persuasion and of securing co-operation both from business and the other Government agencies involved. This is a view with which Mr Wallace and his supporters cannot agree, though there is much sound sense in the point that the maintenance of full employment is not merely a matter of unlimited spending in Washington. What is incontestable is that if Mr Wallace secures control of the financial powers of the Government, it will only be after a bitter struggle which will leave the opposition irreconcilable and determined to take its revenge, particularly when appropriation bills for the agencies appear before Congress.

The danger of criticising Mr Wallace's appointment lies in the support it seems to imply for the unreconstructed school of thought to which Mr Jones belongs and the wholly false antithesis between "social objectives" and "soundness" that eminent banker has revived. With Mr Wallace's sympathies, and his responsiveness to the realities of the problem there can be no quarrel. The present conflict is embittered by considerations both of personality and party politics. One wonders whether much of this inflammation of opinion might not have been avoided had the President selected a less contentious, though no less progressive, figure than Mr Wallace for this particular post. A man like Mr Henry Kaiser, who is sympathetic to the employment programme of the Administration, and who has a fabulous record in war production, would not have aroused the wrath of the Conservatives. Even if Mr Roosevelt was determined to have Mr Wallace, greater pains to conceal the fact that this was a "political pay off" to Mr Wallace and the left-wing of the party, and a political rebuff to Mr Jones and the Conservative Democrats who staged last summer's short-lived revolt, might have avoided what may become a serious set-back to the Administration. The coupling of a directed policy for full employment with

There are many men and women in the Services who would welcome a chance of reading this publication. If you would hand it in, unwrapped, unstamped, and unaddressed at any Post Office, it will go to them.

the name of Henry Wallace may prove to be the undoing of both, and it is not impossible that the split in the coalition which elected Mr Roosevelt may spread from the domestic to the foreign sphere.

National Service

Even such a limited national service measure as the Bailey-May Bill, which would apply only to men from 18 to 45, is running into snags. Senator Mead, who took Mr Truman's place as head of the Senate War Investigation Committee, has endorsed the view that what is needed is not more compulsory powers, but better use of existing manpower in war plants. Senator Mead instanced conditions at the Norfolk Navy Yard, where he revealed that his Committee had found hoarded labour and "enforced loafing."

Farm interests presumably will reconsider their support of the Bill unless the House reverses its Military Affairs Committee's action on the Tydings amendment. The Committee defeated a move to direct Selective Service to regard agriculture as a critical industry and to preserve the generous conditions now prescribed for the detriment of farm labour.

An even greater threat arises from the determination of the Republicans and Southern Democrats to insist, as a condition of the Bill's passage, on the inclusion of an "open shop" amendment. This provision, which was fought over in committee, would require that no man may be forced to join a union when he is directed into an industrial job. The view of the Administration is that such an amendment would violate union contracts already in existence.

It is said that workers all over the country are moving into war jobs in anticipation of the teeth in the new measure. These have now been revised to give local draft boards discretion to punish recalcitrants either by ordering their call-up—if they are physically fit—or by prescribing fines or imprisonment. But if the Bill is held up either by the farm interests or the opponents of the closed shop, workers, on second thoughts, may decide that its bark is worse—or at least more immediate—than its bite.

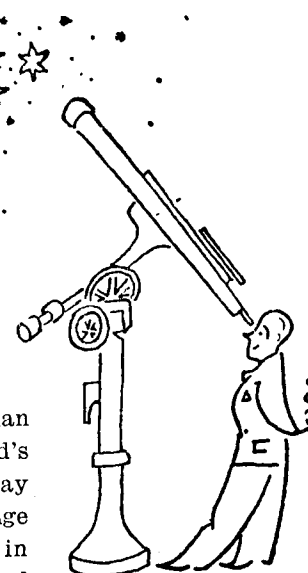
Montgomery Ward Again

The Administration has incurred another rebuff in its handling of the Montgomery Ward case. A Federal Court Judge in Chicago has declared illegal its seizure of the company's properties. It will be remembered that the conflict between the company and the Government arose from the long-continued refusal of Montgomery Ward to incorporate a "maintenance-of-membership" clause in its contract with a union belonging to the Congress of Industrial Organisations. Last year's Army seizure fizzled out; but it was renewed a month ago when strikes at the company's establishments threatened to spread to war industries in Detroit.

Judge Sullivan has held that the President is without power to order such a seizure either under the War Labour Disputes Act or under his authority as Commander-in-Chief; and he has upheld the contention of the company that it is not a war plant within the meaning of the anti-strike act. He apparently was not impressed by the contention that *bona fide* war work might be interrupted through sympathy strikes. The judge went further in dissenting from the Attorney-General's view of the vast reservoir of power inherent in the President's rôle as Commander-in-Chief, denying that his war-time powers gave him unlimited authority.

Mr Sewell Avery, Montgomery Ward's chairman, has declared this a "great day for Labour." Like many other employers, Mr Avery has a great tenderness for the constitutional right of employees to refuse to join labour unions. But not even Mr Avery can make it a great day for the War Labour Board. The decision will encourage employers' hostility to the directives of the Board, particularly where they prescribe "maintenance-of-membership" agreements with unions. Judge Sullivan pointed out in his decision that the powers of the WLB were purely advisory. The Administration has not been unaware of the desirability of strengthening the authority of the Board; Mr Byrnes made such a suggestion in a report early this month. But to accomplish this would require action by Congress, where anti-closed shop sentiment is strong. Conservative feeling is inflamed against the rebirth of the New Deal.

Astronomic



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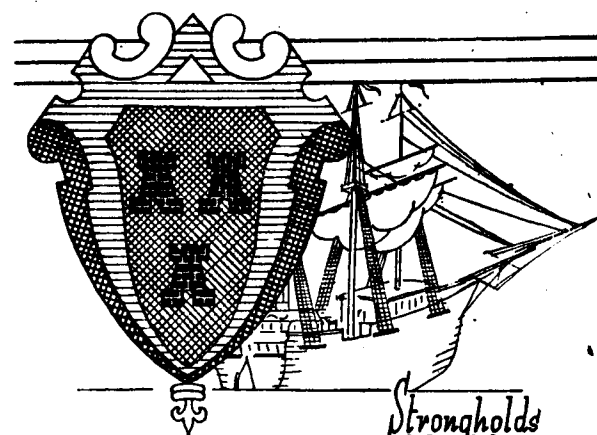
This seemingly paradoxical question will receive a very definite answer when aviation discards its battle dress to serve industrial and civil air transport needs. For instance, "a penny a pound to Paris" may prove to be an economically possible freight rate. Other fixed distance rates may be relatively as low... "Bristol" are planning for such possibilities... planning aircraft and engines to enable fares and freight rates to be kept to a popular minimum.



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THE BUSINESS WORLD

The Reallocation of Labour

THE process of total mobilisation for war in this country, though slow and painful, was steady, and the recent absence of complaints about the working of the production machine, which was under constant fire throughout 1942, is as great a tribute, although a negative one, to its success, as the very tangible figures of output quoted in the White Paper on the War Effort. Important lessons were learned during the process of mobilisation, and the authorities are determined to see that they are applied in the even more critical period that will attend demobilisation. The first is the need for close and constant consultation with the representatives of employers and workers. The second is the importance of maintaining close contact in planning and operation between all the departments concerned, both at headquarters and at the regional level. The third lesson is the need for the sympathetic and human handling of labour. Raw materials, machine tools and factory space, can be treated as administrative problems, but the allocation of men and women to the jobs where they will be utilised to the maximum advantage is far more complex.

It is too early at this stage to talk about "demobilisation" or even "reconversion," for production for military requirements necessarily has overriding priority, and there is little margin of industrial capacity which can be released for non-military purposes. But the margin is growing, and the con-

tinual changes in the production programme mean that increasing supplies of labour are becoming available for other types of production. The procedure for transferring and reallocating the workers who are released as a result of programme changes—who, to use the horrible official phrase, become "redundant"—is carefully thought out by the departments, and most especially by the Ministry of Labour, upon which the main brunt of action falls.

It is worth describing how these programme changes are effected in practice, for they provide a useful pattern of the operation of a planned wartime economy. Strategic decisions reached by inter-Allied conferences at the highest level have to be translated into terms of production. A decision, for instance, to increase the weight of the offensive against Japan will require a greater output of certain types of jungle and tropical equipment, and a corresponding reorientation of production; or it might be decided that a particular type of weapon had reached saturation point, and this would entail a drastic curtailment of its production. Productive resources, especially manpower, have to be highly flexible, to accord with strategic requirements. All this may sound very obvious, but it is perhaps not sufficiently realised by the individual men and women in the workshop that their efforts are the direct result of decisions at the very highest level, which have seeped down through a series of departments, or that the conclusions reached at Teheran have their effect on life at Tadcaster.

be described as the counterpart, at the regional level, of the Programmes Review Committee at the top.

The final cog in the machine is the Employment Exchange, which has the task of placing workers in new employment. For workers who are transferred nearer their homes, the Exchange arranges the details of the transfer, leaving the Exchange in the home area to do the actual placing.

In selecting individuals for release, the Ministry of Labour pursues certain guiding principles, which have been laid down in the White Paper on the Reallocation of manpower between civilian employments. Wherever possible, the aim is to secure volunteers, but in cases of redundancy the first to be removed are men below 35 years of age, who are needed for the Forces, and who will make an important contribution towards the 250,000 men still required by the Army. Workers who have been away from home for three years or more are given priority of release, if they can be re-employed in their home areas. The three-year rule, however, is not sacrosanct, and workers whose skill is urgently required in industries where the labour force has run down, or which are scheduled as priorities, such as cotton, are encouraged to volunteer. Then a certain number of workers may be selected to fill vacancies in work of high priority. Should there not be enough releases covered by these categories, the remainder will be nominated by the employers in accordance with industrial agreements. At every stage in the proceedings, human factors are taken into account, and insistence is laid on the point that no list of redundant workers, prepared by the management, will be accepted by the Ministry of Labour, unless it has been agreed with the workers' representatives.

The worker has the right of appeal against transference, but it would seem that comparatively few workers exercise their right. In one case, involving the transfer of 1,800 workers, 50 appeals were lodged, three of which were upheld. In another factory, about 6,000 workers have been released since 1943, always in agreement with the workers' representatives and under a special procedure whereby such factors as length of service with the firm, ability and time-keeping record are taken into account. In every case, it can be stated, the smoothness of the transfer is in direct relation to the degree of consultation with the workers.

The machinery for the reallocation of labour has obviously been worked out very carefully on paper, and, so far, it seems to be working remarkably smoothly. A great deal depends on the initial planning of programme cuts, so that they fall in areas where labour can readily be absorbed. In the Midlands district, for example, there is a perpetual shortage of labour, and "redundancy" in the sense that a worker is likely to be unemployed for any length of time is not anticipated. The average length of time in the Midlands which a redundant worker spends before re-absorption is said to be only three to four days, and at one factory 900 workers who became redundant were all re-settled within ten days. In one district, out of 70,000 workers on the books of an Employment Exchange, only 25 men were unemployed (most of whom were classified as "unemployable"), while no women were out of work. The Midlands has been a large importer of labour, but so far few of the imported workers have returned to their home areas, and the majority have simply been transferred to other work in the district. The position will obviously be less easy in regions, such as the Development Areas, where there is less diversification of employment, and where industry is not so highly concentrated as in the Midlands.

Apart from the purely physical difficulties of reallocation, there are many human and personal problems, which the machine, however well oiled, cannot solve, though it may minimise friction. The Ministry of Labour is subjected to what may be termed a three-way pull; there is its own desire to concentrate mobile workers in the most essential sectors of war production, and to leave the older and immobile workers and part-time workers where they are, while the individual firm naturally seeks to keep the workers who are most efficient, irrespective of their mobility, and the workers themselves prefer to work in their own trade near their homes. The views of workers and employers may conflict, and it is sometimes alleged by the workers that the employers try to get rid of active shop stewards, though both sides may unite to resist the Ministry's pressure.

The greatest difficulty in reallocation, however, arises from the point of view of the transferred worker, who finds that he is being sent from a highly-paid to a less well paid occupation. Many workers in the Midlands are earning on

the average £10 to £12 a week, in munitions factories, for work involving no very high degree of skill, and they naturally resist transference to jobs which may be more arduous and are worth £6 to £7 a week, or less. The cotton industry, for instance, has a high priority, but in addition to wage differentiations, many ex-cotton operatives who have grown accustomed to working in modern, well-lit and well-equipped Royal Ordnance Factories or munition works, may find conditions and welfare arrangements in cotton mills very primitive by contrast.

The testing time for the machinery will come when any large-scale transfers of labour are contemplated. So long as the period between two jobs is short, comparatively few difficulties need arise. But if redundancy were to lead to any prolongation of unemployment, the difference between the level of munitions earnings and unemployment benefit would be so wide, that trouble might occur. It is this fear of prolonged unemployment, which many people have experienced at least twice in their life-times, that is causing considerable concern among the workers who find that their labour is no longer required on war orders, a concern which no amount of humane administration can allay. So far, operations have been on a limited scale, and the transfers have been mainly from one type of war production to another. The progressive slowing down of war contracts as the war draws to its close will involve more substantial reallocations both in quantity and quality.

The Board of Trade will largely be responsible for the reconversion of industry, and as Mr Dalton has stated, the chairmanship of the Regional Boards is likely to pass from the hands of the Ministry of Production to the Board's Controllers. Their task will be a formidable one, and it is essential that they show resilience and co-operate with other departments, particularly the Ministry of Labour, when the time comes for the enlargement of their activities. So far, there have been few concrete signs of planning for the switch-over, apart from certain rather vague generalisations about exports and housing priorities. It is satisfactory to know that the machinery is there, and is working reasonably well in the initial period of change, but it would be more reassuring to know that there is also a detailed policy for the later stages.

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1900	100	£11,253,000
1944	265	£55,017,179

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From the level of War Cabinet or Chiefs of Staff, a programme change is passed on to the Production Directorate of the Supply Department concerned, which decides where the increase or reductions in production shall fall. These changes are then examined by the Programmes Review Committee, which consists of representatives of the department concerned in the change, the Ministry of Production, the Ministry of Labour, and the Board of Trade. In this review, the chief concern of the Ministry of Production is to secure that industrial resources are properly used, and that the type of capacity released is suitable for other important war uses. The Ministry of Labour tries to ensure that cuts are made in their "scarlet" areas, where labour is in short supply, and where redundant workers can rapidly be absorbed into other production. The Board of Trade at this stage is very much in the position of Lazarus at Dives' table, waiting for the crumbs of labour which could be used for civilian production.

The Programmes Review Committee transmits its decisions to the Ministry of Production's Regional Boards for execution. It is their function to check the estimates made in Whitehall by their knowledge of the local state of affairs, and to inform the firms which are affected by the changes in production. Very great importance is attached to the need for giving the fullest possible explanation of the reasons for the changes to the workers' representatives, and ensuring their co-operation; the Joint Production Committee machinery provides an admirable channel for this purpose. Workers who understand the position are far less likely to object to transference than those who are merely informed that they must change their jobs, without being told why.

The actual release and re-allocation of labour is effected through the Ministry of Labour's District Manpower Boards. They send their Labour Supply Inspectors to visit the firms where cuts are to be made, and after consultation with both sides, to draw up a time-table for releases. In most cases these inspectors have been on the job for some years, and have earned the confidence of managements and workers alike; this is extremely necessary, for it is upon them that the difficult personal negotiations fall. Each week the Regional Board's Labour Supply Committee meets to review the releases and requirements. Its functions might

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ESTABLISHED 1833

Statement of Liabilities and Assets
December 31st, 1944

LIABILITIES

Capital paid up	£9,479,416
Reserve Fund	9,479,416
Current, Deposit and other Accounts	590,581,288
Liabilities for Acceptances, Endorsements, Engagements, etc.	10,777,147
	£620,317,247

ASSETS

Coin, Bank Notes and Balances with the Bank of England	£73,108,660
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	23,936,340
Money at Call and Short Notice	23,166,554
Bills Discounted	20,339,488
Treasury Deposit Receipts	214,000,000
Investments	133,776,404
Advances to Customers and other Accounts	114,502,138
Bank Premises	6,710,516
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	10,777,147
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American Farm Prosperity

(By Our New York Correspondent)

AGRICULTURE in this country has completed another amazing year. Its prosperity, as in the years preceding, is exerting a great influence upon the American economy and contains significant implications for the future. Though less than 20 per cent of the working population of the country is engaged in agriculture, the influence upon the economy is far greater than such a fraction indicates.

Agricultural production in 1944 has been very large. The following table compares it with earlier periods, according to recent official estimates:

	1944 as a % of:		
	1935-39 Average	1942	1943
Total food crops	132	106	114
Total food and livestock	141	112	102
Total food production	138	110	105
Total agricultural production	131	106	102

This record of very high production during the war years—an extraordinarily long period of time for continuously high output—has been in marked contrast with the previous war. During that period, both 1916 and 1917 brought short crops, and production rose only by something like 5 per cent from the average of pre-war years. Not a little of the economic contrast between the two wars—and probably in post-war consequences—will lie in the difference in the abundance of American agricultural output.

This production record has been accomplished with a diminishing labour force. The total number of persons employed in agriculture in 1943 was estimated at 8,300,000, as compared with 9,200,000 in 1939; the pull of urban war production jobs and of the armed forces accounts for the decline. Mechanical facilities have also declined, as new equipment has either been out of production, or produced in very limited amounts, while the stock of tools on farms at the beginning of the war has certainly deteriorated. The record output has been partly accomplished by greater efficiency and partly by unusually favourable weather.

This production record has made high levels of consumption possible, and this has presumably contributed not a little to the successful maintenance of industrial output needed for the conduct of the war. Civilian food consumption in the United States this year is estimated to be about as high as last year and some 7 per cent or more in excess of the average for 1935-39 on a *per capita* basis. The difference between the moderate increase in civilian consumption and the 38 per cent rise in production over the 1935-39 period has provided the large supplies which have gone to the armed forces, to Lend-Lease, and to relief. The "shortages" encountered by civilians occur only in a few individual items, or in certain localities, or as a consequence of trying to consume in amounts even more greatly in excess of pre-war levels.

Incomes and Debts

The high production, accompanied by a firm, or rising, price level, has meant very considerable agricultural prosperity. Farm income is at record levels, which, distributed over a smaller agricultural population, has meant very large *per capita* incomes relative to the past. The following table shows the significant items.

	FARM PRICES AND COSTS (1909-14=100)			
	Year 1940	Jan., 1943	Sept., 1943	Sept., 1944
Prices received by farmers	100	181	193	192
Prices paid by farmers, including taxes and interest	125	156	164	170
Parity ratio	80	116	118	114

Thus the volume of production, combined with price control, has kept the prices received by farmers virtually stable for a considerable time, though at a level nearly

double that of pre-war. The items which farmers buy have, however, continued a slow rise. The ratio of prices received to prices paid (a ratio equal to that of the five years preceding the last war, widely known as "parity," is the avowed objective of national policy) remains favourable to the farmers, though showing a slight decline during recent months.

This prosperous condition of American agriculture has resulted in rising farm land prices, which on July 1, 1944, were estimated to be 42 per cent above the average for 1935-39—and much higher in some regions. The volume of farm land sales in the 12 months ended last spring was the highest on record, exceeding the 1919 peak by some 10 per cent, though there has been some slackening of the volume of sales during the summer. Farms taken over in distress by institutions and by individual creditors during the depression have been substantially re-sold under these conditions.

Prosperity has permitted an almost continuous reduction in farm debt, even though some of the newly-bought farms are reported to be heavily mortgaged. Total farm indebtedness at the beginning of the year was less than \$6 billion, which was a decline of about \$1 billion in four years. Thus far, therefore, agricultural prosperity—or boom—does not appear to have affected the financial structure of the country to any significant degree.

Post-war Prospect

For some time fears were generally held that the latter stages of the war and the immediate peacetime years would be marked by a sizeable inflation of agricultural prices and values because of the prospective demand by consumers and the large cash accumulations available to finance it. While this fear is still held by some, apprehensions of the opposite order have been growing. The enormous production is now being increasingly seen as constituting a threat of major proportions to the post-war price and income level of the farmers. Both the domestic and the foreign market are now rather generally expected to shrink, while increased labour supply, more adequate machinery, and technological advances are seen as sustaining and perhaps tending to increase output—unless another prolonged cycle of adverse weather such as occurred in the thirties should recur.

A series of defences have accordingly been erected and more are now being demanded. According to a summary by the National City Bank: "Some 40 farm commodities have price supports in one form or another for the 1944 crops, and about 20 are also assured of price support after the war; and six 'basic crops' will be supported indefinitely and some 14 'war crops' for at least two full crop years after both wars are over. The post-war commitment is to support prices at 90 per cent of parity and during the war the commitments are substantially higher." A study by the Interstate Commerce Commission estimates that about 64 per cent of farm income arises from the group of commodities protected by provisions for support for two full years after the war. And in addition, the Surplus Property Act, which has just become law, permits the Government to sell farm commodities for export at prices below the domestic level with the Government taking the loss—in other words, dumping. These statutory measures already enacted were supplemented during the Presidential campaign by categorical declarations by both contestants and parties to the effect that agriculture would be kept prosperous.

The portent of this situation for the future is obviously very great. Unless the cornucopian output of agriculture can be absorbed at or close to present prices and without major agricultural readjustment, there is the very real threat of attempts by the United States to "dump" abroad and to engage in new large payments to farmers at the cost of what will be probably a strained budget at home. And yet whether even "full employment" will provide a demand large enough to absorb the output at home seems questionable.

Business Notes

Flexible Control of Machine Tools

On February 1st the Machine Tool Control initiated an interesting experiment in flexible control. In future, prospective buyers of metal-working machine tools will no longer require a purchase certificate before placing an order and manufacturers will be free to accept orders. Moreover, a free market is to be restored by the suspension of statutory price control. This relaxation of control, however, is subject to these conditions:

First, the Machine Tool Control will continue to require detailed information from manufacturers about the acceptance and completion of orders. The Control will thus be in a position to keep an eye on the industry, on changes in output and in the volume of orders on hand.

Secondly, a limited number of types will remain subject to full control, that is to say manufacturers will only be able to accept orders for them on approval by the Control. The only, though important, difference from previous practice is that the application for a certificate will have to be made by the manufacturer instead of by the prospective purchaser.

Thirdly, the Machine Tool Control will retain full powers of control under the Control of Machine Tools (No. 1) Order. It will thus be in a position to restore full control over orders and prices or, alternatively, to relax control still further. It will be able to reduce, or add to, the list of tools that can only be supplied upon the approval of applications made by manufacturers.

In short, the Machine Tool Control is making an attempt at combining a measure of supervision with as much freedom as possible in the market for new machine tools. It is an experiment that, if successful, may well be of wider application.

Post-War Problems

The machine tool industry is not one that can be left to itself completely even after the war. (During the war the industry supplied 73 per cent of British needs; of the remainder, 14½ per cent were purchased for cash in the United States and 12½ per cent were supplied on Lend-Lease terms.) It will have to play a key rôle in the modernisation of Great Britain's productive processes, and it should contribute substantially to the expansion in the export trade; both are vital British needs. The industry should, therefore, be brought to the highest possible degree of efficiency as a matter of public interest.

If the Government were to disinterest itself completely at the end of the war, the industry would be faced with the prospect of a declining and fluctuating demand, arising from the existence of large numbers of second-hand tools that cannot be immediately absorbed. It would be subject to financial losses and hazards that might seriously prejudice its future.

The Government, in fact, will probably be compelled to take a hand in the financing of the surplus until it is liquidated. This does not mean that the addition to this surplus by the Government's purchase, for \$31,500,000, of 58,000 machine tools supplied by the United States on Lend-Lease terms was bad business. On the contrary, the pool of tools that will be available after the war will assist greatly in the replacement of worn-out tools and in the modernisation of industry. A proportion of them may also be available for export to countries that are badly short of tools—it would be interesting to know whether there are any restrictions on the disposal of the machines originally supplied on Lend-Lease terms.

The financing of surpluses is one way in which the Government can protect the machine tool industry from post-war hazards. But the protection of the industry is not an end in itself; it should be a means to the end of achieving that degree of efficiency through technical rationalisation that is commensurate with its key position. Presumably, the Government, in its plans for the financing and disposal of surpluses, will leave the industry in no doubt about this condition.

Bankers and Industrial Finance

Some reference to the two new industrial finance companies was made at most of the banks' annual general meetings held this week. In each case a warm welcome was extended to the two new institutions, but stress was placed on the fact that they will merely supplement the existing capital market, and will not entrench in any way on the business that would normally be transacted by the banks. Apart from these generalities which were common to all the references to the new institutions, a few of the bankers chose to be more specific. The most interesting comment on the smaller of the two companies, the Industrial and Commercial Finance Corporation, which is to be owned and financed by the clearing banks, was made at the Midland Bank meeting, where it was suggested by Mr Sadd that its facilities to small or medium-sized businesses might in some cases take the form of participations in share capital. The larger institution, the Finance Corporation for Industry, was described by Mr Sadd as "designed for industrial reconstruction and rehabilitation on the grand scale."

At Lloyds Bank meeting, Lord Wardington admitted that in committing themselves to long-term participation in the new institutions, the banks were departing in some measure from principles that had carried British banking unscathed through many crises and depressions. But he justified the breach with tradition on a number of grounds. The first was that it would be "so small." The maximum participation of the banks in both institutions would only increase the ratio of advances to deposits by 3 per cent, and would hardly affect the position of extreme liquidity of the British banking system. Lord Wardington also advanced the argument that the special needs for capital after the war would call for special measures. However small or imaginary the "Macmillan gap" might have been in the years before the war, there could be little doubt that in the reconstruction period there would be an increased and more imperative demand for medium and long-term finance. If the banks were to play any part in meeting that demand, the extent of their commitments of this nature should not be left to conjecture but openly displayed, as it would be in the balance-sheets of the new companies. Lord Wardington also made the point that the successful working of the companies would depend on the quality of their management.

Oil Refining in Britain

On Wednesday Lady Apsley asked the Minister of Fuel and Power in the House of Commons if it had been decided, in order to economise foreign exchange and on strategic grounds, to establish an oil-refinery industry in this country after the war. Major Lloyd George replied that "a substantial oil refinery industry already exists in this country," and that "the question of post-war expansion is kept under review."

If anything, Lady Apsley did not sufficiently emphasise the importance of the issue. On the economic side, the issue is not merely one of economising foreign exchange, but whether Great Britain is to participate on a large scale in an industry whose by-products form the basis of an important and growing chemical industry, and one in which productivity is relatively high.

But if Lady Apsley understated her case, the reply of the Minister of Fuel and Power was unencouraging. In referring to the existence of a *substantial* refinery industry he might easily give the impression, by implication, that Great Britain already has a solid footing in the industry, and that there is nothing to get excited about. Great Britain's refinery capacity had remained almost unchanged during the pre-war decade at about 2½ million tons per annum; three-fifths of its output before the war, moreover, consisted of asphalt and fuel oil. Consumption of oil products, on the other hand, rose from about 8 million tons to more than 11 million during the pre-war decade. A good deal of the existing refining capacity, moreover, is hardly in line with modern practice. Major Lloyd George was making light of an issue that is of vital importance to the future of this country.

Tinplate Proposals

A statement which Mr Hugh Dalton was to have made on a visit to South Wales carries one short step forward the story of the organisation of the tinplate industry in that area. It is now officially stated that the new hot strip mill is to be erected at Port Talbot and at least one new cold reduction plant is expected to be situated at Llanelly. It is further stated that Richard Thomas-Baldwins and Guest, Keen and Nettlefolds—already associated with Baldwins-Britton Ferry and the Llanelly Steel Company—are to collaborate in the erection of the hot strip mill. It is apparently intended that the considerable number of small owners of old hand tinplate mills shall, in part at least, amalgamate to run some or all of the new cold reduction plants required to deal with the output of the hot strip mill. No complaint can necessarily be made to the siting of the factories so far suggested, but it is less clear that the method of setting up the new section of the industry is satisfactory.

It is evident that the industry is to be highly cartelised, and it seems that many of those who will be associated in the management of some of the units at least will be precisely those people who have allowed the industry to reach a state in which it is completely incapable of production of a quality or at a price which is reasonable in the context of present-day technique. The sole exception to this generalisation is that the new plant of Richard Thomas at Ebbw Vale—the main credit for which must lie with Sir William Firth—was at the time of its erection reasonably up to date, although much handicapped on costs both by its site—changed at the instance of the Government—and by the insistence of labour on the employment of an unnecessarily large personnel.

While in the matter of siting there is improvement, it seems only too probable that other causes of unnecessarily high prices will exist, not the least of which may be the compensation to be paid to firms whose plant is put out of business. The principle of compensation as the price of agreement seems likely to play a large part in the organisation of post-war industry. It is difficult to see how this can fail to raise prices above what they would otherwise be, and, if the country considers this desirable for non-economic reasons, it is entitled to be fully informed of the amounts of compensation paid.

Shortage of Hard Fibres

The Government-owned United States Commercial Company, following an arrangement with the provisional Philippine Government, has begun a drive to ship hard-hemp from the Philippine areas in American hands in the largest quantities and with the greatest speed possible. Before the war, Philippine exports of hard-hemp, chiefly Manila-hemp, were between 150,000 and 200,000 tons, but it is unlikely that more than a fraction of this amount can be exported for some time. Under Japanese occupation some plantations have been used for other agricultural produce, others neglected, and all of them were short of equipment—a particularly serious matter, for hard-hemp plantations require more equipment in the way of field railways and leaf-crushing and fibre-extraction plants than any other plantation industry. The Ministry of Supply's East African sisal bulk purchase agreement, to go on for two years after the end of the Japanese war, suggests that Philippine shipments will not adequately solve the supply problem.

Hard-hemp needed for marine tows, cordage and similar essential products, is one of the few raw materials of which the United Nations are critically short. East African production now exceeds the pre-war peak of 130,000 tons per annum, and in Mexico, Henequén hemp production has been encouraging. Experiments in some African areas and Central America have occasionally been successful, but their contribution to supplies is so far small. Unfortunately, American plans for hard-hemp production have proved over-ambitious, and the 1943 acreage fell short by 24,300 acres of the programme to plant 300,000 acres for fibre and 50,000 for seed. In 1944 it was reduced to 73,600 acres, and the scheme has now been virtually discontinued.

Current production of hard-hemp at the disposal of the United Nations is well below pre-war supplies. Apart from Philippine sources, some 90,000 tons of sisal a year used to come from the Dutch East Indies. Current demand for hard-hemp for war purposes is probably larger than the largest pre-war commercial demand, so that a substantial margin between supplies and requirements has to be faced.

North-East Development

The views of industry on the Government's White Paper on Employment Policy are of very great interest, particularly when they come from a Development Area, because the proposals for the location of industry form an important part of the White Paper. A memorandum issued this week by the Northern Industrial Group is one such example of "trying it on the dog." The Group, which consists of employers and trade union representatives, in their individual capacity, was formed in 1943, in order to promote industrial development in the North-east region, to co-ordinate local planning activities and to provide the Government with the information to assist them in the formulation of any plans for the area. It is an adjunct of a much wider body, the North-East Development Association, which includes representatives of local authorities, Chambers of Commerce and Development Boards, as well as of industry.

The Group's memorandum welcomes the recognition of Government responsibility for the former Special Areas, but seeks guidance and clarification on a number of points left vague in the White Paper. For example, it asks what the Government's intentions are in regard to the transfer of labour; whether measures are proposed for helping industries secure markets overseas; what is the scope of the "negative licensing" by which it is proposed to influence the location of industry, and to what extent assistance will be available for financing public works schemes to improve the amenities and communications of the area. Among the specific recommendations put forward are proposals that a single agency should be set up to act on behalf of the Government in the letting or management of Government factories and buildings, while a regional organisation, on a wider basis than the Production Regional Board, should deal with the reconversion of industry. The greatest stress, however, is laid on the need for new factory building. For historical and other reasons, the North East area has very few modern factories, and as a first step towards its development, the Group urges that building labour and materials should be released to make good the deficiencies, and should if necessary be given priority over the housing programme.

It may be that the answers to many of the Group's queries will have to wait until Mr Dalton introduces his promised legislation for the Development Areas. But it is to be hoped that there will be no undue delay. The problems of the North East are fundamentally the same as those of Scotland or South Wales, and the concern for the future of the former Special Areas is very understandable.

An Austin Surprise

A particularly striking case of the rather more liberal policy which a number of boards are showing with regard to equity dividends is provided by the Austin Motor Company. After paying 10 per cent in each of the four complete war years, the directors announced a payment of the same dividend and a cash bonus of equal amount in respect of the year to July last. For the preceding year the company had paid EPT for the first time, and the earnings for the ordinary and "A" shares were 53.3 per cent before charging £200,000 for deferred repairs. On the same basis the average earnings for the four war years were 49.1 per cent, or slightly under 20 per cent after charging this item. In the four years to July, 1938, the yearly dividend, on substantially the same capital, was 50 per cent, and the average equity earnings 71.5 per cent. The capital of the company is highly geared, and the amount necessary to pay the difference in dividend comparatively modest. That earnings have been so low of late appear to be due to special appropriations out of taxed earnings.

The board had already announced that the accounts for 1943-44 would not be presented until those for the current year are available, and no statement of profits accompanied the dividend announcement. In conformity with the requirements of the Stock Exchange Committee, profit figures should have been provided, and in the circumstances the jobbers in this market suspended dealings until such time as the profit statement was produced. The action was unofficial, and this may explain why one or more of the provincial exchanges continued dealings. All substantial business was, however, suspended until afternoon when the company produced a statement.

This explained that there was every probability that profits would bear EPT in 1943-44, and that the net sum would be little different from that of the preceding year. It was further

disclosed that the net amount available for dividends and reserves would exceed £150,000. No comparative figure for 1942-43 was given, and it is not clear whether this compares with £127,000 or with a debit of £73,000. The jobbers, however, considered the statement sufficiently informative to permit the resumption of business. Business was done on the basis of 32s. 6d. for the "A" shares at which the yield on the increased distribution is slightly over 3 per cent subject to tax.

Towards Rubber Regulation

A statement on the discussions of the International Rubber Study Group in Washington last week shows that, despite the fact that it is prevented from preparing regulation plans, its deliberations can lead to no other conclusion than that a rubber regulation scheme will be inescapable. The Group estimates that within three or four years after the liberation of the Far Eastern producing area, world production of crude rubber may rise to 1½ million tons a year, compared with the peak output of 1.6 million tons in 1941. Synthetic production was less than 100,000 tons at the outbreak of war, and the Group estimates it may reach 1.3 million tons by the end of the war.

On the other hand, the Group puts world consumption of both crude and synthetic rubber at 1½ million tons, even on the assumption of a high rate of industrial activity, and including "banked-up demand." This figure is some 300,000 tons above the record consumption of 1941. Unless new uses for rubber are discovered, regulation will be essential until the long-term upward trend of rubber consumption (about which the Study Group is optimistic) catches up with supply. A temporary control scheme may, therefore, be necessary. Any such scheme should not only be of definite and short duration, with a sliding scale to ensure its gradual relaxation, but be operated by an international Government agency, and not by the producers themselves.

Milk and Beef

Milk production is, naturally and rightly, much more important than beef production in this country. The profitability of dairying has depended traditionally quite as much upon the accessibility as upon the suitability of any land, with the result that farms in the vicinity of large urban centres have been able to engage in much more intensive milk production. This fact also explains why good beef is grown only in areas which are inaccessible to the milk market. In other areas, beef is mainly obtainable—sometimes as a side-line—from dual purpose herds.

The widespread breeding of dual-purpose cattle, a practice which is found in few other countries, has been severely criticised recently in a paper read to the Farmers' Club by Mr Everall, who claims that this practice is one of the reasons for the low quality of British commercial cattle. There can be little doubt that the most profitable alternative to a dual-purpose herd is a single-purpose dairy herd; and the rising demand for milk may anyhow effect some transition in this direction. More British milk must mean less British beef, but farmers in comparatively remote areas might find that, if prices become adjusted in favour of quality, it was better to concentrate simply on growing good beef.

But neither milk nor beef will improve in quality without deliberate Government action. It is only too true that the British farmer has shown in the past a regrettable lack of interest in British pedigree stock, which has often been sold to overseas producers. Mr Hudson has recently taken positive measures to upgrade the standard of British herds. But the most effective way to improve the quality of British milk and beef is through further readjusting of subsidies in favour of products of guaranteed high quality and, in the case of milk, safety. Such a policy cannot, of course, be carried out while the war lasts, and its use in peacetime is limited by the necessity of keeping down prices.

The New Herring Industry Board

The Herring Industry Act of August, 1944, reconstituted the Herring Industry Board, and gave it new and wider powers over the industry, including the granting of loans, the purchase of boats and equipment for charter to fishermen, and the promotion of refrigeration and of the processing of herrings. The Act was in a sense a piece

of post-war rehabilitation, but it was understood that work would be begun before the war ended towards carrying out part of its provisions. The Board itself was appointed in August and it has discussed with the departments concerned plans for the 1945 fishing season, as well as long-term schemes.

An Order (SR and O, 1945, No. 74), just published, defines the Board's immediate powers and restores some provisions of the Herring Industry Acts, 1935 and 1938. Wartime regulations of the Ministry of Food and of the departments concerned with fisheries make it necessary to qualify the Board's functions relating, for example, to the regulation of production and distribution. While the Defence Regulations continue in force, anything the Board does in these matters will be subject to the consent of the departments concerned with fisheries. Where the wartime functions of the Ministries prevent the immediate restoration of the Board's powers, the Board is gaining valuable experience for the future by working in association with the Ministries.

The immediate tasks before the Board include the preparation of schemes to buy boats for charter and to make loans to returning fishermen. Research into herring preservation by freezing, and into boat design, is expected to begin this year. The history of the herring industry between the wars is a long lesson that prosperity can only be won back if the measures on the agenda of the Herring Industry Board are energetically carried out. The Board's activities will be welcomed by all concerned in the industry.

Precious Potatoes

Potatoes have been looked upon as an "insurance" crop during the war. Whatever other foods might be scarce, there would always be enough potatoes to ease pangs of hunger. That was the official policy. Potatoes are the only food in which this country is completely self-supporting. Their acreage has more than doubled since the war began; consumption has risen steadily, from a pre-war average of 3.40 lb. per head per week to 5.25 lb. in 1943. Last year consumption was nearly 3 lb. per head per week higher than in the United States.

The last potato crop was not as good as in previous years, in quantity or quality; but the greater part of the blame for the present shortage can be put, according to the Government, on the weather. As in the case of fuel, the Government does not appear to have provided for such an abnormally cold winter. At any rate, supplies may be expected to improve with the weather.

Wherever the fault lies, the Ministry of Food, which was successful in persuading people to eat more potatoes instead of bread and flour, now has to reverse the process. One of the recipes in the recent "Food Facts," headed "Potatoes are Precious," is for the odd-sounding "popover," which not only requires flour, but has to be baked in an oven, thereby using more fuel. Since the potato shortage involves an additional consumption of flour, it might have been better not to lower the extraction rate of flour early last month.

Diamond Group and Sherman Act

Nine companies producing and selling some 95 per cent of the world output of diamonds, are to be charged before the US district court of New York under the Sherman Anti-Trust Act and the Wilson Tariff Act. The charge is "conspiring to restrain and monopolise the foreign trade of the United States in gem and industrial diamonds" and special stress is laid on the effect of an alleged restraint of business in industrial diamonds upon the war effort. This is not a new claim and the diamond group has already stated more than once that it does not restrict supplies and

— 35/- per cent per annum —

is the present Interim Bonus rate on Whole Life policies. The rate on Endowment Assurances ranges from 25/- per annum for maturity age 50, to 35/- per annum for maturity age 70.

NATIONAL PROVIDENT INSTITUTION
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Next Valuation - 31st December 1945

that the price structure for industrial diamonds is very moderate.

It is possible to advance arguments in favour of maintaining the value of gem stones in the interest of those who hold them, but it is very doubtful whether this can be held to serve the general interest, which ought to be the deciding factor. It is quite certain that industrial diamonds ought to be freely available at prices which give no more than a reasonable return. The assessment of what is a reasonable return may present substantial difficulties to the extent that industrial and gem stones are produced from the same deposits. It will be interesting to see what evidence the diamond group can produce, but even if the case is carried against them it is difficult to see how any action taken by one country, even by so large a consumer as the USA, can be fully effective unless other countries co-operate—and of such co-operation there is little or no evidence.

Larger Notes to Go

The authorities' war on Bank of England notes of the larger denominations—£10 and upward—has been taken a step farther by an Order in Council, which extends to the Bank of England the power to recall all its notes. This power is now only held in respect of 10s. and £1 notes, and this by virtue of the Currency and Bank Notes Act of 1928. The Act gives the Bank of England the power to recall these notes which, not less than one month after the issue of the required notice, would cease to be legal tender (though they would remain the liability of the Bank of England). That power has not been exercised yet, but was taken as a normal precautionary measure.

It is unlikely, however, that last week's Order in Council would have been issued for no more than precautionary purposes. It will be recalled that in April, 1943, the Bank of England decided to suspend the issue of new notes of £10 and upward. This provides some indication about the way in which the new powers of the Bank are likely to be exercised. It is probable that when they become effective, the appropriate notice will be issued recalling notes of these higher denominations. There are many reasons why the authorities dislike these heavy-weight notes. The most important, as was stated by the Chancellor of the Exchequer this week, is that they provide a most convenient weapon in the hands of the evader of the exchange control regulations. Their potential for evil in this respect would be greatly increased if, after the war, the attempt were to be made to combine a maintenance of exchange control with a relaxation of postal censorship.

Subsidiary objects of the new regulation would be to reduce the ready acceptability, and, ultimately, the supply of large notes which have been doing much useful service to black market operators and income-tax evaders.

A final result of the recall of these larger notes will be to isolate still further the substantial quantities of such notes now held abroad. The desirability of this isolation is all the greater since recent years have seen numerous and, in some cases, passable attempts to forge large Bank of England notes. Protection against these forgeries will certainly be strengthened by depriving all notes of £10 and over of their legal tender attributes. It is unlikely that notes of £5 will be recalled in this way. They have become an essential part

of the circulation and the disappearance of their legal tender quality would inconvenience traders and farmers whose transactions are quite legitimately and, by virtue of long tradition, settled in cash.

"Limitations of Actions"

One of the legal problems brought by this, and every prolonged, war is that of dealing with the isolation of potential parties to legal actions, either because they are enemies or reside in territories divided by war. In this country the Limitations Act of 1939 prescribes a period of six years as the maximum within which actions must be brought if founded on simple contract or tort. As the war has passed its fifth anniversary the rights of would-be claimants are thus becoming imperilled.

This subject was referred to a Committee of Limitations and Bills of Exchange appointed by the Lord Chancellor; the Committee's recommendations have been published this week. The most important of these is that in the case of a cause of action to which one or other of the parties has at any time since September 3, 1939, been an enemy, or resided in enemy or enemy-occupied territory, the statutory period of limitation should be suspended during the time when that party continued to be such an enemy and twelve months thereafter. Otherwise the Committee recommend no general suspension of the periods of limitation or any amendment to the Bill of Exchange Act or other enactments relating to negotiable instruments, though some changes in the law may be necessary as a result of the Peace Treaty that will come later.

At the end of the last war the problem of the suspension of periods of limitation as between enemies was dealt with by the Versailles Treaty, which suspended all such limitations and decreed that they begin to run again at the earliest three months after the coming into force of the treaty. The problem has been greatly aggravated in this war by the extent of enemy occupation of Allied territories no less than by the longer duration of the war. Hence the need for new legislation.

Floating Debt in January

The monthly debt statement covering the four weeks ended January 27, 1945, shows that the net amount of £5,672,000 was raised by the creation of debt, other than for capital expenditure issues. Since the "tap" loans and other longer term issues brought in £172,502,000 during this period, the floating debt was compressed by £166,830,000.

Repayment of floating debt normally occurs at this period of the financial year when tax revenue is particularly heavy, but the size of last month's contraction is due not so much to the revenue factor as to a special operation of the National Debt Commissioners. This was one of the periodic investments of £120 million of funds held for account of the savings banks by the purchase of 3 per cent terminable annuities. As savings bank funds accumulate they are normally made available to the Government by ways and means advances pending their more permanent investment. Thus the £120 million subscription to 3 per cent terminable annuities is, on this occasion, accompanied by a fall of £98,440,000 in ways and means advances by public departments. During this period the Treasury also repaid the £59,250,000 of ways and means advances which were shown to be outstanding from the Bank of England on December 30, 1944. Treasury Deposit Receipts brought in a gross figure of £200 million, against which £195 million were redeemed. Of this last total, £34,500,000 was paid off before maturity to cover subscriptions to new Government issues.

The Cost of Living Index

The Ministry of Labour has recently republished in pamphlet form a note on its method of calculating the cost of living index. Since there is considerable pressure on the Government, especially from trade unions, to bring the index up to date, it is useful to restate the basis of its compilation.

The cost of living index was first introduced in the early stages of the last war, in order to "measure the average increase in the cost of maintaining unchanged the 1914 standard of living of the working-classes . . . irrespective

of whether or no such standard was adequate." It was based on the budgets of 1,944 urban working-class families collected by the Board of Trade in 1904, and weighted according to the proportions in expenditure going on the different items. Relatively few changes took place in the standard of living between 1904 and 1914; the Sumner Committee on the cost of living suggested in 1918 that the 1904 budgets could be regarded as sufficiently representative for 1914.

The index includes five main items: food, rent, clothing, fuel and light, and "other items." The weights for each group are as follows: food, 7½; rent, 2; clothing, 1½; fuel and light, 1; "other items," ½. The percentage increase ascertained for food prices is multiplied by 7½, that for rent by 2, and so on. The total of these calculations is divided by 12½ (the sum of the "weights"), and the effect is to obtain approximately the average percentage increase since 1914 in the cost of maintaining the standards of that date.

The present cost of living index stands at 102 per cent above the level of 1914 (the rise in food alone is 68 per cent), and, as Sir John Anderson recently stated in reply to a Parliamentary question, the total annual cost of subsidies needed to keep it at this level is about £218 million.

Even before the war it was recognised that the list of items and the weights in the index needed to be revised to correspond with changes in the standard of living. The Ministry of Labour conducted an inquiry into the expenditure of more than 10,000 households in 1937-8, which showed the proportionate changes in workers' expenditure between the different items in the index, and confirmed that a new scale of "weights" was required.

	Present Cost of Living Index	Ministry of Labour Budgets 1937-8
Rent and rates	16	13
Fuel	8	7½
Food	60	40
Clothing	12	9½
Other items	4	30
	100	100

The change in the proportion of expenditure on "other items," which includes such things as household equipment, tobacco, newspapers and entertainment, illustrates in striking fashion the unrepresentative character of the present index.

Action on the basis of the 1937-8 inquiry was postponed because of the war. It is true that prices and conditions now prevailing cannot in any way be regarded as normal, and it may legitimately be argued that with present restrictions on personal spending and shortages of consumer goods the present index is actually more representative than one based on 1937-8 consumption would be. Further, a revision now might place undue pressure on overworked staffs. But it is essential that the earliest possible opportunity should be taken to replace the 40-year-old index by one more representative of current working-class consumption.

Marine Insurance Review

The address by Mr C. E. P. Taylor, chairman of the Institute of London Underwriters, at the annual meeting on January 16th, contained an interesting review of developments in marine insurance during the past year and about the prospect. Dealing first with hull insurances, Mr Taylor expressed the view that the decision taken in the autumn to renew without alteration the present "understandings" was a wise one. The "understandings," it will be recalled, have the effect of stabilising rates at 37½ per cent above pre-war levels, with higher charges based on a sliding scale for risks showing an unfavourable experience over a period of three years. Mr Taylor was, therefore, in effect supporting the case against any reduction in rates at present, the reason he gave being the uncertain outlook as regards repair costs; another feature is that until the large amount of damage at present unrepaired has been reduced to normal proportions it is impossible for underwriters to determine whether present rates contain a margin or not. Speaking personally and not for the market, however, Mr Taylor thought that ship-owners might reasonably expect an adjustment in rates as soon as conditions return to normal.

As regards cargo insurances, Mr Taylor said that the combined marine surcharges—the surcharges which combine additional charges for the increased marine perils of wartime navigation with those for cover against transshipment, deviation and other risks provided for under wartime extension clauses—have afforded very considerable reductions to merchants and that the current schedule represents the maximum reductions which can be granted consistent with sound underwriting. In this connection he referred to the unfortunate recurrence of the theft and pilferage conditions which prevailed during and after the last war and reminded underwriters that the experience was at its worst immediately after the 1914-1918 conflict.

Two other points in Mr Taylor's address call for mention. First, he took the opportunity to deplore a suggestion made by two members of the marine market that British insurers should refuse to issue policies in currencies other than sterling; he emphasized, and rightly so, that to attract business the market must meet the needs of overseas policyholders as regards the currency to be used. Secondly, he suggested that rates should be quoted *net* and not subject to a discount of 10 per cent, as is the present practice. Certainly any measure which will simplify the calculation of premiums without involving any disadvantages is well worth the consideration of underwriters.

Shorter Notes

The Cotton Spinning Employers and the Operative Spinners' Amalgamation have been discussing the reorganisation of the structure of mule spinning wages for nearly two years. Agreement was reached last week. Big-piecers are to get an extra 10s. a week at 23 years of age, and little-piecers, cross-piecers and extra-piecers 11s. 6d. a week extra at 19 years. By raising wages, the employers hope to attract more labour, particularly juvenile labour, to the mills. Meanwhile the claim of all the cotton trade unions for a general wage rise is still under discussion.

The eleven clearing banks have now published their year-end balance-sheets. (A detailed statement for each bank, together with an analysis of the combined figures are given on pages 164 and 166.) The general trend of the figures was reviewed in *The Economist* last week on page 117, when figures for the "big seven" were available. The most interesting point brought out by the aggregate figures is the unusually high level of the cash ratio attained at the end of the year. A figure of 11 per cent has not been seen in the clearing bank statements since the end of 1940, and compares with a ratio of 10.47 per cent for the aggregate end of 1943 balance sheets. It would seem as though the banks had slightly overdone their windowdressing at the end of last year. The magnitude of these operations will only be measurable with the appearance of the till money data in the current month's Bank of England statistical summary. The high published cash ratio for the end of December, however, suggests that the windowdressing prior to the turn of 1944 must have been abnormally large.

CANADIAN CAR AND FOUNDRY COMPANY, LIMITED

Canadian Car and Foundry Company Limited reports good year. Financial statement year ending September 30, 1944, shows net profit available for Dividends of \$1,130,306 compared with \$832,241 previous year.

Common Stock earned \$1.52 compared with 68 cents in 1943. In addition 1944 refundable portion of excess profits tax equals 83 cents a share. Bank loan of \$3,500,000 was eliminated and net working capital increased by \$750,000 now totalling \$6,700,000.

President Victor M. Drury reports favourable prospects for capacity operations during 1945 in both Car Equipment and Aircraft Divisions. He comments: "Orders for railway equipment on the books, the great majority for export, will continue to keep Car and Steel Foundry Plants fully employed to the end of 1945."

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3%

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1975

- ★ Purchasable in multiples of £5
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COMPANY MEETINGS

MIDLAND BANK LIMITED

ANNUAL MEETING OF SHAREHOLDERS

The ordinary general meeting of shareholders of the Midland Bank Limited was held, on the 30th ultimo, at the head office, Poultry, London, E.C.2. Mr Stanley Christopherson (the chairman) presided.

The Chairman moved, and Sir Albert G. Stern (director) seconded, the adoption of the report of the directors and the audited statement of accounts for the year ended December 31, 1944, and the motion was carried unanimously.

Resolutions were carried authorising the payment on February 1st of a dividend of 8 per cent. actual, less income-tax, for the half-year to December 31st last; re-electing Sir H. Cassie Holden, Bt., and Lt.-Colonel Sir Albert G. Stern, K.B.E., C.M.G., as directors, and re-appointing Messrs Whinney, Smith and Whinney as auditors for the ensuing year.

On the motion of the Chairman, seconded by Lord Wigram (director), the meeting expressed its deepest sympathy with the relatives of those members of the staff who, during the past year, whilst serving in H.M. Forces, had lost their lives or been posted as missing or become prisoners, and of the civilian members of the staff who had lost their lives by enemy action, and recorded with deep regret the loss the bank had sustained.

THE TWO NEW COMPANIES

Asked for some indication of the bank's attitude towards the two post-war industrial finance companies the formation of which was recently announced, Mr C. T. A. Sadd (vice-chairman) said the bank had from the very outset welcomed the suggestion that steps should be taken, in co-operation with other parts of the financial system, to make good any gap that might exist in methods of providing post-war finance.

Continuing, he said both the proposed institutions are concerned essentially with the provision of middle- or long-term funds, and both therefore cover parts of the field which could hardly be brought within the range of direct bank advances. We are confident that these schemes should do great service for British industry and trade. With the full and unanimous approval of the directors we have pledged our whole-hearted support to the proposals and our continued co-operation in carrying them out; and we shall continue to give the most progressive and broad-minded consideration to all proposals coming to us for accommodation properly to be provided by a commercial bank, especially where through enterprise allied with integrity and good prospects they seem likely to contribute to the healthy expansion of industry and trade.

TRIBUTE TO LORD NORMAN

Before closing the meeting, the chairman referred to the change of leadership in the country's financial affairs. The position of the Governor of the Bank of England is, he said, unique. It was through him that the wishes of the Government were made known and through him that they made their ready response, in practical terms, to the guidance thus given in the interests of the country's business. Lord Norman had filled this position of vast responsibility with a distinction that provided constant evidence of great character and power of intellect, and the meeting agreed to send him a message of hope that he would long enjoy the happiness in retirement he had so richly earned.

The Chairman was also authorised to assure Lord Catto of the admiration felt for the outstanding qualities—not least that characteristic mixture of common sense and genius—that had brought him to his eminent position in the affairs of the nation and of the firm confidence and warmth of good-will with which the news of his appointment had been welcomed.

LLOYDS BANK LIMITED

POST-WAR FINANCING OF INDUSTRY

LORD WARDINGTON'S STATEMENT

The eighty-seventh ordinary general meeting of this bank was held, on the 2nd instant, at the head office, 71, Lombard Street, London.

The Chairman, the Rt. Hon. Lord Wardington, said: At the time when my annual address went into the printers' hands I was not in a position to make any reference to two important schemes for the post-war financing of industry which have since received the approval of His Majesty's Government as indicated by the Chancellor of the Exchequer in Parliament on January 23rd.

LONG TERM CREDIT FOR INDUSTRY

The announcement by the Chancellor of the Exchequer with regard to the second of the two new companies which it is proposed to form—The Industrial and Commercial Finance Corporation, Limited—stated so precisely its capital structure and borrowing powers, its purpose and function, the nature of the business it will carry on and the manner in which it will be controlled and managed, that I need not go over that ground again. You will, however, expect me to say something about the reasons and principles which have guided us in our discussions on this subject and have decided us to commit your bank to a participation in the new undertaking.

Let me say at once that in setting aside a portion of our funds for the provision of long-term credit for industry we have never for a moment forgotten our paramount duty to our shareholders and depositors of maintaining a sufficient liquidity in our assets. That is not a fetish which we set up and worship without reason. It is the strong foundation of the British banking system. One has only to recall the effect of the economic depression of 1929 and the following years to realise what a complete and convincing vindication it afforded of the inherent stability and strength of British banking policy. British banking was thoroughly and severely tested and by no means succeeded in isolating itself from the results of the depression, but at least we avoided the crippling losses which would undoubtedly have been sustained under the Continental banking system and, with the aid of our strong reserves, weathered a long and severe storm.

DECISION JUSTIFIED

But it may be objected that we are departing in some measure from these sound principles in committing our bank to a long-term participation in our new institution. This, of course, is partly true, but we believe it to be fully justifiable on several grounds, though only within certain limits.

In the first place, the amount of our participation is so small in relation to our total assets as hardly to affect the position of extreme liquidity to which I have already referred in my printed speech. If we took our maximum participation in the share capital of, and of loans to, the Industrial and Commercial Finance Corporation, Limited, our proportion of advances to our deposits would only be increased by slightly less than 3 per cent. It is also pertinent to remember that, even under the strictest application of banking principles when our advances are granted on a payable or demand basis, they frequently extend in practice over considerable periods. Nor, if viewed in relation to our capital, reserve and inner reserves need the amount cause us the slightest anxiety. There may indeed be some who feel that the capital and borrowing powers of the company might well have been larger, but on the other hand experience may show that we have, in fact, over-estimated rather than under-estimated the maximum possible demands for this type of business.

In the second place, whatever views may

be held about the reality or importance of the Macmillan gap in the years before the war, there can be little doubt that in the reconstruction period there will be an increased and more imperative demand for medium and long-term finance. This demand must be met if the business of our country is to prosper. Not only must the demand be met, but it must be seen to be met. It is, moreover, highly desirable in my opinion that the extent to which medium and long-term advances are being provided out of short-term banking deposits should not be left to conjecture but openly displayed. This will be clearly shown in the balance-sheets of the companies. Those are two important reasons for launching the new company to supplement the work of other institutions in fulfilling this national need. With its large resources and strong financial sponsorship the new institution gives public assurance that, within the range which its operations are intended to cover, no business which has economic justification and which is well managed and credit-worthy need find its rehabilitation and further progress hampered for want of the necessary financial resources.

MANAGEMENT OF THE COMPANY

Let me add this—that the successful working of the company must depend upon its management. We hope that it will attract the services of an enlightened and experienced board of directors who will administer the funds which we shall place at their disposal, not rashly or in too adventurous a spirit, still less with too strict a regard for absolute safety, but with as much measure of imagination and judgment as will fulfil the objects for which the company has been founded.

The first company to which the Chancellor referred—The Finance Corporation for Industry, Limited—will be complementary to our own company, and is intended to facilitate the provision of capital for large businesses in the post-war period. The credit which this company will make available to industry is of a type which we should normally afford to our customers by way of temporary accommodation pending a public issue of stock. However, until the time arrives when the investment market can be freely opened to new commercial issues, it is perhaps as well that a specialised institution for this class of business should have been brought into existence under such strong auspices. You will, I am sure, agree with me that a financial institution with a capital of £25 millions, called or callable, subscribed by the Bank of England, a group of leading insurance companies and another group of leading investment trust companies must be regarded as a borrower of the highest rank. The only question to bankers, therefore, is, would an application for a loan be considered worthy of approval? Accordingly, we have had no hesitation in joining with the other clearing and Scottish banks in giving an assurance that when the company is in a position to transact business it can approach the banks with the knowledge that they will provide within reasonable limits the loan facilities which it will require. That is the extent of our commitment in connection with this company.

THE SMALL BORROWER

These two companies, it will be observed, cover the whole range of medium and long-term advances to industry, with the exception of those borrowers whose requirements are less than £5,000. They will be catered for by their own bankers in the same spirit which has animated the foundation of the two new institutions. In my address last year I made some reference to the part which the banks would be anxious to play in the great tasks facing the

country, and stated our intention of being more elastic in our view as to what constitutes a legitimate banking loan. We, in this bank, have already taken practical steps to this end by enlarging the discretionary powers of our managers and by the instructions we have laid down for the guidance of our advance department.

There is one other small matter to which I had not intended to refer, but as it appears still to excite the curiosity of some sections of the public, and as other bank chairmen have mentioned it either by inference, or directly, it may be of interest to state that we are some way remote from any liability for Excess Profits Tax.

As I explained in my address to you two years ago, it is an interesting amusement to try and calculate the possible liability of banks to Excess Profits Tax, but not altogether a profitable one, as without knowing the amount of the standard profit, or the many adjustments required by the tax authorities, it is quite hopeless to make anything but a more or less intelligent guess.

The report and accounts were adopted and the usual business transacted.

TECALEMIT, LIMITED

MANAGING DIRECTOR'S STATEMENT

The tenth annual general meeting of Tecalemit, Limited, was held in London on the 31st ultimo.

The managing director, Mr W. J. Parolow, said:

Ladies and Gentlemen: Your chairman, Mr S. G. Gates, C.B.E., is at present in America engaged on the furtherance of the Company's business, and he expects to proceed to Australia to visit our plant there. At his request, therefore, I am submitting to you the directors' report and statement of accounts for the year ended July 31, 1944.

Before coming to the other business of the meeting I should like to introduce to you the two new directors whom the board co-opted during the past year and who now offer themselves for election in conformity with the Company's Articles of Association. Mr E. G. Taylor, who has been on the sales side of the company's business for seventeen years, is proposed as sales director. And Mr C. S. Le Clair, who has filled the post of chief engineer for the last seven years, is proposed for the position of technical director. Both gentlemen have demonstrated their ability in high executive positions and will unquestionably prove valuable additions to the board.

During the year under review both our London and Scottish factories operated by the Coventry Repetition Company, Limited, have been working to full capacity. Measured in terms of volume their output over this period has been at least the equivalent of the previous year's output, but the continued upward trend of operating costs combined with downward price revision of certain Government contracts, has resulted in a reduced gross profit. Net profit, however, has shown a slight increase at £97,958, as against £91,055.

The board recommends to the meeting the payment of a final dividend of 12 per cent. on the increased capital.

QUESTION OF NEW FRESH WORKING CAPITAL

Until the past year the company had acquired no fresh working capital for nearly ten years. As you may remember the chairman stating at the fifth ordinary general meeting, the question of making an offer of some of our unissued shares for subscription by shareholders was already under consideration in 1939, but was frustrated by the outbreak of war. Since then the company's activities have further expanded, rendering the provision of additional working capital even more necessary. Accordingly, application was made to the Capital Issues Committee early last year for leave to issue the balance of the company's authorised but unissued capital, amounting to 629,000 shares of 5s. each.

This application was granted in part only—to the extent of 342,750 shares, which were offered to shareholders at a price of 15s. per share, realising a total of £514,125. Despite this accretion of fresh capital, it is the board's view that your company is still somewhat under-capitalised for its activities, and this position may have to be rectified by a further issue of capital as and when leave is granted or ceases to be necessary. Meanwhile, the board recommends that the nominal capital of the company be increased from £500,000 to £750,000.

In accordance with the practice recently adopted by very many companies, the company's shares have been converted into stock. It is hoped by this means to eliminate much unnecessary clerical work.

BALANCE SHEET ITEMS

I now turn to the balance sheet. The issue of capital above referred to resulted in a share premium account of £171,375. From this we have written off the cost of the issue (£9,576), the premium on shares acquired in the Coventry Repetition Company (£20,000), and A.R.P. expenditure (£1,799). The balance of £140,000 has been carried to a capital reserve account.

The item freehold land and buildings has risen from £149,495 to £174,800. This is due to the exercise by the company during the year under review of its option to purchase the freehold land and factory buildings situated immediately opposite the company's main factory. This property, previously held by us on lease, occupies an area of approximately 80,000 sq. ft. with its frontage on the Great West Road. A substantial portion of it is yet unbuilt on.

Provision for taxation of £420,000 represents, as it did in last year's accounts, an estimate calculated to cover excess profits tax for the company and its subsidiary as well as income tax on profits earned up to July 31, 1944.

FRENCH AND UNITED STATES INTERESTS

The chairman has recently been to France and has visited the two factories operated by Tecalemit S.A. at Puteaux and Orly, in the neighbourhood of Paris. Both these factories have been fortunate enough to escape damage in the course of hostilities. Production is at present hampered by lack of electric power and raw materials, but we have every hope of eventually receiving a return from this investment which, in the uncertainty following the fall of France, we deemed it prudent to write down to the nominal figure of one pound.

During the last two months the chairman and Mr Le Clair have also visited the United States and have had an opportunity of studying the most recent developments in that country in the many fields in which your company is interested. In this connection, I am glad to say that we are assured of a continuance of our long-standing arrangement with the Stewart Warner Corporation of Chicago (Makers of Alemit equipment) under which the two companies exchange patents and technical information.

I shall not attempt to assess the company's peacetime prospects, but I will mention one fact which encourages the board to face the future with sober confidence. Our wartime products so closely resemble our peacetime standards that when the change-over becomes necessary it should be achieved without an appreciable pause.

TRIBUTE TO STAFF

The plant did not sustain any damage from the flying-bomb attacks, but I am sorry to say that a number of our employees lost their families or their homes in them. Nevertheless, despite danger, discomfort and fatigue they maintained an unflinching standard of production throughout the year. I am sure you will wish to join the board in expressing our admiration of their courage and endurance.

The report and accounts were unanimously adopted.

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED

INCREASED TURNOVER

The 80th ordinary general meeting of this company was held on the 30th ultimo in London, Mr Kenneth M. Carlisle (chairman and managing director) presiding.

The following is an extract from the chairman's statement circulated with the accounts:—The figure of profit carried to appropriation account is £401,173 in comparison with £274,031 in the previous year and, after transfer of £195,000 to taxation provision account, there remains a net balance of £206,173 against a comparable figure last year of £163,820. This year's profit of £206,173, with the addition of £178,499 brought forward from last year, leaves available for distribution a total of £384,672.

DIVIDEND POLICY

After payment of the preference interest and of the interim dividend paid in July last, it is proposed now to pay a final dividend free of income-tax of 6s. per £5 unit of ordinary stock, which, together with the interim dividend, will make a total of 8s., free of tax, per unit, the same as in the previous year. At the same time the carry forward will be raised to £199,672.

I indicated in 1940 that there was little likelihood, so far as could be foreseen, having regard to increasing demands of taxation and to the ceiling placed on profits through the operation of the Excess Profits Tax, that there could be any improvement in the rate of dividend so long as the conditions created by the war continued. Our policy has been during the war years to maintain the gross dividend at a stable rate, approximating to that ruling during the year when our standard for Excess Profits Tax purposes was established, and to appropriate whatever surplus there might be towards strengthening the resources of the company, having in mind the eventual necessity for deferred repairs, renewals, and re-equipment of plant which, when they can be undertaken after the cessation of hostilities, will be pressing, extensive and costly. Actually we have done rather better than foreseen, for the present rate of dividend is equivalent to 16 per cent. gross, whereas the 11 per cent. paid for the year 1936-37, with the income-tax then in force, equivalent to 14½ per cent.

Besides the heavy outlay on repairs, renewals and re-equipment which will have to be undertaken, there will be the rehabilitation of our Continental subsidiary companies which has to be borne closely in mind. These subsidiaries have in the past played an important part in our sales organisation, and it will be our aim and object to see that their businesses are once more set on their feet with as little delay as possible in order that the trade in their products, to which considerable popularity and goodwill are attached, may be recovered.

TRADING CONDITIONS

In the United Kingdom the year has again been favourable for trade in our proprietary products, and the volume of turnover, which has still further expanded, has been limited only by the availability of supplies. Conditions in our South American factories have been rather less propitious owing to a decline in the number of cattle available for slaughter, and the consequent increase in price which invariably accompanies heavy demand upon a market deficient in supplies.

Our farming companies have again enjoyed a prosperous year and have benefited from the considerable increase in the price of all grades and varieties of livestock; all the subsidiary companies engaged in livestock husbandry finished the year with balances well on the right side.

In Kenya and Rhodesia our plants were fully engaged to the extent of the cattle available and both subsidiary companies had a favourable year's trading to record.

TURNER AND NEWALL, LIMITED

HISTORY OF OPERATIONS

MR W. W. F. SHEPHERD'S STATEMENT

The annual general meeting of Turner and Newall, Limited, was held on Thursday, the 25th ultimo, in Manchester, Mr W. W. F. Shepherd, the chairman of the company, presiding.

The secretary, Mr John L. Collins, read the notice convening the meeting and the report of the auditors, Messrs Deloitte, Plender, Griffiths and Company.

A statement by the chairman had previously been circulated to the stockholders with the directors' report and balance-sheet.

TRIBUTE TO SIR SAMUEL TURNER

Mr Shepherd's statement began by referring to Sir Samuel Turner in the following manner:

On behalf of the board I wish to take this opportunity of paying a special tribute to the outstanding achievements of Sir Samuel Turner during his long career with this company and its predecessors. Sir Samuel, who, as you are aware, retired from the chairmanship of your board on September 30th last, joined the then family-owned business of Turner Brothers in 1896, and from then until the present time has been continuously engaged, first in learning the business, and later in applying his knowledge and great gifts to the development of its activities and the building up of its strength. To him, in outstanding degree, belongs the credit for the formation and consistent progress of the Turner and Newall Group, and while he would be the first to point out that others have contributed substantially, your board are convinced that Sir Samuel's vision, courage and leadership are largely responsible for the eminently satisfactory position of your undertaking to-day. It is typical of his outlook that, while still in full health and vigour, he has chosen to relinquish the lead to a younger man; but it is a matter of deep satisfaction to your board that he remains with us as deputy-chairman, and that his experience and mature judgment will still be available in our deliberations. If, at this point, I may for a moment be permitted a personal note, I would like to say that I am honoured to have been elected to succeed Sir Samuel as chairman. I have collaborated closely with him during the past 17 years, and venture to hope that I may prove to be a worthy successor.

The chairman's statement next dealt with the accounts of the company at some length and with the company's operations during the year under review both at home and abroad, and then referred to the recommendations by the board as to the final dividend of 8½ per cent. on the ordinary stock, after which the statement continued as follows:

Much has recently been said and written as to the alleged failure of private enterprise during this century, and particularly in the period between the two great wars. It is probable, therefore, that you will be interested to have a brief report on the history of our own operations during this period.

GROWTH OF UNDERTAKING

At the beginning of this century, the then relatively small asbestos trade of this country was largely in the hands of German and Italian importers, and British manufacture of asbestos products existed on only a minor scale. To-day your organisation alone (and we have many competitors) owns 13 factories in the United Kingdom, three in the United States of America, and three in India, in addition to the African and Canadian mines which are the source of our basic raw material.

Forty-five years ago the employees of the businesses which now comprise your or-

ganisation numbered only a few hundreds. To-day they number about 30,000. It will, I think, at once be agreed that apart from the industrial progress which is indicated by these figures, a social contribution of major importance has been achieved in the provision of employment for such a large number of workers.

The next point which suggests itself for enquiry is who, apart from our employees, has benefited financially as a result of our operations? The answer is found in the fact that there are about 23,000 stockholders on our registers and the over-all average holding of the company's stock is under £300 per person or, if the preference and ordinary stock are taken separately, the average preference stock holding is £794, while the average holding of ordinary stock is £254 per person. The Government, however, in times of peace as well as war, is by far the largest single participant in our earnings.

Our stockholders are the owners of an enterprise which has been built up from small beginnings over the period of the past forty-five years, and has experienced its greatest period of growth during the past twenty-five years.

The function of our business is to supply some of the vital requirements of other industries, principally the engineering, building and shipbuilding industries, and in so doing we have provided an adequate living for 30,000 employees and their dependants, and also a reasonable investment return for 23,000 others. Your undertaking is managed under the direction of a board whose members, with one exception, are engaged in its operation on a whole time basis, and you may be interested to know that the average age of your board is 53.

A SATISFACTORY RECORD

A record such as that which I have just summarised, while it does not for a moment give rise to any feeling of complacency in your board, is nevertheless one which I think we can regard with satisfaction. It is individualist enterprise, harming no one, and contributing substantially to useful social purposes. It surely demonstrates that if this company may be regarded as typical of the best of British industry, there can be little inherently wrong with the system of private enterprise coupled with joint stock ownership.

In the abnormal conditions obtaining to-day I could not reasonably be expected to be "specific in prophecy." I can, however, say with confidence that if in the post-war period our Government will openly declare and operate a consistent political and economic policy, and then leave us to manage our own affairs within the framework of such policy, we may well hope and expect to continue the progress of the past twenty-five years. Meantime, the necessity for continued effort in relation to the prosecution of the war remains, and we shall not spare ourselves in our efforts to maintain our own contribution at the high level of the war years as a whole. At the same time we are actively preparing to participate, as suppliers of materials, in the Government's new temporary housing scheme, for the purposes of which substantial quantities of several of our products will be required.

EXPANSION SCHEMES

Our planning for the post-war future continues, and we already have under detailed consideration expansion schemes which will entail expenditure exceeding one and a half million pounds on capital account within the first two years after the end of hostilities. We anticipate being able to

finance these schemes quite comfortably from the company's existing resources, and no new issue of capital is contemplated in connection therewith.

Generally, the post-war future looks bright, and given freedom for your board to exercise its own judgment and implement its decisions quickly without too much reference to Government departments, our progress is assured.

In conclusion, may I, on behalf of the board and also on your behalf, express to the officials and employees of our various undertakings at home and overseas our thanks for their effective efforts during the past year, and our hope that, before many months have passed, a cessation of hostilities in Europe will make it possible for their activities to be carried on under less harassing conditions?

The usual resolutions were then passed approving and adopting the report and accounts and the payment of the ordinary dividend as recommended, following which the retiring directors and the auditors of the company were re-elected.

R. A. LISTER AND COMPANY, LIMITED

MR PERCY LISTER'S SPEECH

SOME POST-WAR PROBLEMS

The annual meeting of R. A. Lister and Company, Limited, was held, on the 30th ultimo, at Dursley. Mr Percy Lister, the chairman, presided.

In his address to shareholders Mr. Lister said: We have included this year a consolidated balance-sheet in a new form, together with a consolidated profits statement. These statements show the sound financial position of your undertaking and reflect the conservative financial policy pursued by your board for many years.

From the consolidated profits statement of your company and its wholly-owned subsidiaries you will see the extent of your company's tax contribution to the Exchequer. Such taxation can be borne in wartime, but it will have to be readjusted at an early date if the reconversion of our industries from war to peace production is to be done efficiently and employees are to look forward with confidence to full employment.

ORDERS FILLED BY COMPETITORS

Your companies enjoyed in pre-war days a world-wide demand for their products, and it is on this account that we realise the extent of the disruption created by our "total war" effort, in which orders for your companies' products have had to be filled by competitors so as to permit the largest possible number of Lister and Blackstone products being available to meet the ever-growing demand for them by the Services.

With the coming of peace we shall spare no effort to rebuild on the connections and experience obtained at very considerable cost over a long period of years. Given freedom from bureaucratic controls and reasonable aids to trade by the Government, British exporting industries will make the requisite efforts to resuscitate our export markets, in many of which the prestige of Britain and the demand for things British were never greater.

In the consolidated figures referred to no account has been taken of your wholly-owned subsidiaries in France and Belgium, but from information received from the resident executives in Paris and Brussels we have good reason to believe that despite enemy occupation your interests have been safeguarded.

During the war your company has opened three sub-factories, in which part-time married women workers are employed. They have been so located as to permit a large number of workers with families and homes to make their contribution to war production, a contribution which would

have been otherwise wholly impracticable, and the greatest credit is due both to those responsible for organising this novel and excellent scheme and to the enthusiastic workers in the sub-factories.

DISPOSAL OF WAR STORES OVERSEAS

The problems which will confront us with the coming of peace are, of necessity, frequently under consideration, but no planners for post-war trade can ignore these problems presented by the disposal of Government surplus stores and equipment. Mechanised warfare has created an enormous volume of products, the unco-ordinated disposal of which could seriously imperil not only plans for full employment, but also the stability of many of our industrial undertakings.

The world-wide nature of the war will make the disposal of these surplus stores and equipment abroad a more important factor than the more easily controlled disposals at home, and it is to be hoped that, with the Dominions and our American friends, a co-ordinated solution to this important problem may be found which will embrace and protect future employment as the predominating consideration.

THANKS TO STAFF

In conclusion, it affords me the greatest pleasure to express my sincere thanks to the executive officials, staffs and employees, not only in our factories, but in all our subsidiary and associated companies, and to our sub-contractors, who have played their part in producing these satisfactory results despite increasing difficulties of an unprecedented nature.

I now have pleasure in moving the adoption of accounts and the appropriation of profits in accordance with the directors' recommendations, as set out in their report. The report and accounts were adopted.

and the payment of a final dividend on the ordinary shares of 5 per cent., plus a bonus of 6 per cent., making, with the interim dividend of 5 per cent. already paid, 16 per cent. for the year, less tax, was approved.

STEEL BARREL SCAMMELLS AND ASSOCIATED ENGINEERS, LIMITED

FURTHER EXPANSION

The eighth annual general meeting of this company was held, on the 26th ultimo, in London, Mr H. R. Hood Barrs (chairman and managing director) presiding.

The following is an extract from the chairman's statement circulated with the accounts:—The directors have approved and paid an interim dividend of 6 per cent., and they now propose a final dividend of 9 per cent., together with a bonus of 5 per cent., making a total of 20 per cent. for the year.

The strong financial position of the group justifies the directors in recommending the payment of this bonus.

The combined net profits of the three subsidiary companies, the Steel Barrel Company, Limited, G. Scammell and Nephew, Limited, and Carrimore Six Wheelers, Limited, amount to £91,432. This shows a further expansion and a steady advance on the profits of the previous year.

Peace production is the question that is foremost at the present time. Some partial return to more normal trading conditions will obviously become necessary during the stage which appears likely to occur between the cessation of the European war and the end of the Pacific war. Employment must be available for men returning from the Forces. In the opinion of your directors, there will be no suffi-

cient volume of employment until "controls" in their varied forms have been swept away. The present throttling control of bureaucracy provides no basis of business, nor can there be that degree of expansion or profitable production necessary to provide the openings for employment that will be needed.

The report was adopted.

THE NATIONAL BANK, LIMITED

ANNUAL GENERAL MEETING

The 110th annual general meeting of the proprietors of the National Bank was held, on the 27th ultimo, at the head office, 13, Old Broad Street, London, E.C. Mr Michael J. Cooke, the chairman, presided.

The secretary read the formal notice convening the meeting and the report of the auditors.

The report and accounts, which had been previously circulated, were—with the approval of the proprietors present—taken as read, and the chairman reviewed the figures of the balance-sheet and referred to the payment of the dividend at the rate of 10 per cent. per annum and the transfer of £10,000 to both the reserve and the premises accounts, which left £47,904 carried forward.

The chairman moved: "That the report and balance-sheet to December 31, 1944, be adopted by the meeting and entered on the minutes."

Sir Thomas F. Molony, Bt., seconded the motion, which was carried unanimously.

The retiring directors, Mr M. J. Babington Smith, Mr James Dwyer and Mr Richard J. Maume, were re-elected, and the auditors, Messrs Peat, Marwick, Mitchell and Company and Messrs Stokes Brothers and Pim, were reappointed.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. Shares*	20 Fixed Int.†	Ord. Consols	Ord. Shares
Jan. 25.....	5,166	5,106	112.1	136.8	3.04	3.73
" 26.....	4,818	5,229	112.4	136.8	3.04	3.72
" 29.....	5,684	6,319	112.5	136.8	3.04	3.71
" 30.....	4,658	5,103	112.8	136.8	3.05	3.80(s)
" 31.....	4,449	5,589	112.4	136.8	3.05	3.81

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3). (s) adjusted figure.

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

1926 = 100			1945		
1945	Average	Transactions	1945	Average	Transactions
Jan. 18.....	132.6	1,631,000	Jan. 22.....	129.9	1,467,000
" 19.....	131.4	1,609,000	" 23.....	129.2	1,366,000
" 20.....	130.5	829,000*	" 24.....	129.5	1,012,000

194: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

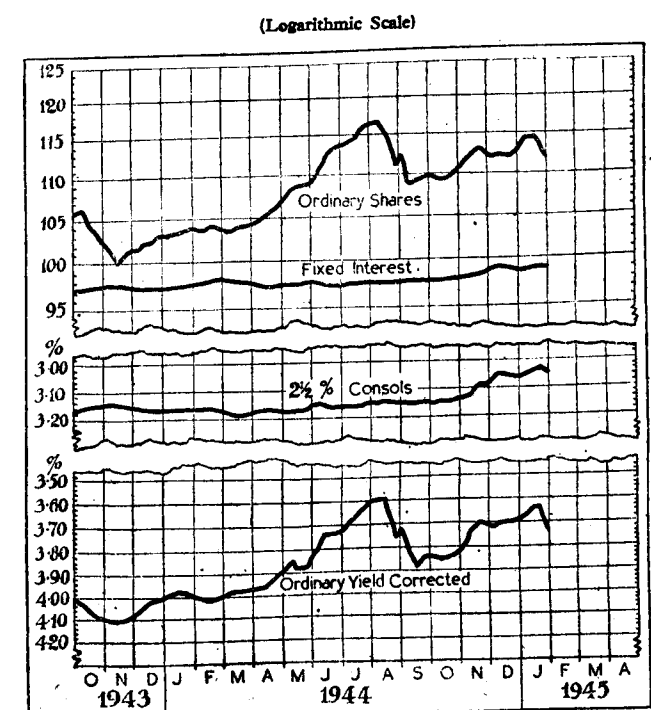
	1944		Jan. 10, 1945	Jan. 17, 1945	Jan. 24, 1945
	Low Mar. 15	High July 12			
Industrials.....	95.1 (a)	108.4	111.5	111.4	108.6
Rails.....	88.9 (a)	116.8 (d)	127.4	122.8	116.1
Utilities.....	85.0	93.5 (c)	94.2	94.6	93.2
Stocks.....	93.6 (a)	105.7	109.7	100.4	106.7
Yield %†.....	4.84 (b)	4.43	4.47	4.50	4.63

† 50 Industrial Com. Stocks. (a) Feb. 9. (b) May 3. (c) Oct. 18. (d) Dec. 20.

FIXED INTEREST AND EQUITY PRICES.

CONSOL 2½% AND EQUITY YIELDS

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols



Capital Issues

	Week ending February 3, 1945	Nominal Capital	Con- versions	New Money
To Shareholders only.....		551,529	557,779	£...
By Permission to Deal.....		35,750	...	125,250

Particulars of Government issues appear on page 165.

Year (to date)	Including Conversions		Excluding Conversions	
	£	£	£	£
1946	102,064,895	81,880,619		
1944	88,606,327	85,653,327		

Year (to date)	Destination*		Nature of Borrowing*	
	U.K.	Foreign	Deb.	Ord.
1945	81,755,369	125,250	81,554,119	146,250
1944	85,535,077	118,250	85,115,077	49,500

* Conversions excluded. † Includes Government issues to Jan. 24, 1945, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

Trade Disputes.—The number of working days lost as a result of trade disputes in December, 1944, was 64,000, compared with 125,000 in November. There were 153 stoppages, compared with 214 in November, involving 32,200 and 47,400 workers respectively. The aggregate number of days lost during 1944 was 3,710,000, the result of 2,185 stoppages, involving 825,000 workers. The comparable figures for 1943 were 1,810,000, 1,785 and 559,000.

"The Economist" Sensitive Index.—There was no change in the index during the week ended January 30th. The complete index (1935 = 100) was 158.6; crops 135.7; and raw materials 185.5.

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	Dec. 1, 1944	Jan. 1, 1945	
Beef, British—				
Ribs	1 2½	1 3½	1 3½	11
Thin Flank	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs	0 9½	1 1	1 1	35
Thin Flank	0 4½	0 6	0 6	33
Mutton, British—				
Lags	1 3½	1 5½	1 5½	18
Breast	0 7½	0 8	0 8	8
Mutton, frozen—				
Lags	0 10½	1 0	1 0	16
Breast	0 0	0 4	0 4	27
Beacon	1 3	1 10½	1 10½	60
Pork				
Flour (per 7 lb.)	0 11½	1 2½	1 2½	30
Bread (per 4 lb.)	0 0	0 9	0 9	9
Tea	2 4	2 10	2 10	21
Sugar (gran.)	0 3	0 4	0 4	32
Milk (per qt.)	0 6½	0 9	0 9	33
Butter (fresh)	1 4½	1 8	1 8	21
Butter (salt)	1 10	1 1	1 1	31
Cheese	0 3	0 5	0 5	12
Margarine, special	0 6½	0 9	0 9	12
standard	0 6	0 5	0 5	12
Eggs, fresh (each)	0 12	0 2	0 2	1
Potatoes (per 7 lbs.)	0 2	0 1½	0 1½	7
Index all foods weighted (July, 1914=100)	138	168	168	22

Source: Ministry of Labour Gazette.

INSURANCE

"The Economist" Insurance Share Index.—This index is calculated on the basis of an investment of £1,000 in each of 23 representative securities in 1913. Insurance shares in general show but little change over the last half of 1944, the fall in September and October having been made good by the end of the year. Among composite offices the number of gains is about the same as the declines, but specialist life offices continue their upward trend in values. The reason for this may be that shares of specialist life offices fell more heavily than those of composite companies in the dark days and have therefore more ground to recover; their values are still below mid-1939 prices, although the index records an all-over gain of 5 per cent.

(1913=1,000)

Company	Dec. 31, 1942	June 30, 1943	Dec. 31, 1943	June 30, 1944	Dec. 31, 1944
Alliance	1,995	1,995	2,121	2,268	2,247
Atlas	3,048	3,501	3,428	3,619	3,587
Caledonian	4,277	4,629	4,780	5,126	4,717
Commercial Union	3,646	3,646	3,918	4,245	4,299
Employers' Liability	2,567	2,613	2,658	2,901	2,883
Equity and Law	1,732	1,980	2,351	2,640	2,887
General Accident	13,666	14,000	14,165	14,833	15,500
Guardian	3,192	3,307	3,455	3,629	3,757
Legal & General	8,197	7,924	8,278	8,126	8,426
Life Assn. of Scotland	1,783	1,783	2,223	2,187	2,259
London & Lancashire	4,077	4,154	4,385	4,769	4,731
London Assurance	2,523	2,717	2,814	3,105	3,056
North British & Mercantile	4,904	4,968	5,159	5,541	5,541
Northern	1,851	2,089	2,089	2,239	2,119
Phoenix	1,793	1,911	1,996	2,148	2,026
Prudential	2,182	2,158	2,206	2,398	2,446
Royal Exchange	3,943	4,313	4,313	4,559	4,744
Royal	2,882	3,011	3,011	3,355	3,441
Scottish Life	2,640	2,640	3,118	3,090	3,146
Scottish Union & National	3,106	3,401	4,067	4,141	4,289
Sun Fire	2,755	2,844	2,800	3,120	3,244
Sun Life	2,317	2,468	2,468	2,670	2,771
Yorkshire	3,195	3,453	3,605	3,711	3,762
	3,577	3,705	3,887	4,149	4,212

FINANCE AND BANKING

THE MONEY MARKET.—Credit remains in good supply. This week saw a considerable turnover of funds in the money market, end-January making up, the turn of the month and heavy tax transfers contributing to the movement. Credit conditions, however, were eased by some net repayment of floating debt. Treasury bill maturities were £10,000,000 in excess of payments (though some of the maturing bills were held by official quarters), while the T.D.R. payments of £20,000,000 were some £5,000,000 smaller than the effective maturities. It seems probable that the Exchequer needs were somewhat underestimated and that ways and means borrowing from the Bank was required over the end of the month. The Bank return shows a rise of £10,685,000 in Government securities. This is taken up on the other side of the return by a rise of £7,001,000 in bankers' deposits, which thus rise to the high level of £215,066,000 and by a net expansion of £1,935,000 in the note circulation.

MONEY RATES, LONDON.—The following rates remained unchanged between January 25th and February 1st:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½-1½%. Short Loans, 1½-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between January 25th and February 1st. (Figures in brackets are par of exchange).
United States: \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. Canada: \$ (4-86½) 4-43-47; mail transfers 4-43-47. Switzerland: Francs (25-28½) 17-30-40. French Empire: Francs 197½-200½. Syria: P. 8-81-85. Sweden: Krona (18-159) T.T. 16-85-95. Dutch West Indies: Florin (12-11) 7-58-62. Portugal: Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama: \$4-02-04; mail transfers 4-02-04. Brazil: \$3-8456-56 (buying). Uruguay: 7-6597 p. (buying).
Fixed Rates for Payment at Bank of England for Clearing Offices: Spain: Pesetas 44-00. Turkey: Piastres 520. Italy: L. 25 lire.
Market Rates.—The following rates remained unchanged between January 25th and February 1st.
Egypt: Piastres (97½) 97½-98½. India: Rupee (18d. per rupee) 17½-18½. Belgian Congo: Francs 176½-178½. China: National \$3-3½. Iran: Rl. 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Jan. 24	Jan. 25	Jan. 26	Jan. 27	Jan. 29	Jan. 30	Jan. 31
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-250	90-250	90-180	90-250	90-060	90-125	90-125
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-78*	24-78*	24-82*	24-82*	24-82*	24-82*	24-82*
Rio de Janeiro	5-19	5-19	5-19	5-19	5-19	5-19	5-19
Lisbon	4-08	4-08	4-08	4-08	4-08	4-08	4-08
Barcelona	9-20	9-20	9-20	9-20	9-20	9-20	9-20
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official Buying Rate 29-78. † Free Rate. § Bid.

CLEARING BANK COMPARATIVE FIGURES (£ million)

	Dec. 1943	Aug. 1944	Sept. 1944	Oct. 1944	Nov. 1944	Dec. 1944
Capital and reserves	142.5	142.5	142.5	142.5	142.5	143.9
Acceptances, etc.	100.6	99.0	100.0	100.7	101.2	105.0
Notes in circulation	1.5	1.4	1.3	1.3	1.3	1.4
Current, deposit and other accounts	4,031.7	4,160.9	4,241.1	4,342.3	4,397.8	4,544.9
Total liabilities	4,276.3	4,403.8	4,494.9	4,586.8	4,642.8	4,795.2
Cash	422.2	439.3	443.1	453.0	460.4	459.9
Cheques, balances, and items in transit	200.6	126.2	125.2	133.9	135.6	194.6
Money at call	151.0	204.7	191.2	191.3	205.0	194.6
Discounts	132.6	210.6	208.5	169.5	197.9	166.5
Treasury deposit receipts	1,307.0	1,337.0	1,443.5	1,566.5	1,547.5	1,664.6
Investments	1,153.6	1,179.7	1,182.7	1,171.7	1,192.0	1,164.6
Loans and Advances	743.0	741.7	735.2	734.7	737.6	753.5
Investments in a-llated banks	24.1	24.1	24.1	24.1	24.1	146.4
Cover for acceptances, premises, etc.	142.2	140.5	141.4	142.1	142.7	24.2
Total assets	4,276.3	4,403.8	4,494.9	4,586.8	4,642.8	4,795.2

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to January 27th and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

(£ thousands)		(£ thousands)	
Total ordinary expenditure	4,880,386	Total ordinary revenue	2,412,988
New sinking funds	11,368	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net)	98,239
3% Conversion Loan 1944	313,198	3% Savings Bonds 1960-70	199,318
5% Conversion Loan 1944	4,000	3% Savings Bonds 1965-75	122,105
2½% Nat. Def. Bds. 1944	20,008	2½% Nat. War Bds. 1952-54	70,208
"Other Debt"		1½% Exchequer Bds. 1950	191,980
External (net)	12,059	Nat. Sav. Certs. (net)	171,785
Increase in balances	743	Tax Reserve Certs. (net)	9,495
		"Other Debt"	351,142
		3% Term. Annuities (net)	642,064
		Floating debt (net):—	94,794
		Public Mpt. Adv.	410,000
		Treasury Deposits	410,000
		Miscellaneous receipts	45,241,762

GOVERNMENT RETURNS

For the week ended Jan. 27, 1945, total ordinary revenue was £140,090,000, against ordinary expenditure of £111,993,000 and issues to sinking funds of £250,000. Thus, including sinking fund allocations £11,368,210, the deficit accrued since April 1st is £2,472,553,000 against £2,403,976,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Jan. 29, 1944	April 1 to Jan. 27, 1945	Week ended Jan. 29, 1944	Week ended Jan. 27, 1945
ORDINARY REVENUE					
Income Tax	130,000	789,524	849,149	82,002	81,813
Sur-tax	80,000	45,692	41,113	6,450	4,955
Stamps, etc.	100,000	80,081	89,396	1,670	2,137
Duties	19,000	15,140	12,315	1,200	1,200
N.D.C.	500,000	25,391	27,815	548	440
R.P.T.	1,000	394,399	406,118	8,073	7,999
Other Ind. Rev.		488	327	75	75
Total Ind. Rev.	200,000	1,350,715	1,426,229	98,743	98,619
Customs	564,900	453,472	477,151	8,124	7,916
Excise	472,900	700,424	614,949	8,124	22,649
Total Customs & Excise	1,037,800	853,896	888,103	36,248	30,565
Motor Duties	27,000	25,766	26,199	2,435	8,471
P.O. (Net Receipts)	4,850	3,940	3,270	750	...
Wireless Licences	800	950	740	220	...
Crown Lands	7,350	6,303	7,015	1,190	...
Receipts from Sundry Loans	24,000	65,369	67,646	1,820	1,245
Miscell. Receipts					
Total Ord. Rev.	310,180	2,306,938	2,192,022	140,216	140,090
SELF-BALANCING P.O. & Broadcast	112,370	91,550	95,850	3,250	2,600
Total	321,470	2,398,488	2,287,872	143,466	142,690

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Jan. 29, 1944	April 1 to Jan. 27, 1945	Week ended Jan. 29, 1944	Week ended Jan. 27, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	289,991	337,137	66	3,086
Payments to N. Ireland	9,000	6,222	7,040	553	594
Other Cons. Fund Services	7,000	6,880	6,958	7	...
Total	436,000	303,093	351,135	626	3,680
Supply Services	5754,394	4396,604	4529,251	110,325	108,313
Total	6190,394	4699,697	4880,386	110,951	111,993
SELF-BALANCING P.O. & Broadcast	112,370	91,550	95,850	3,250	2,600
Total	6302,764	4791,247	4976,236	114,201	114,593

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £16,932 to £3,236,230, the other operations for the week (no longer shown separately) reduced the gross National Debt by £3,021,153 to £22,069 million.

NET ISSUES (£ thousands)		
P.O. and Telegraph	120	
Overseas Trade Guarantees	23	
	143	

MONTH'S CHANGES IN DEBT

(£ thousands)			
NET INCREASES		NET REPAYMENTS	
Nat. Sav. Certs....	16,650	Treasury Bills	14,415
3% Def. Bonds	7,084	5% Convers'n Loan	25
2½% Nat. War Bds.		1944	25
1952-54	75	" Other Debt "	157
3% Savings Bonds		External	157
1960-70	16	Ways and Means	
3% Savings Bonds		Advances	157,690
1965-75	23,040	Tax Reserve Certs.	26,126
1½% Exchequer			
Bonds 1950	32,950		
3% Terminable Annuities	118,520		
" Other Debt "			
Internal	750		
Treasury Deposits	5,000		
	204,085		198,413

OVERSEAS BANK RETURNS

U. S. FEDERAL RESERVE

Million \$'s

	Jan. 27, 1944	Jan. 11, 1945	Jan. 18, 1945	Jan. 25, 1945
12 U.S.F.R. BANKS	19,498	17,806	17,786	17,789
Gold certifs. on hand and due from Treasury	20,123	18,585	18,579	18,584
Total cash reserves	365	267	283	291
Total U.S. Govt. sec.	12,026	18,907	18,651	18,620
Total loans and secs.	12,060	19,041	18,784	18,765
Total resources	34,016	39,710	39,827	39,774
LIABILITIES				
F.R. notes in circ.	16,907	21,695	21,665	21,647
Excess mr. bank res.	1,020	1,300	1,300	1,200
Mr. bank res. dep.	13,002	14,057	14,156	14,085
Govt. deposits	351	528	334	479
Total deposits	15,347	16,175	16,028	15,961
Total liabilities	34,016	39,710	39,827	39,774
Reserve ratio	62.4%	49.3%	49.6%	49.7%

	Jan. 27, 1944	Jan. 11, 1945	Jan. 18, 1945	Jan. 25, 1945
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,928	20,593	20,572	20,571
Treasury & bank currency	4,093	4,130	4,129	4,129
LIABILITIES				
Money in circulation	20,387	25,257	25,209	25,175
Treasury cash and dep.	2,682	2,900	2,704	2,859

CENTRAL BANK OF IRELAND

Million £'s

	Jan. 22, 1944	Jan. 6, 1945	Jan. 13, 1945	Jan. 20, 1945
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. sec.	22.91	28.14	27.89	27.49
Sterling balances	1.59	1.46	1.70	1.83
LIABILITIES				
Notes in circulation	27.46	32.75	32.46	32.11

BANK OF FRANCE

Million francs

	Dec. 28, 1944	Jan. 4, 1945	Jan. 11, 1945
ASSETS			
Gold	75,151	75,151	75,151
Private discounts and advances	34,271	44,620	43,298
Advances to State:			
Total	496,413	481,463	481,563
(a) In occupation costs	426,000	426,000	426,000
(b) Treasury advances	15,850	900	1,000
(c) Fixed advances	54,563	54,563	54,563
LIABILITIES			
Notes	572	574,902	571,357
Deposit total	30,249	30,133	33,293
(a) Government accounts	749	729	762
(b) Other accounts	29,500	29,404	32,531

CENTRAL BANK OF TURKEY

Million Turkish pounds

	Nov. 27, 1943	Sept. 23, 1944	Nov. 4, 1944	Nov. 23, 1944
ASSETS				
Gold	191.7	276.3	276.4	276.4
Clearing and other exch.	87.1	62.5	55.0	56.3
Treasury bonds	131.6	128.5	128.2	128.2
Commercial bills	452.3	564.8	577.1	576.0
Securities	61.1	51.2	50.1	48.0
Advances	250.5	255.3	258.0	255.6
LIABILITIES				
Notes in circulation	776.5	966.2	969.7	964.1
Deposits	222.5	204.9	204.1	202.5
Clearing and other exch.	37.4	27.6	28.6	30.2

BANK OF SPAIN

Million Pesetas

	June 1943	Aug. 1944	Sept. 1944	Oct. 1944
ASSETS				
Reserve: Gold	749	1,135	1,135	1,138
Other	660	615	615	663
Discounts and advances	3,349	2,674	3,026	3,109
Investments and Govt. debt	15,791	16,380	16,130	16,316
LIABILITIES				
Notes in circulation	15,192	16,144	16,582	16,962
Deposits: Government	3,250	1,966	1,758	1,772
Other	3,532	4,447	4,142	3,747

BANK OF CANADA

Million Can. \$'s

	Dec. 29, 1943	Dec. 20, 1944	Dec. 27, 1944	Dec. 30, 1944
ASSETS				
Reserve: Gold	0.61	172.26	172.26	172.26
Other	1266.19	1516.17	1507.01	1490.82
Securities	874.91	1028.81	1035.56	1035.97
Note circulation	24.44	22.83	23.29	12.92
Deposits: Dom. Govt.	341.49	416.28	411.75	401.72
Chartered banks				
Gold and foreign exchange transferred to Foreign Exchange Control Board against securities				

SWISS NATIONAL BANK

Million Swiss Frs.

	Dec. 23, 1943	Nov. 30, 1944	Dec. 15, 1944	Dec. 23, 1944
ASSETS				
Gold	4019.8	4502.3	4504.1	4517.9
Foreign exchange	76.3	94.2	92.1	92.7
Discounts, etc.	57.0	62.8	64.4	65.4
Advances	16.4	28.0	26.4	25.7
Securities	64.5	64.2	64.2	64.2
LIABILITIES				
Notes in circulation	2996.8	3337.1	3328.1	3354.8
Other sight liab.	247.2	247.0	246.7	247.8

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Allowance is made for net interest accrued, and for redemption										Prices, Jan. 1 to Jan. 30, 1945		Last two Dividends		Name of Security		Price, Jan. 23, 1945		Price, Jan. 30, 1945		Yield, Jan. 30, 1945			
Prices, Year 1944		Jan. 1 to Jan. 30, 1945		Name of Security		Price, Jan. 23, 1945		Price, Jan. 30, 1945		Yield, Jan. 30, 1945		Jan. 1 to Jan. 30, 1945		Last two Dividends		Name of Security		Price, Jan. 23, 1945		Price, Jan. 30, 1945		Yield, Jan. 30, 1945	
High	Low	High	Low	Name of Security		Jan. 23, 1945	Jan. 30, 1945	Jan. 30, 1945	Jan. 30, 1945	High	Low	High	Low	(a)	(b)	(c)	Name of Security		Jan. 23, 1945	Jan. 30, 1945	Jan. 30, 1945	Jan. 30, 1945	
British Funds																							
82 1/2	78 1/2	82 1/2	81 1/2	Consols 2 1/2% (after 1957)		110 1/2	110 1/2	110 1/2	110 1/2	3 0 7	55/3	53/-	7 1/2	7 1/2	7 1/2	7 1/2	Iron, Coal and Steel		53/-	53/6	4 2 0	4 2 0	
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 2 1/2% 1943-45		100 1/2	100 1/2	100 1/2	100 1/2	1 19 10 1/2	27/6	27/6	15 1/2	15 1/2	15 1/2	15 1/2	Babcock & Wilcox Ltd.		51/6	52/-	5 15 0	5 15 0	
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 2 1/2% 1944-49		100 1/2	100 1/2	100 1/2	100 1/2	2 7 6	100/7 1/2	98/-	15 1/2	15 1/2	15 1/2	15 1/2	Bolton Colliery Ord. 10/-		27/9	28/-	3 11 0	3 11 0	
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 3 1/2% 1948-53		100 1/2	100 1/2	100 1/2	100 1/2	2 3 0	40/-	37/9	8 1/2	8 1/2	8 1/2	8 1/2	Brown (John) Ord. 10/-		99/-	99/-	4 0 0	4 0 0	
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 3 1/2% (after 1961)		100 1/2	100 1/2	100 1/2	100 1/2	1 14 6	32/7 1/2	31/6	7 1/2	7 1/2	7 1/2	7 1/2	Cory (Wm.) Ltd.		27/6	27/6	6 16 0	6 16 0	
100 1/2	100 1/2	100 1/2	100 1/2	Exch. Bds. 1 1/2% 1950		100 1/2	100 1/2	100 1/2	100 1/2	2 12 6	53/3	52/6	12 1/2	12 1/2	12 1/2	12 1/2	Dorman Long Ord. 10/-		38/3	37/9	5 6 0	5 6 0	
100 1/2	100 1/2	100 1/2	100 1/2	Funding 2 1/2% 1956-61		100 1/2	100 1/2	100 1/2	100 1/2	2 12 6	58/4 1/2	55/3	12 1/2	12 1/2	12 1/2	12 1/2	Guest Keen & Co. Ord. 10/-		31/9	31/9	7 1 0	7 1 0	
100 1/2	100 1/2	100 1/2	100 1/2	Funding 2 1/2% 1952-57		100 1/2	100 1/2	100 1/2	100 1/2	2 18 6	43/6	42/6	8 1/2	8 1/2	8 1/2	8 1/2	Hadfields Ord. 10/-		52/6	52/6	2 13 0	2 13 0	
100 1/2	100 1/2	100 1/2	100 1/2	Funding 3 1/2% 1959-69		100 1/2	100 1/2	100 1/2	100 1/2	2 18 6	53/6 1/2	52/3 1/2	10 1/2	10 1/2	10 1/2	10 1/2	Staveley Coal Ord. 10/-		57/-	57/9	4 5 0	4 5 0	
100 1/2	100 1/2	100 1/2	100 1/2	Funding 4 1/2% 1960-90		100 1/2	100 1/2	100 1/2	100 1/2	2 16 0	26/9	25/3	2 1/2	2 1/2	2 1/2	2 1/2	Swan, Hunter Ord. 10/-		43/7 1/2	43/-	6 1 3	6 1 3	
100 1/2	100 1/2	100 1/2	100 1/2	Nat. Def. 3 1/2% 1954-58		100 1/2	100 1/2	100 1/2	100 1/2	2 9 9 1/2	19/3	18 1/2	6 1/2	6 1/2	6 1/2	6 1/2	Thomas (Richard) Ord. 6/8		12/7 1/2	12/6	6 5 6	6 5 6	
100 1/2	100 1/2	100 1/2	100 1/2	War Bonds 2 1/2% 1945-47		100 1/2	100 1/2	100 1/2	100 1/2	2 2 0	15/4 1/2	13/6	Nil	Nil	Nil	Nil	United Steel Ord. 10/-		25/9	25/6	5 6 9	5 6 9	
100 1/2	100 1/2	100 1/2	100 1/2	War Bonds 2 1/2% 1945-47		100 1/2	100 1/2	100 1/2	100 1/2	2 9 0	27/4 1/2	24/10 1/2	Nil	Nil	Nil	Nil	Vickers Ord. 10/-		16/8	18/9	5 6 9	5 6 9	
100 1/2	100 1/2	100 1/2	100 1/2	War Bonds 2 1/2% 1952-54		100 1/2	100 1/2	100 1/2	100 1/2	2 18 6	31/6	31/6	Nil	Nil	Nil	Nil	Bleachers Association Ltd.		14/-	14/3	Nil	Nil	
100 1/2	100 1/2	100 1/2	100 1/2	Savings Bds. 3 1/2% 1955-65		100 1/2	100 1/2	100 1/2	100 1/2	3 0 0	52/3	50/3	15	15	15	15	Bradford Dyers Ord. 10/-		26/-	27/3	2 18 6	2 18 6	
100 1/2	100 1/2	100 1/2	100 1/2	Savings Bds. 3 1/2% 1960-70		100 1/2	100 1/2	100 1/2	100 1/2	2 19 3	52/3	54/10 1/2	5 1/2	5 1/2	5 1/2	5 1/2	British Celanese Ord. 10/-		31/3 1/2	31/9	4 14 6	4 14 6	
100 1/2	100 1/2	100 1/2	100 1/2	Savings Bds. 3 1/2% 1965-75		100 1/2	100 1/2	100 1/2	100 1/2	2 15 0	26/9	24/3	3 1/2	3 1/2	3 1/2	3 1/2	Coats, J. & P. Ord. 10/-		50/3	51/9	3 7 6	3 7 6	
100 1/2	100 1/2	100 1/2	100 1/2	Victory Bonds 4 1/2%		100 1/2	100 1/2	100 1/2	100 1/2	2 15 0	26/9	24/3	3 1/2	3 1/2	3 1/2	3 1/2	Courtauld's Ord. 10/-		55/6	55/6	2 14 0	2 14 0	
100 1/2	100 1/2	100 1/2	100 1/2	War Loan 3 1/2% 1955-59		100 1/2	100 1/2	100 1/2	100 1/2	3 5 0 1/2	58/-	4/3	2 1/2	2 1/2	2 1/2	2 1/2	Fine Cotton Spinners Ltd.		24/6	25/3	3 3 0	3 3 0	
100 1/2	100 1/2	100 1/2	100 1/2	War Loan 3 1/2% 1955-59		100 1/2	100 1/2	100 1/2	100 1/2	3 5 0 1/2	58/-	4/3	2 1/2	2 1/2	2 1/2	2 1/2	Hoyle (Joshua) 2/-		4/6	4/7 1/2	3 4 9	3 4 9	
100 1/2	100 1/2	100 1/2	100 1/2	Local Loans 3 1/2%		100 1/2	100 1/2	100 1/2	100 1/2	3 3 0	83/9	80/-	20 1/2	20 1/2	20 1/2	20 1/2	Lancs. Cotton Corp. Ltd.		35/9	36/3	4 2 6	4 2 6	
100 1/2	100 1/2	100 1/2	100 1/2	Dom. & Col. Govts.		100 1/2	100 1/2	100 1/2	100 1/2	4 17 7 1/2	117/9	114/6	15 1/2	15 1/2	15 1/2	15 1/2	Patons & Baldwins Ltd.		81/30	81/10 1/2	4 5 3	4 5 3	
100 1/2	100 1/2	100 1/2	100 1/2	Australia 5% 1945-75		100 1/2	100 1/2	100 1/2	100 1/2	2 18 0	34/7 1/2	33/1 1/2	17 1/2	17 1/2	17 1/2	17 1/2	Callenders Cable, & Co. Ltd.		115/-	115/-	3 9 3	3 9 3	
100 1/2	100 1/2	100 1/2	100 1/2	New Zealand 5% 1946		100 1/2	100 1/2	100 1/2	100 1/2	2 18 0	34/7 1/2	33/1 1/2	17 1/2	17 1/2	17 1/2	17 1/2	Crompton Park, A. 5/-		34/6	34/6	3 5 3	3 5 3	
100 1/2	100 1/2	100 1/2	100 1/2	Nigeria 5% 1950-60		100 1/2	100 1/2	100 1/2	100 1/2	2 18 0	34/7 1/2	33/1 1/2	17 1/2	17 1/2	17 1/2	17 1/2	General Electric Ord. 10/-		98/6	98/6	3 11 0	3 11 0	
100 1/2	100 1/2	100 1/2	100 1/2	Corporation Stocks		100 1/2	100 1/2	100 1/2	100 1/2	2 8 0	45/9	43/-	3 1/2	3 1/2	3 1/2	3 1/2	County of London Ltd.		45/-	45/-	3 11 0	3 11 0	
100 1/2	100 1/2	100 1/2	100 1/2	Birmingham 5% 1946-56		100 1/2	100 1/2	100 1/2	100 1/2	3 0 0	22/3	22/3	2 1/2	2 1/2	2 1/2	2 1/2	Gas Light & Coke Ord. 10/-		22/9	22/9	4 7 9	4 7 9	
100 1/2	100 1/2	100 1/2	100 1/2	L.C.C. 3 1/2%		100 1/2	100 1/2	100 1/2	100 1/2	3 0 0	22/3	22/3	2 1/2	2 1/2	2 1/2	2 1/2	North-East Electric Ltd.		35/9	35/9	4 0 0	4 0 0	
100 1/2	100 1/2	100 1/2	100 1/2	Liverpool 3 1/2% 1954-64		100 1/2	100 1/2	100 1/2	100 1/2	3 0 0	35/6 1/2	34/1	4 1/2	4 1/2	4 1/2	4 1/2	Scottish Power Ord. 10/-		40/6	40/6	4 3 9	4 3 9	
100 1/2	100 1/2	100 1/2	100 1/2	Middlesex 3 1/2% 1957-62		100 1/2	100 1/2	100 1/2	100 1/2	3 0 0	40/7 1/2	40/-	4 1/2	4 1/2	4 1/2	4 1/2	Motor and Aircraft		40/6	40/6	4 3 9	4 3 9	
100 1/2	100 1/2	100 1/2	100 1/2	Foreign Governments		100 1/2	100 1/2	100 1/2	100 1/2	3 18 0	29/9	29/9	10 1/2	10 1/2	10 1/2	10 1/2	Austin 'A' Ord. 5/-		26/3	33/9	5 3 0	5 3 0	
100 1/2	100 1/2	100 1/2	100 1/2	Argentina 3 1/2% Bds. 1972		100 1/2	100 1/2	100 1/2	100 1/2	4 11 3 1/2	34/4 1/2	29/9	7 1/2	7 1/2	7 1/2	7 1/2	Birmingham S.A. 5/-		29/9	26/6	5 13 0	5 13 0	
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100 1/2	100 1/2	100 1/2	100 1/2	Portuguese 3%		100 1/2	100 1/2	100 1/2	100 1/2	5 18 6	81/3	81/10 1/2	17 1/2	17 1/2	17 1/2	17 1/2	Lucas (Joseph) Ord. 10/-		82/6	82/6	3 12 6	3 12 6	
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100 1/2	100 1/2	100 1/2	100 1/2	Cunard Ord. 10/-		100 1/2	100 1/2	100 1/2	100 1/2	26/3	21/9	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	Furness, Withy Ord. 10/-		23/-	23/-	5 4 0	5 4 0	
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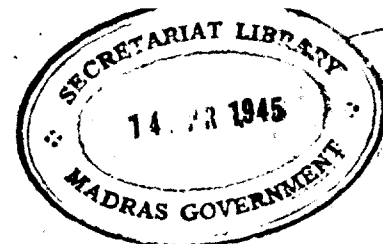
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Economic Entente

M. RENE PLEVEN, the French Minister of Finance, spent only two days in London last week. But there is no reason to interpret the brevity of the visit as a sign of any lack of success. On the contrary, the statements made in Paris by M. Pléven and in the House of Commons by Sir John Anderson, show that both parties are very pleased with the progress made towards a solution of all outstanding financial problems between the two countries. This is good news, for there had seemed for some weeks to be a possibility that an irritating dispute of a purely financial nature would obstruct the approach to matters of much more fundamental concern.

The most urgent needs of France are not financial, but economic and psychological. The Bank of France is rich in gold, but France is starving. There is a shortage of raw materials of all kinds, industry is limping and in the land of good fare the people are hungry. At the root of all the difficulties are shortages of transport. France needs locomotives, lorries and tyres almost more than the goods to carry. With its transport-nerve cut, the country lies like a paralysed body, struggling to make the limbs respond to the will.

This is not a condition in which the British nation can afford to see its oldest and closest ally. And it is the feeling that their plight is not considered in London and

Washington to be a matter of the first importance that is particularly galling to the French. There is no need to rehearse the history of the last five years to appreciate that French susceptibilities are tender and their emotions near the surface. Their financial sufferings may perhaps have been smaller than those of their British allies; but who can weigh gold in the balance against the moral calamities that France has had to endure? So long as the French consider themselves neglected and disregarded, they will continue to cling to their reserve of gold which, large though it may be by the standards of penury to which the British Treasury has had to accustom itself, is pitifully small when set alongside the needs of a ravaged and disheartened country.

This is not, then, a moment to talk of money, however justified the British case. It is a time for making a great effort to bind up the economic wounds and soothe the nerves of France. It is becoming increasingly apparent that the immediate and proximate responsibility for this rests more fully on Great Britain than was at first realised. It is true that the only store of plenty among the United Nations is in America, whose resources vastly exceed those of this still beleaguered island. But America is on the other side of the Atlantic. Ships are again the great bottleneck; and the U-boats are once again on the prowl. In grimly

literal truth Britain and France are in the same boat. To an extent that may be large or small the two countries are competitors for the same ships. This being so, can it possibly be held that while the maintenance of a certain standard of civil consumption in Great Britain is a military necessity, there are no standards below which France can be allowed to fall without danger to the structure and purposes of the Grand Alliance?

The limits to what can be done can only be set by those who are fully informed. But something assuredly can be done, and even small quantities would make a difference. This can be seen from the numbers of ships about which M. Jean Monnet has been negotiating in Washington—six in January and ten in February. Is the British import programme so rigorously reduced to rock bottom that some help of this order of magnitude could not be made available? The stocks of imported foodstuffs and raw materials in this country are known to be quite sizeable. To draw upon them while the worst of the war might yet be to come would obviously have been foolish and has always been sternly resisted. But are they quite so vital to-day that a small dividend could not be paid out of them? As for transport, which underlies so much else, it is no doubt impossible to spare any locomotives or rolling stock. But the British Army in Great Britain would not seem, to the lay observer, to be so desperately short of motor transport that a few thousand lorries could not be collected for France. What is needed is the pressure of an urgent imperative, which has hitherto been lacking. It is the sort of job at which Lord Beaverbrook excels, and which he might well find to his taste. Whatever can be done should be done quickly and done generously and gracefully. And where nothing can be done, a full and frank explanation of the reasons should be given, since it should never be forgotten that the aim to be pursued is twofold, moral as well as material. The effort should be directed towards France in the first place; but the needs of Belgium are only one degree less acute, and Holland will, before long, have needs more intense than either of the other two.

When such an emergency programme has been put in hand with all necessary energy, and when the French people can see some tangible signs of sympathetic attention to their calamities—then will be the time to take up formal negotiations. And when that time comes, it may well be found that the financial obstacles which have been in the way in recent weeks will be more easily removed. Britain and France are in some degree complementary, if not in resources at least in needs. The French needs are

physical and economic, and badly though the British economy may be suffering from overstrain, it still has, in comparison with the French, all the advantages that a going concern has over a semi-dismantled one. On the other hand, Britain's chief needs, and they are grievous, are in the field of international finance, in which France is still comparatively well off. There is thus a great opportunity for mutual help. If minds can be diverted from arguments about the rights and wrongs of the past, from the sterile comparison of sufferings endured, from the relative deserts of to-day, and turned to the tasks to be accomplished to-morrow, it ought not to be difficult to find a satisfactory balance between the economic and the financial.

There is, after all, plenty to do. At every point, British and French interests touch. The colonial empires of the two countries march with each other all over the world and, in the delicate problems of readjusting primitive economies after the distortions of the war are removed, it would hardly be possible for either Britain or France to proceed except in consultation with each other and with the Dutch and Belgians. Civil aviation is another matter in which similarity of interests has already shown itself. Both countries are committed to policies of full employment; both will wish to attain the object by very similar means; and both will need to take into account the effect of their trade with each other. Thus even without trenching upon the political and strategic fields, in which the community of interest is still more obvious, there is a long agenda for Anglo-French cooperation. The structure of joint consultative committees, which existed in the first year of the war and by which each Ministry in London kept in constant touch with its opposite number in Paris, should be re-established as soon as possible, so that these matters can be fully discussed on the expert level without the disturbing intervention of high politics.

From the first day of the war British financial policy has set itself the goal of never impeding but always assisting the development of the war effort. In that cause enormous sacrifices have been made, and colossal burdens cheerfully borne, by the present generation and difficult legacies have been left to the uncertain future. The restoration of France has always been one of the major aims of British policy, and the time has now come to give it its proper place in the war effort. If, for a little while longer, finance serves as the handmaid of policy, and if thereby a firm economic *entente* can be established, the price will not be too high. It is a matter for the greatest satisfaction that the two Treasuries can view their relations in the same broad-minded spirit.

Housing Subsidies

AN article last week suggested that the post-war building programme is being planned on far too large a scale. The decision has been taken to train 1½ million workers and, in effect, guarantee them steady work. After the most generous allowance has been made for repairs and non-residential building, this probably means an output, after the first transitional years, of some 400,000 houses a year.

This is far too large a figure. Nothing, of course, could be too large for the first few years—say from now to 1950—but the output of those years depends on the speed with which the flow of materials can be organised, labour can be demobilised and the efficiency of the industry can be gradually worked up. It will not be affected by the dimensions of the long-term programme.

From 1950 onwards, on the other hand, 400,000 houses a year is a fantastically large amount. It is large by reference to the national income, since it would absorb the greater part of the national savings and squeeze out other objectives, such as the re-equipment of domestic industry and the rebuilding of foreign reserves which, when the first housing crisis is over, will be of greater importance. Moreover, it is large even in a narrowly housing context, since a rate of 400,000 houses a year can only be kept going for

as short a period as ten years by classifying one-third of the houses of the country as slums and clearing them by expensive subsidies. And how a collapse thereafter could be averted, none of the hardy prophets has yet explained.

In all this there is, however, an assumption that may, perhaps, puzzle the reader. Why does it have to be assumed that the only demand for houses would be a subsidised demand? Were not hundreds of thousands of houses built in the 1930s without subsidy, and will not this demand continue? To some extent, of course it will; there will always be some unsubsidised building. But there are several reasons for believing that it will be small in the post-war years. Unsubsidised building, though still large, was beginning to fall off before the war. Moreover, the causes that brought about the great burst of the 1930s were almost exhausted. The greater part of this building, as is notorious, was for the rehousing of the middle class and of the best-paid wage-earners, and it was mainly due to the coincidence of three factors:

(a) The rise to the maximum of the number of separate families, corresponding, with a time-lag of some 30 years, to the peak in the number of births in 1903.

(b) A desire on the part of these classes to move from the inner districts of towns to the outskirts, brought

about by the much greater mobility of public transport.

(c) The great rise in the real value of salaries and wages, arising from the fall during the Great Depression of the cost of food and raw materials, and coinciding with a fall in the cost of building and in interest rates, thus giving people the margin of income to make their desire to move effective.

All three factors are now reaching an end. The number of families is probably at, or very near, its peak and will soon start to fall. By 1950, when nearly a million houses, traditional and non-traditional, may have been built, virtually all those families which can afford to re-house themselves without a subsidy will have done so. And it is so probable as to be almost certain that the cost of building will have risen by more than the average rise in salaries— which have risen during the war by much less than wages.

For these reasons, it can be taken for granted that the flow of unsubsidised demand for houses will be very much smaller after the war than before. It might possibly be partly revived later on by some other fortuitous combination of circumstances—a great rise in salaries, a great improvement in the standards or housing and a reduction in building costs—but this is remote, and in any case the days of the 1930s, when very nearly 300,000 unsubsidised houses were built in a single year, will never return until the birth rate is restored to its level at the turn of the century. If anything like 400,000 houses a year are to be built, the overwhelming proportion will have to be on subsidy.

*

What is more, it will need to be a large subsidy. The basic reason for a subsidy is that the ordinary wage-earner has never been able, and is not now able, to afford to pay the economic rent of a new house. Or perhaps it would be more accurate to say that he is always sufficiently pressed for money to prefer an old house, however unsightly or inconvenient or even unhealthy, provided it is cheap, to a more expensive new house, however attractive. If the standards to which new houses are built would only stay still, while the average level of wages slowly rises, this gap might in due course be closed. There must be very few wage-earners today who would not gladly pay the full economic rent of a new house built to the standards that were considered satisfactory in the 1890s. But the standards do not stand still. Towards the end of the last war, the Tudor Walters Report recommended new standards of housing which, although, as Sir Ernest Simon says, they "had not even been dreamt of in pre-war days," became the pattern for most of the building in the years between the wars. To improve the housing of the people is a very desirable thing. But the raising of standards nevertheless produced the result that a very large proportion of the houses built in the interwar years either had to be subsidised or were occupied by people other than the ordinary wage-earner for whom they were intended.

Now the same process is being repeated. The Dudley Committee has recommended a new standard which is almost as much of an advance on the Tudor Walters standard as that was on the standards of 1910. The Tudor Walters house has a floor area of about 750 square feet; the Dudley house is to have an area of about 900 square feet with an outbuilding of 90 square feet. In money terms the effect of the recommendations is to increase the cost of the typical house by just short of 40 per cent. There is not the slightest doubt that the Dudley improvements ought to be embodied in working-class housing. But that does not alter the fact that—if they are accepted, as they seem to be, by tacit consent—they once more push the cost of a new house out of the grasp of the unassisted wage-earner. Nor is this an end of the matter. A further committee has been sitting under the chairmanship of Professor Sir Alfred Egerton to consider standards of heating and ventilation. Its report has not yet been published, but from public addresses made by its members, the drift is clear. The Egerton Report will recommend almost revolutionary changes in the standard of heating hitherto accepted in this country. Re-design of heating appliances may make it possible to get more heat for less current expense—but only at the cost of a still further addition to the capital cost of a new house.

Moreover, there is still another factor to be borne in mind. The cost of building has shot up during the war. This is partly due, no doubt, to the general disturbances of wartime. But it is also officially ascribed, in part, to the effects of the innovation of a guaranteed week. When the week's pay is assured, and employment is good, it is only human nature to relax effort. The guaranteed week is to stay, and so are conditions of full employment. It would therefore seem likely that standards of efficiency, the restoration of which would in any case take time, may never be fully recaptured. There is plenty of scope, as is often pointed out, for the reduction of costs by technical reorganisation, more particularly by the mass pre-fabrication of standard components. But all that can be achieved by these means may be required to offset the rise in costs due to lower human efficiency. It may well be that the cost of building—the cost per square foot—will be permanently higher relatively to the incomes of those who are to live in the houses. This has a double effect on the cost of housing subsidies. It increases the amount of subsidy for each house. And, by choking off all forms of unsubsidised building, residential and non-residential alike, it makes a larger number of subsidised houses necessary, if the industry is to be kept employed.

Thus the subsidy agony is piled on. First, in order to maintain the total pre-war output of about 360,000 houses a year, many more of them would have to be built on subsidy. But secondly, since it has been decided to guarantee work to a building industry nearly half as large again as in those years, an even larger total of houses will have to be built, the addition being entirely on subsidy. Thirdly, they are to be larger and better equipped houses. And fourthly, the cost of building may well be permanently higher, relatively to working-class incomes. What the final cost is likely to be is very hard to say, but when Sir Ernest Simon puts it at £100 million a year he is certainly being too conservative. Even in terms of money, which it is not very fashionable to consider as a limitation, the sums involved may be impossibly large. And in terms of real resources, it would appear that the country has been committed, by a series of single unrelated steps, each no doubt reasonable in its narrow context, to an enormous mortgage on the national savings which will obstruct the development of a properly balanced economic policy.

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How far it is possible to retrace steps is a matter for the candour and courage of the politicians. But it is perfectly plain that every possible means will have to be taken to see that the fullest possible value is secured from every penny of subsidy. The method of subsidy will have to be chosen which secures the maximum of social objective for the minimum of expenditure.

In the past, far too little attention has been paid to this aspect of the matter. Subsidies have been given at flat rates for any house that met quite simple conditions, though in the later years, when the main subsidy was for slum clearance, there was an attempt to ensure that the new houses built on subsidy were used for the intended purpose. Flat-rate subsidies, however, are inevitably wasteful, since part of the money—and often a large part—goes to people for whom the help was not intended and who do not need it. And when the flat-rate subsidy is based upon the difference between actual costs of building and some stable assumed figure of tenants' ability to pay, the actual costs merely sky-rocket, as was proved by the Addison houses of the early 1920s.

A further defect of flat-rate subsidies is that they do not necessarily produce the types of houses that are most badly needed. The overwhelming majority of the subsidised houses built by private enterprise between the wars were sold. It is true that the finance of the sale through the building societies often approximated the conditions to those of tenancy—except that the occupier was much more permanently tied to his house than he would have been if he had been a simple tenant. And secondly, far too many of the houses built, by local authorities and private enterprise alike, assumed that the two-child family

was a maximum. Any subsidy programme should provide a fair number of larger houses to let.

In principle and in theory, there is a great deal to be said for paying the subsidy to the tenant and according to his circumstances rather than on the house and according to its costs. This would achieve the double advantage of providing for those who cannot afford to pay full economic rents and of leaving the costs of building under the pressure of a free market. The practical application of the principle is much more difficult. But it might be sound policy to allocate some of the money available for housing subsidies for application from the tenant's end.

In the main, however, subsidies are likely to continue to be given on the house. The chief requirement here would seem to be to get away from the simple flat rate. The subsidy should clearly vary with the size of the house as well as with its location, and an additional subsidy might be given as an inducement where the houses are to be let. Or again, if there are desirable improvements in the equipment of houses—such as better heating—the best way to deal with them is to offer a additional subsidy to cover part—but only part—of their cost.

A complex system of subsidies such as this clearly could not be applied in a purely haphazard fashion, open to all comers. Indeed, the facts of the case point straight to the necessity for imposing on each housing authority the duty of compiling a housing plan for its district. The plan should take account of the ascertainable needs on the one

hand and of the town planning requirements and building capacity on the other. It should provide for the proportions of houses of different sizes and types, and subsidy should be payable in that area only in accordance with the plan. But within the plan, the subsidy should be payable to the local authority itself and to private enterprise.

The subsidy programme also needs to pay particular attention to what in the long run will be the decisive factor in the whole complex—the level of building costs. One of the chief hopes for reducing costs is the possibility of mass-producing standard components. But mass-production requires mass demand, which might not be spontaneously forthcoming. The amount of subsidy should in any case be calculated on the assumption that the cheapest standard components are used. But a further incentive might be necessary, and if so the advisability should be considered of making the use of these fittings a condition of subsidy—or alternatively of making a “free issue” of them, reducing the cash subsidy to correspond.

None of these suggestions is put forward with any dogmatism—indeed, dogmatism would be out of place in an area that has been so little explored. But the exploration is itself a matter of urgency. The housing programme looks like absorbing so large a segment of the national savings that it may well dominate the economic conjuncture for years to come. It is essential that the financial methods to be pursued should be most carefully considered and widely discussed before they are decided.

The Road to Berlin

“EVERY bundle of straw, every transport of recruits . . . all that reaches me, is, or becomes, a favour on the part of my enemies, or a proof of their negligence, for they could, as a matter of fact, take everything. Here in Silesia, every fortress stands at the disposal of the enemy. Stettin, Küstrin and Berlin itself are open to the Russians to deal with at their pleasure. . . . If fortune continues to treat me so mercilessly, I shall undoubtedly succumb. Only she can deliver me from my present situation.”

These words are quoted not from Hitler but from Frederick the Great. They were written in 1761, in the last weeks of the Seven Years' War after the Pomeranian fortress and harbour of Kolberg had fallen to the Russians. Geography does not change, the “historical gaps” and routes of advance are still where they were two centuries ago. And history, too, has, it seems, a peculiar liking for refrains, although they tend to recur in very oddly assorted symphonies. Take, for example, the following plan of a campaign on the Oder, in Pomerania and in Brandenburg, drawn up for a Russian commander-in-chief. The plan consists of eight points:

1. Strike offensively in Pomerania and Brandenburg;
2. The quicker the campaign starts the better;
3. Speed up the seizure of Kolberg;
4. Persuade our allies to besiege Stettin and give them all assistance in seizing it;
5. Operate on the river Oder only so as to cover that siege;
6. If a general peace is not concluded in the meantime, it will be necessary to take up winter quarters on the river Oder;
7. Go all out for Berlin, if time and circumstances allow;
8. Conceal all this from the enemy so that he does not know the direct line of our operations until the beginning of the campaign.

These words were not addressed by Marshal Stalin to Marshal Zhukov some time in 1944; they were written by the Czarina Elizabeth to her General-in-Chief, Count William Fermor, on December 20, 1758.

There are some differences, of course. In the Seven Years' War the Russians did not chase their enemy back from the Volga. They struck from their bases and “magazines” situated along the Vistula and from the fortress of Poznan. Poland was then still an independent kingdom and in the Seven Years' War she was nominally neutral. But the country was ruled by Russian protégés, the Saxon Electors, who were also Kings of Poland (in those days Lublin was apparently situated in Saxony); the Russian Government secured the right to establish military

bases in Poland as well as the right of passage for its troops. Almost at the beginning of the war East Prussia was easily conquered by the Russians. General Fermor took in his stride the Insterburg gap and the road along the river Pregel to Königsberg. To the west of the Polish frontier, not one but three armies opposed the forces of Frederick the Great. The Swedes were in Pomerania and besieged Stettin. The Austrians advanced and retreated across Silesia; and the Russians pressed forward from Meseritz, Schwerin, Züllichau and Crossen towards Küstrin and Frankfurt. None of the battles fought here was really decisive—it was a special feature of the armies engaged in that war that they were unable to exploit their victories and to pursue a beaten foe—but the greatest battles of the war were fought around Frankfurt and in the marshes at the confluence of the Warthe and the Oder, so often mentioned in recent Russian communiqués.

The Russian successes were incomparably more spectacular than those of their allies. Throughout the war the Czarina vented her impatience on the “slowness and bungling” of her allies. To the land powers the maritime war between Frederick's ally England and Elizabeth's ally France was then almost as remote as the Pacific War is to-day to the continental nations, and perhaps even to the Russians themselves; France was repeatedly accused by St. Petersburg of unduly dispersing its forces in overseas and colonial campaigns.

Suspicious of her allies and looking askance on most of their military and diplomatic moves, the Czarina was nevertheless determined to preserve the unity of the Coalition. The victories of the Russian armies effectively cemented that unity. When the war started the Russian forces were definitely inferior to those of the Prussian king. Like Marshal Stalin in the first years of this war, Elizabeth changed her “Generals-in-Chief” several times. Marshal Aprakin was replaced by Fermor, Fermor by Saltikov, and Saltikov by Buturlin. Two of the most prominent commanders, Marshal Aprakin and General Todleben, charged with treason and intelligence with the enemy, were court-martialled. But though Russian military leadership was inferior to the Prussian, the endurance of the Russian soldier was unrivalled. And towards the end of the war Elizabeth's generals were probably already equal in skill to the generals of Frederick the Great. Such brilliant Russian commanders as Chernishev, Rumiantsev and Suvorov won their fame in the battles on the Oder. (Most prominent among their opponents was the dreaded

Prussian Cavalry General von Seydlitz, in all probability an ancestor of the present leader of the Free Germans in Moscow.)

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Nevertheless, the political and diplomatic conflicts within the anti-Prussian coalition produced occasional tension between the allies. On this Frederick staked most of his hopes. In most of the wars bringing Russia into Central Europe territorial claims have come to the fore. The Seven Years' War was no exception. Elizabeth claimed Ducal Prussia—as East Prussia was then called—for herself. She also advocated the return of Silesia to Austria, and the “compensation of devastated Poland with Magdeburg and Lusatia.” Parts of Pomerania were to go to Sweden. All these territorial changes added up to as “harsh” a peace as possible for the House of Brandenburg. Elizabeth's demands met with French, Austrian and British opposition. As recently as 1943 a Russian historian described the motives of that opposition in these terms:

insincerity and not rarely open hostility . . . the endeavour . . . to take chestnuts out of the fire with other people's fingers and to achieve the weakening not only of the enemy but also of the ally.

With the polemical fervour that characterises Russian historical research the historian goes on to argue that the peace of 1762 was unstable because Russia's claims, dictated by security, had not been satisfied.

This interpretation is certainly one-sided. Frederick the Great was, in fact, saved by a sudden reversal of Russian policy that followed upon the death of Elizabeth on January 5, 1762. Her successor, the insane Peter III, an ardent admirer of the Prussian King, concluded peace with Prussia on the king's own terms. The pro-German tendency at the Court, which had been suppressed by Elizabeth, reasserted itself. Two years later the new Empress Catherine II concluded an alliance with Prussia, which was soon sealed by the three partitions of Poland. No wonder that Nazi propagandists have often recalled this “miracle of the House of Brandenburg” and held out to the German people the hope that a similar miracle might still occur.

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It is noteworthy that interest in the political and military history of the Seven Years' War has strongly revived in Russia as well as Germany. The Russian Government made a gesture of boundless optimism and confidence when, with the German armies standing on the Don and the Volga, they gave Russian historians the assignment of collecting and publishing official documents on the victorious Russian campaigns between 1756 and 1762 and the capitulation of Berlin to the Russians in 1760.* These documents include the reports of the Russian commanders on the German lands they occupied. The East Prussians

* “Razgrom russkimi voyskami Prussi” (1756-1762) issued by the State Publishers (OGIZ) for the Management of Archives of the Commissariat of Home Affairs (NKVD).

adopted an extremely meek and even docile attitude towards their conquerors. The Mayor and the notables of Königsberg “humbly asked the Czarina for her protection and for the preservation of their privileges.” The civil servants took without protest an oath of allegiance to their new Sovereign; and Königsberg greeted the victory of the Russians with the ringing of bells and with festivities. This mood is very strikingly reflected in the application submitted to the Empress by Immanuel Kant in which the philosopher, with the greatest humility and docility, begged the Empress to appoint him to the post of an ordinary Professor of Logic and Metaphysics at the Königsberg University, and assured the Russian Sovereign of “his readiness to die for her in deepest devotion as her most faithful slave.”

It is true that the occupation of “Ducal Prussia” was long and peaceful and the province therefore fared better than the other German provinces which were ravaged by fluctuating and protracted campaigns. Even so, Frederick the Great never forgave the East Prussians for their submissiveness and contemptuously called them the most foolish people among his subjects.

The Russian historian of 1943 describes the conduct of the Russian armies of occupation in the following words:

The Russian soldier was as brave as he was self-restrained. He inflicted no violence on conquered Berlin and he played the role of the defender of law and order. He energetically suppressed the inclination towards looting on the part of the Austrians and the Saxons, who, using the fruits of his victories, began to loot and to devastate the outskirts of the conquered capital.

The verdict of non-Russian historians on this point is not so uniformly favourable. Whatever the historical truth, the appreciation of the Russian historian is interesting as a hint for the future. Marshal Zhukov's soldiers are being asked to admire and imitate the self-restrained “defender of law and order” of 1760.

The Seven Years' War was the first of the great modern wars fought by Prussia on two fronts; and the familiar German fear of such a war can be traced back to the years 1756 to 1762. Frederick the Great decided never again to take up arms against “the bears of the Holy Roman Empire,” as he called the Russians. For one hundred and fifty years, from 1762 to 1914, Prussia was to remain at peace with Russia—with the exception of a brief period during the Napoleonic War when the Prussian state was Napoleon's unwilling satellite.

The Seven Years' War also gave Russia a predominant influence in Central Europe which lasted many decades. Some years after the conclusion of the Russo-Prussian peace, Catherine the Great was acting as arbiter between the German States in their feud over the Bavarian Succession; and the Russian influence in internal German affairs was to remain very strong until the 1848 Revolutions—the “Spring of the Peoples.” On this point, too, history may well repeat itself.

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NOTES OF THE WEEK

How Happy Could I be with Either

In a recent broadcast, General de Gaulle told the French people that

We desire to make an alliance with England—*brave vieille Angleterre*—as soon as she consents to what to us is vital with regard to Germany and as soon as we have eliminated between us certain vestiges of an out-dated rivalry in this or that part of the world.

In Great Britain, too, the desire for closer association is strong. The problem is to surmount the obstacles and conditions set in the way. The German question is international, and is presumably under discussion at the meeting of the Big Three. The "vestiges of an out-dated rivalry" are, however, a more purely Anglo-French affair, and chief among them is the position of France in the Levant.

In 1941 the French National Committee guaranteed Syrian and Lebanese independence and undertook to withdraw their Mandate. In November, 1943, they astonished the Arab world—and their British Allies—by arresting the Lebanese President and Prime Minister of the first formally independent Lebanese government. Under British and Arab pressure, the prisoners were subsequently released, but this could not eradicate the suspicions the French action had aroused. The Syrians and Lebanese were confirmed in their fear that the French offer of independence was only formal. Recently these fears have been strengthened. On January 25th, General de Gaulle announced his intention of preserving France's "preponderant position" in the Levant. This was followed, on February 2nd, by a statement from M. Bidault that France would "maintain order" in Syria and Lebanon and had adequate forces for the task.

The British position is delicate. Their interest in Arab friendship is only second to their desire for close understanding with the French. In 1941, an accident of history brought British forces into Syria and Lebanon to liberate the territory from Vichy. The fact that the first full declarations of independence followed British intervention has made the British, willy nilly, the guarantor of Syrian and Lebanese independence. It is thus that they are considered by the peoples themselves. Yet the French repudiate this fact and point to Britain's position in Palestine. "Why," they ask, "should we withdraw from a special position if you British maintain yours?"

Macheath's unfortunate dilemma appears to confront the British—to be happy with one at the cost of offending the other. Yet it is essential to British interests that the discord should be resolved. The only solution lies through a wider approach to the problems of the Levant. Both Britain and France must ultimately withdraw from positions of dominance. They can, and should, encourage Arab union and establish treaty relationships with the whole area. Then it would be possible for joint Anglo-French-Arab military and naval bases to be established and for the French to work beside the British in some expanded economic and financial structure designed to succeed the Middle East Supply Centre and apply the economic assistance of the West to the whole sphere. Only on this imaginative scale can both French friendship and Arab independence be preserved.

M. Pierlot Resigns

On Wednesday M. Pierlot, the Belgian Prime Minister, resigned from office without waiting for a formal vote of "no confidence" in Parliament. The discussions which preceded his resignation made it perfectly clear that his Government no longer commanded the support of the Liberals and the Socialists, who formed part of the governmental coalition, and of the Communists, who were outside it. M. Pierlot emerged victorious from the conflict between his Government and the Resistance last November, but even then it was clear that his position was precarious. The opposition failed to overthrow him in Parliament because it was not yet strong enough to produce an alternative Government. But two further months of a grave

economic crisis, accompanied by administrative inefficiency and corruption, have discredited M. Pierlot's Government irretrievably. In all probability no other Government could work under such conditions without complete loss of face. In addition, the Ardennes battle contributed to a further deterioration in Belgian conditions. The coal mines did not receive the pit-props which would otherwise have been available; and the continued lack of coal has caused a vicious circle of economic disorganisation which the Government has been unable to break.

Allied supplies have been arriving only in a trickle; and quite a lot of that trickle has been disappearing from the channels of official distribution into the black market. Last week Belgium was astir with excitement because of the disappearance of a big Allied shipload of chocolate. The chocolate bars, it was said, were broken during transit, and they were supposed to have been sent for remelting. Mysteriously enough, the chocolate failed to reappear from the melting pot; apparently it was connected with the black market by a secret conduit pipe. The episode—trivial in itself—hastened the downfall of M. Pierlot's Government.

Belgium is now confronted with the problem which arose during the November crisis, although it is being restated in milder form: ought the Belgium Government to be based primarily on the pre-war alignment of Parliamentary forces or ought it to base itself more closely on the resistance groups which were active in the country during the occupation? In practice the choice is one between a coalition of the Catholic Right with the Liberals and Socialists and a coalition between the Liberals and Socialists and the Communists. The Catholic Party, or at least its Right Wing, has made it clear that it rejects any co-operation with the Communists. In Liberal and Socialist ranks the inclination to co-operate with the Communists is now much stronger than it was during the November conflict.

The Liberal Party

To judge by the sessions of its Assembly held last week, the Liberal Party is certainly full of renewed vigour. Moreover, it appears to have recaptured a policy, defined for it by Sir William Beveridge. It is true that there was a motion of protest against this new "radical" policy, but it received only four votes—many fewer than would certainly be given to dissident motions in the other parties. The speech of the Party's new President, Lady Violet Bonham-Carter, was full of brave words about "going over to the attack," and it is certainly clear that the Party will play a bigger part at the General Election than at one time seemed likely.

But just what sort of part it will be is still difficult to say. That there is a very large body of opinion in what can roughly be called the Beveridge position—for social organisation and experimentation within the limits set by a free society—is beyond question. But the extent to which this body of opinion will seek to achieve its objects through the Liberal Party is rather more open to doubt. What the Party can do is to provide every opportunity for the electorate to cast Liberal votes by putting up a very large number of candidates. This it is going to do—some estimates say as many as 400 candidates will be in the field.

But here another uncertainty enters in. The British electoral system—as the Liberals never tire of pointing out—acts very unfairly towards the smallest of three parties. At the General Election of 1929, when they put up 512 candidates, the Liberals got 23½ per cent of the votes cast, but only 59 seats out of 615. In 1935, there were only 161 candidates and the vote received fell to 6½ per cent of the total. Actually, the votes polled per candidate did not show much fall—from 10,350 in 1929 to 8,970 in 1935—so that the sponsoring of more candidates might automatically restore the total of votes received. But even if it were now to revive to the 1929 level—about the furthest limit that can be assigned to optimism—there is no assurance that the number of seats won would be any larger than in that

year. These 59 seats, however, held the balance in the 1929 Parliament and might well do so in that of 1945.

Even more obscure is the likely effect that the intervention of 400 Liberal candidates would have in the constituencies that they did not win. In policy, the Liberal Party is closer to the Labour Party than to the Tories—the Assembly sufficiently emphasised that fact—and it might therefore be supposed that most Liberals, in the absence of a Liberal candidate, would vote Labour—and therefore that Liberal intervention would hurt Labour. If this turns out to be the case, Labour will have only itself, and its rigid refusal of all offers of alliance, to blame. But things are by no means certain to turn out this way. If the Liberals are to win votes in 1945 that were given to one of the larger parties in 1935, where will they come from? Surely, in overwhelming measure from those who were beguiled into following Lord Baldwin in 1935. Moreover, it is not only the source from which Liberal votes are drawn that matters, but also the constituencies in which they are cast. After two lost elections, most of the Labour seats are now in distinctively Labour areas, where Liberals—often driven by local politics—tend to prefer the Tories. It is doubtful whether the intervention of a Liberal would have the result of handing many of the present Labour seats to the Tories. But would it prevent Labour from attaining its hopes of capturing some of the present Tory seats? That is the question upon which the result of the election may well turn. If a guess must be hazarded, it would be that a large number of Liberal candidates will hurt the Tories more than Labour. But it might well be the other way round—and only electoral reform can remove the element of pure chance.

Canadian Politics

While the British Liberal Party is going over to the attack, the Canadian Liberal Party (one of the most successful to bear the name in any country) is on the retreat. The by-election in Grey North, an Ontario constituency, on which the Prime Minister had deliberately placed the greatest significance, has led to the defeat of the Minister of National Defence, General McNaughton, by the Progressive Conservative candidate. A candidate of the Co-operative Commonwealth Federation ran third and received enough votes to make the issue obscure. The CCF members of the House of Commons voted last December in favour of Mr Mackenzie King's compromise on the conscription issue, and it is therefore true to say that a majority of the electors of Grey North approved that compromise. But what is of more immediate moment is that they could not be persuaded, in a constituency of the Government's own choosing, to trust the Liberal Party to administer the compromise. Mr Mackenzie King as good as promised, before the election, that if it went against him Parliament would be dissolved at once—it has to be dissolved before April 17th in any case—and this will now presumably happen.

If what was at issue at Grey North was the reaction to the conscription issue of one of the parties to the controversy, the English-speaking Ontarians, what will be chiefly at stake in the General Election will be the attitude of the other party, the French Canadians of Quebec. Hitherto, they have been very loyal, in Federal politics, to the Liberal Party, and the 65 seats of Quebec have been the solid foundation of that party's strength. If it can win them again, it may still be the largest party in the new House of Commons—though it is so much on the retreat in the other provinces that it can hardly hope for another overall majority. Alternatively, Quebec may send to Ottawa a body of members, in one or more local parties, who will prefer a Liberal Government to either the Conservatives, the traditional enemies of Quebec, or the CCF, which was until recently under the ban of the Catholic hierarchy. This might also serve to keep Mr Mackenzie King in office.

To add to the confusion, it is by no means certain which of the Opposition parties will win most seats from the Liberals outside Quebec. The Progressive Conservatives have been making the running on the conscription issue, but the CCF has shown remarkable strength in recent provincial elections. In short, there are not three but four elements in the situation—the English-speaking Liberals, the French Canadians, the Progressive Conservatives and the CCF—and it would defy the skill of the prophet to place them in the order of magnitude in which they will emerge from the election.

Workers of the World Unite?

The world Trade Union Congress opened in style on Tuesday when London's County Hall was converted into a temporary cosmopolis. Multi-lingual, multi-coloured, multi-racial trade unionists from every corner of the globe—including, for the first time, representatives from British colonies—have asserabed to discuss the problems of international labour in war and peace. The Congress seems to reflect at the trade union level the likely alignment of powers when the peace conference takes place. The proceedings naturally tend to be dominated by the Big Three which have the largest membership and the most active organisations. Britain, Russia and the United States (represented by the Congress of Industrial Organisations) have nominated the three Presidents; the three Vice-Presidents come from France, China and the Latin American Confederation of Labour. The smaller nations, though vocal, are definitely in the back seat.

After the superficial harmony of the opening session, which was largely formal, the storm blew up at the end of the second day, on the report of the Standing Orders Committee. Sir Walter Citrine, in a speech of controlled fury, opposed the Committee's recommendations to invite enemy countries and to admit the representative of the Lublin trade unions (whose credentials had been flown from Moscow)—both of which proposals had been turned down by the British TUC in December. He also opposed the procedure of voting suggested by the Standing Orders Committee, on the ground that the Conference had been convened on the understanding that it would be consultative only, and not bind any country to a decision.

This is the kernel of the problem which will arise in sharper form when the Conference comes to discuss international trade union organisation. The world movements are agreed on the items "furtherance of the Allied war effort" and peace terms for Germany. But the division on organisation is fundamental. The British are still deeply attached to the American Federation of Labour, which has refused to sit with the Russians and the CIO. The British want a restoration of the present International Federation of Trade Unions. The Russians, the CIO, the French and South Americans want an entirely new International to emerge from the Conference. Next week's proceedings will show whether the conflict, which is at bottom one between the "reformist" and "revolutionary" unions, can resolve itself dialectically.

Manila Falls

The Americans' triumphant advance across the Co-prosperity Sphere continues, gathering momentum with each new conquest. Manila, capital of the Philippines, has fallen within four weeks of the first American landings on the Lingayen beaches. This phenomenal speed may be due in part to the fact that the Japanese appear to have used up most of their reserves in the fighting for Leyte, but it is

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chiefly due to the overwhelming superiority enjoyed by the Americans, particularly on the sea and in the air.

It should not be long now before the admirable harbour at Manila is ready to serve as a base for an even greater amphibious operation, the landing on the coasts of China. Recently Admiral Nimitz said that American forces are ready, if necessary, to land directly on Japan itself.

I don't know if Japan expects to take the finish in the homeland, but I feel that the only safe plan is to assume that eventually we shall have to invade. We shall continue to move in the direction of Japan, and we are optimistic of our ability to do this.

There are probably still several more stepping stones to be taken on the way to Japan, but the speed and success of the Luzon fighting open up new possibilities everywhere in the Pacific war.

Nor will the Americans be compelled to carry the whole load. British battle fleets are now in action and although their first activity will no doubt be to secure Singapore, they inevitably draw away from the defence of Japan men, ships and plans which the Americans might otherwise have had to engage.

A Government for Poland

The Lublin Government is busy extending its administrative authority to East Prussia and Silesia. So far, no decision appears to have been taken on the future administration of occupied Pomerania and Brandenburg, but the "Study Section" of the Lublin Department for the Western Areas has now put out a plan claiming a frontier 30 miles to the west of the Oder, so that the river may be a waterway for Silesia. In any case, they add, all this territory is "old Slav land."

In spite of these preparations, the fate both of the Lublin Government and of the areas they claim may still be hanging in the balance. It is not certain that President Roosevelt has committed himself as far as Mr Churchill on the future eastern frontiers of Germany, and neither the President nor the Prime Minister is likely to swallow Lublin without a stiff struggle.

There are, of course, possibilities for compromise. The controversy is now not so much between a Government in London and one in Lublin or Warsaw; the point at issue is the alternative of totalitarian, unanimous and single party rule or a free cooperation of different parties. Lublin, like Marshal Tito, stands for the Single Party state and the tyranny it involves. As long as neither Poland nor Yugoslavia was liberated, it fell to the governments in this country to keep alive the representative principle (which they did with fluctuating success). Now that the countries are free, the task is not to uphold the London governments so much as to secure the full representation of the liberated peoples and their parties.

There is much to commend the suggestion that a Council—a republican agency—representative of the Right, the Left and the Peasants, should be set up in Poland and form a provisional government of the most suitable men from London, Lublin and the old Polish parties. But such a solution is likely only if the President and Prime Minister in their discussions with Marshal Stalin use their utmost energy to secure a compromise.

Towards Agreement in Greece?

The negotiations between the Greek Government and EAM are running more smoothly than some of the preliminaries—the dispute, for instance, on the composition of the EAM delegation—suggested. There was at first some hesitation over the amnesty. The EAM leaders asked for a general amnesty, while the Government maintained their view that no amnesty could be given to cover crimes under the penal code. EAM finally gave way on this to prevent, as they said, a deadlock which might lead to more fighting. They have also agreed to the disarming of ELAS.

All this is satisfactory, but obviously everything depends upon the way in which the agreement is carried out. General Plastiras is left with an amnesty which he can interpret generously or illiberally as he chooses. If his methods are generous, there is some chance that the rank and file of EAM's followers in the score of districts controlled by EAM will lay down their arms. In recent Greek history terms agreed to and accepted by leaders in conference have not always been accepted locally. The chance of disarmament itself depends on the Government's moderate interpretation of the amnesty.

Disarmament is only a preliminary to pacification. Once EAM has no more force to maintain its position, will the parties represented in it secure fair treatment in the matter of elections? It is difficult to dissociate this problem from the question of widening the bases of the Plastiras Government. At present, it is composed of six members of the Centre and Right. Unless it is reinforced from the parties of the Left, it is difficult to see how it can resist the pressure of the strengthened and self-confident Right (who are seeking unity and not "mutiny" as a misprint suggested in *The Economist* last week).

British troops have fought to prevent the predominance of the Left. The British Government has as urgent and compelling a duty to prevent the preponderance of the Right. Only a Government to which representatives of EAM have been admitted is likely to hold the balance. It is therefore not enough for the British authorities to bless the present negotiations: They must use all their vigilance to see that the amnesty is genuine, that the Government is widened and that fair preparations are made for the elections.

Citrine on Greece

The full report of the trade Union Delegation on Greece has now been published. In substance it repeats the press reports which have already appeared in this country. On the issue of trade unionism, the delegation found itself in a situation of some confusion. It could not altogether accept the claims of the Hadjidemitiou Group, appointed by the Plastiras Government. Sir Walter and his delegation therefore took steps to get into touch with those former members of the Greek Trade Union movement whom they already knew—M. Kalomiris, Stratis and Theos, all supporters of EAM. Under British auspices, a meeting between the two groups took place and a formal statement of agreement was drawn up on the holding of free trade union elections and, by implication, of EAM participation in them. As Sir Walter's Report made clear, once EAM has made its peace with the Government, it will be able, under the Agreement, to participate in trade union affairs.

The Citrine Report does not pretend to give much political information.

We did not see representatives of political parties. . . . We did not wish to be drawn into the vortex of Greek politics. We did not regard it as any part of our mission to endeavour to investigate whatever political difficulties may have arisen in Greece.

It follows that their information, drawn almost entirely from the British authorities and the Greek Government, does not do much more than confirm the fact of atrocities and the dislike of the British troops for the methods of fighting common to guerilla and civil war.

Public Relations Officers

Discussions about the future of the Ministry of Information and the Government's Public Relations Officers become more lively as the war draws to an end. There are now, according to a statement made in the House of Commons last week, 1,187 persons employed in public relations work. Of these only 606 are in civil departments, the rest being attached to the Services. The most modest department is still the Treasury, with only one public relations officer.

There are critics who condemn the system of Government publicity, on the ground that it cramps journalistic enterprise, and may lead to undesirable personal publicity for the Minister. It is true that the system is open to abuse, and that, especially in peace-time, the party in power could make political use of such convenient publicity machinery. But it is obviously essential to maintain some kind of machinery for liaison with the press, and provided there are adequate safeguards against possible abuses, public relations sections, attached to Government departments, can perform valuable functions, in peace as in war.

This is broadly the view taken by PEP in its latest broadsheet on "Government Information Services." PEP has some useful suggestions to make. Instead of Public Relations, the offices should be called Information Departments, with the corresponding emphasis on information rather than advertisement which this change of title implies. They should be staffed by small, highly qualified staffs, under a director who could be a civil servant. Their work should be co-ordinated by a Central Publicity Department

(attached to the Treasury or the Cabinet Offices), which would take over much of the work of the Ministry of Information in regard to film production, publications, exhibitions and national publicity. The news department of the Foreign Office should be enlarged, and should provide "background" information as well as news hand-outs. The interpretation of public opinion to the Government, now left largely to Members of Parliament or dealt with for specific subjects by the Wartime Social Survey of the MoI, should be the responsibility of an independent social research organisation under the aegis of the Lord President of the Council.

Whatever the precise form of machinery which is evolved for the Government's publicity and information services—and some solution along the lines suggested by PEP would seem desirable—it is important in the public interest, as well as in the interests of the men and women employed in public relations departments, that some decision should be reached soon.

Bombay Instalment

The first part of the Bombay Plan—a statement of aims for the economic development of India by eight leading Indian industrialists—has been followed by an appendix, or second part, concerned with the place of the State in a planned economy. Far from rejecting government controls, the authors believe that

... unless the community is endowed with powers for restraining the activities of individuals seeking their own aggrandisement regardless of public welfare and for promoting the main objectives of economic progress, no plan of economic development will succeed in raising the general standard of living or promoting the common good.

This is an important statement of creed, coming from the kings of an acquisitive society. Even though it is balanced by an equally firm belief in the contribution to be made by capitalist enterprise and initiative, it is indicative of a remarkably radical turn (from whatever motive) in educated Indian thought. It leads the authors of the Bombay Plan to suggest a system of controls—for production, distribution, investment and foreign exchange—which would be similar to those imposed during the war but more competently administered and co-ordinated. Where outside control is ineffective, the state must take over ownership, at least for the period of planning. State control is also accepted for public utilities, basic industries and state-financed enterprises important to public welfare or security.

The summary reports of the second Bombay instalment so far received suggest that the industrialists' advocacy of state ownership is yet more thorough where agricultural interests are concerned. Outright state-ownership, extinguishing the landlord's claim and the entire Zamindari system are to be achieved, first by yearly payments and then by lump sum compensation. This would enable the state to pursue the object of reducing agricultural man-power by increasing productivity, and would thus help to achieve the major objective of full employment and higher living standards. The fundamental queries already set against the Bombay Plan (see *The Economist*, June 17th, 1944, p. 804) are still unanswered. One concerns the volume of capital necessary to achieve the results of the plan, and is primarily a technical, economic and financial problem. The other, with which the Plan never attempted to deal, concerns the political and social conditions necessary for over-riding all economic planning. The easy assumption that there will be an Indian government, responsible, national and efficient, is the biggest "if" of all. Without it, and without the confidence of Indians behind it, the Plan may turn out to be yet another valuable blue-print.

Water Everywhere

It is not likely that the Water Bill, which was presented to Parliament by the Minister of Health last week, will produce any violent controversy, although its provisions are clearly important and may be regarded as a move towards the nationalisation of the water "industry." The Englishman does not easily get excited on water.

The Bill centralises, under the Minister of Health, the duty of promoting the provision of adequate water supplies and the conservation of water resources for England and

Wales; the Minister will be advised by the Central Advisory Water Committee, which is to be reconstituted as a statutory body. Where necessary, amalgamations among the thousand or more water undertakings throughout the country will be encouraged or enforced in the interests of technical or managerial efficiency. The Minister is given power himself to take over, or to transfer to county councils, the functions of undertakings failing to provide adequate services. Equally important are the special steps that will be taken to control and protect resources, surface and underground, against misuse by waste or pollution.

These reforms are long overdue. In the domestic (urban) sphere, water is so cheap (a week's supply for the average household costs about as much as a glass of beer) that it is taken for granted. But the increased efficiency of the water industry would bring about benefits to industry and agriculture. The uneconomic scramble for catchment areas in the Pennines, the Lakes and Wales during the past sixty years has already caused serious problems of distribution in the North and Midlands. Sooner or later these problems must be resolved by large-scale interlinking of areas. Water is one of the few raw materials in abundant supply in Britain; it is a matter of real importance that the maximum use should be made of this natural advantage.

Many country-dwellers will be heartened by a proposal requiring all local authorities to ensure that every house is supplied with piped water. But everything will depend on the interpretation of the qualifying "whenever practicable."

Tesin, Teschen, Cieszyn

The Munich agreement of 1938 awarded to Poland the Czech Olsa territory with the whole town of Tesin, which is Teschen in German and Cieszyn in Polish. The town of Moravska-Ostrava (Maehrisch-Ostrau in German) remained Czech. By this award Czechoslovakia lost 45 per cent of its coal output and other important industries. The Nazis incorporated the Olsa district, also known as Olsa-

Making the most of the NATION'S MILK

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Milk Chocolate is a compact and highly concentrated food easily kept and transported and requiring no elaborate packaging. It retains the full food value of the milk almost indefinitely without special storage or canning.

Cadbury means Quality

Silesia, and the adjacent Hultschin district, which before 1914 belonged to Germany under the name of Hultschiner Laendchen, into the Gau of Greater Upper Silesia. A few days after the great Russian offensives had begun, the provisional Polish Government in Lublin delineated the western frontiers of Poland as follows:

Bytom (Beuthen), Zabrze (Hindenburg), Gliwice (Gleitwitz), Opole (Oppeln), Wroclaw (Breslau), Lignice (Liegnitz), Frankfurt-on-the-Oder and Szczecin (Stettin) will belong to Poland as will East and West Prussia, the Poznan (Posen) district and all Pomerania. This has been fixed by our Allies. The frontier will run through Moravska-Ostrava and along the river Opava (Oppa) via Neisse and Glatz to reach the river Oder at Frankfurt and will follow the Oder via Kostrzyn (Kuestrin) as far as Szczecin (Stettin).

This is a somewhat ambiguous statement, as the accompanying map illustrates. The line of the river Opava, if it is carried northwards from Morava-Ostrava, merely gives the whole of the Silesian district to the east to Poland. If, however, the frontier is carried southwards along the Opava, following the shaded line on the map, then the Lublin Government is in fact claiming from Czechoslovakia an area greater even than the territories ceded at Munich.

It is difficult to say which of the two interpretations represents the real views of Lublin. It is very probable that they have at different times supported both views. For some weeks, the Government of Dr Benes failed to recognise Lublin as the Provisional Government of Poland. During that period, the Russians allowed the Ruthenians to



raise their demand to be separated from Czechoslovakia and joined to the Soviet Union. At the same time, the Lublin Government's statement was published and a number of reports suggested that the idea of the Opava frontier to the south of Morava-Ostrava was being used as an instrument of pressure on the Czech frontier.

Now, however, Dr Benes has recognised Lublin. The Ruthenian question has been ostentatiously dropped by Moscow. One may, therefore, assume that the threat of an Opava frontier the length of that river has also been dropped.

It is hardly surprising that the danger of dispute should have arisen over Teschen. The tri-lingual triangle between Poland, Czechoslovakia and Germany has been a bone of contention for centuries. Inability to agree over Teschen was one of the causes of the break-down of the Czech-Slovak discussions on federation in 1941 and 1942. A mere change in political alignments will not finally settle these disputed lands. Like many other European areas, no settlement is possible so long as it is conceived in purely nationalistic terms.

Land Bill Opposition

It is clear that considerable amendments to the Requisitioned Land and War Works Bill must be made before Parliament will accept it. The Bill enables the Government to acquire compulsorily any land which has been temporarily requisitioned for war works under emergency powers. Broadly speaking, the Government will wish to acquire two types of land (a) land which it will continue to use itself for defence or other purposes, such as aerodromes, and (b) land whose value is less than would be the cost of restoring it to its normal condition. There can be no quarrel with the main purpose of the Bill. The two reasons for acquisition, national defence and the avoidance of unnecessary financial loss, are both eminently reasonable. But doubts are rightly felt about both the way in which the land is to be acquired, and the use to which it will then be put.

The compensation payable aims to offset all changes in land value due to war works. The intention is apparently to pay 1939 prices, plus such extra compensation for owner-occupiers as is allowed under the Town and Country Planning Act, 1944. This procedure is not only unfair, but ridiculous. The avowed aim of the Bill is to decide whether land will cost more to restore than it is worth; but whereas its worth will be judged by 1939 standards, or, in other words, considerably undervalued, the cost of restoring the land will be calculated at its highly inflated 1944 level.

It is also unfortunate that the Commission which will judge Government claims in default of agreement is to be appointed exclusively by the Treasury. Even an adverse decision of the Commission can be overruled where land is wanted for the Government's own use, and the acquisition of factories need not be referred to it at all. Dwelling-houses cannot be compulsorily acquired at all, except in widely phrased special circumstances. These provisions are less than fair to owners. Since their land was seized under exceptional powers, granted only in virtue of the war, they should at least have recourse to an independent tribunal; and compensation should explicitly take into account the omnibus increase in land values.

Right and Left Hands

The fears that are being expressed about the use to which compulsorily acquired land will be put reflect the belief, which is certainly not without justification, that the Government's right hand does not know what its left is doing. The left hand is in this case the Treasury, who, it is feared, will resell land to the highest bidder, independent of planning considerations. Crown land is, moreover, technically free from town planning control. The right hand is the various Ministries concerned with the planning of land, whose correct use they are endeavouring to secure at a not inconsiderable cost to public funds.

Theoretically, the more land the state owns, the easier planning becomes. But this is only so if purchase and disposal of land takes place in full accordance with planning considerations. For this reason the Commission should include representatives of the planning departments concerned. Further, land which the Government intends to resell should be offered first, on agreed terms, to the local authorities concerned; and it should in any case only be sold subject to such restrictions on its use as effective planning requires. These restrictions would need to be agreed with local authorities.

A much-publicised case in point of the present Bill's dangers is the position of requisitioned commons and open spaces, and blocked-up footpaths. Clearly it would be unreasonable to alter the shape of an essential aerodrome in order to restore a common; but it would be a very different matter if the common was resold for private use for financial reasons. Therefore, the Government should be obliged to restore all public open spaces which it does not require for its own use. If in any particular case this obligation is unnecessary or unduly burdensome, the onus of proof should lie with the Government. Further, where open spaces are not restored, an attempt should be made to provide an equivalent area of open space elsewhere. These two obligations are no more than common justice.

Loans to Russia

It is known that the Russian Government has made approaches to both the British and the American Governments to secure long-term credits for the reconstruction of

Russia. The Russians certainly have a claim on Western aid and any project likely to keep them in regular and co-operative contact with the outside world has a political value which might be held to outweigh most economic drawbacks. In principle, therefore, the Russian initiative is one to which both the British and American Governments can give an honest welcome.

The difficulties lie rather in the scale and financial nature of assistance the Russians are proposing. Reports speak of a twenty-year credit of some £750 million from Great Britain and of £1,500 million from the United States. This may well reflect the reality of Russian needs, but it is not in keeping with economic and political realities in the West.

Great Britain must export, but not simply for the sake of doing so. It will be difficult enough, in the early years, to get out a large enough volume of exports to pay for the necessary imports without diverting any of them to credit transactions which do not serve that purpose. A large volume of exports to Russia on credit in these years would involve Britain in a direct and immediate loss of foreign exchange. A large credit transaction—indeed, even a small transaction that is wholly on credit—is therefore beyond the economic capacity of this country. It is to be hoped, however, that counter proposals were made to the Russians. If the alternative to no credits is no trade, it would obviously be worth the while of both countries to meet each other half-way. For example, Russian imports from Great Britain might be financed partly by credits and partly by goods and partly by payments of Russian gold. If by this means some trade was done that would otherwise not be undertaken, the British exchange position would be improved. But exports without any current return either in goods or in gold are a luxury the country simply cannot afford.

The problem in the United States is not so much economic as political. The sum proposed by the Russians far exceeds the credit-giving capacity of any of the Government agencies. New appropriations would be necessary and it is doubtful whether Congress in its present mood would agree to so large a loan without attaching political conditions to it. The course of wisdom would seem both in the American and British negotiations for the Russians to put forward a maximum and a minimum programme and to be prepared to bargain between the two extremes. An attitude of "take it or leave it" will advance nobody's interests, least of all the Russians'.

War Service Gratuities

The Government's plans for getting men and women back into civilian life have now been completed by Sir John Anderson's statement on gratuities for war service. The demobilisation scheme, the reinstatement in civil employment legislation, and the provisions for vocational training have made their contribution of law and machinery to the resettlement scheme. Now, the expected lump-sum gratuities are to be added to the 56 days' paid leave after discharge, free civilian outfits, and the post-war credits which have accumulated since January, 1942.

The whole comprehensive scheme, costing £500 million, plus £200 million for the gratuities, will be described in a single document, soon to be issued by the Government. The war service gratuities are to be based on length of service, whether at home or abroad, and on the highest rank held for six months or more. They are to be tax-free, and paid through the Post Office Savings Bank.

The scheme is relatively simple and fair enough to raise no major grumbles. The main difference between it and its 1918 counterpart is that a rather higher rate is to be paid to other ranks, and a much lower one to officers. A second difference is that a distinction will not be drawn, as in the Canadian scheme, for instance, between service at home and service abroad. Because conditions of foreign service vary so widely, and because the great majority of British soldiers will have been overseas before the war is finished, the Government's solution (to tack on to the final leave an extra day for each month of foreign service) is probably the best.

No alarm need be felt for the inflationary effect of these lump sum payments. The cost, compared with war expenditure, is very small, and the danger of aiding inflation equally small. The main danger, as after the last war, will be for the "demobs" themselves. Perhaps the gullibility of the modern soldier is less than that of his father, but some warning, if possible through Government and Service publicity machinery, should be given to unwary soldiers eager to make the best out of their gratuities, and liable to fall into the hands of the "sound little investment" mer-

chants. The habit, fostered during the war, of asking information and advice from disinterested organisations is one which the soldier will find useful when celebrations and expenditure on civilian essentials leaves something over from his gratuity.

Sunday Cinemas and Children

The Surrey County Council has chosen an unfortunate moment to impose its ban on the admission of children to Sunday cinema shows. Conditions in this sixth winter of the war are such that the people—the ban will clearly affect parents and guardians almost as much as the children—are surely entitled to any relaxation, entertainment and warmth that is easily provided. Cinemas showing adults' films may not be the ideal source of entertainment for the young on Sundays (or on any other day, for that matter), but when better alternative accommodation is so restricted—and cannot, at the moment, be improved—it is both unkind and unwise to shut the doors of the entertainment world to children.

Surrey is not the only authority prompted by sabbatarian zeal; as *Kinematograph Weekly* reports:

Manchester has been operating a "gentleman's agreement," designed to co-operate in excluding children on Sundays. It has worked well on the whole, no complaint of its infraction having been recorded. The Council of Churches, however, now seeks to make the terms mutually agreed upon a condition of licence.

If the object of such bans and restrictions is to persuade more children to attend the Sunday schools, any success achieved must be set against the positive harm done to the unconverted.

It is one of the most difficult of parental duties (one clearly recognised in the new Education Act) to decide how much and what kind of religious instruction the children should receive. But, though it is difficult, it is best left to the parent. The work of the Churches is never, in the long run, assisted by measures, positive or negative, that are based on compulsion.

Plan for Bath

Bath, despite its areas of "blitz" and "blight," offers possibilities for imaginative town planning which do not first require the wide and so far unobtainable powers of control needed by larger and more congested cities. These possibilities have been eagerly seized in a very detailed plan prepared for a joint planning committee, and covering about 21,000 acres with a pre-war population of 78,500. The plan does not run into the difficulties created in many areas by the multiplicity of planning authorities; and although extensive new building is called for, requiring the addition of 8,000 more houses to the existing 20,000, there is ample space in which to put them, and no large-scale decentralisation is necessary.

Bath has been town-planned before, in the eighteenth century, and the aim of the new plan is to preserve the Georgian squares and terraces, while transferring traffic and shopping activities elsewhere. New by-pass extensions will divert all through traffic from Georgian Bath, and the city's heart will be cleared of much local traffic by a central ring road. But the plan aims to create as well as to preserve; notably in its proposals for a spacious new health centre, for the development of the Royal Crescent as the new civic centre, for the construction of a large recreation centre facing the river Avon, and for the opening up and rebuilding of a wide riverside stretch. An interesting feature is the suggestion of a suitable site for Government offices, in the hope that some department may be permanently transferred to Bath.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, and this may mean a gap of many months before the despatch of copies can be resumed.

AMERICAN SURVEY

International Surrealism

(From Our Washington Correspondent)

REALISM carried beyond its logical conclusion becomes surrealism. To the man in the street its products are mostly horrid things to contemplate. Current surrealist sketches of America's major Allies are now on sale, under various mastheads, at all American news-stands.

The Russians are depicted as having just about established the conditions for isolationism in the grand manner of the American nineteenth century. Russia proper becomes a glorified American Middle West, similarly compounded of unmeasured natural resources and unbounded confidence in the efficiency of the Russian system to make them produce. This central area is now adequately buffered—as the Middle West was by the states of the two seaboard—by a widening fringe of countries to hold off—and make contact with—the rest of the world. Three concentric circles create an illusion of federalism and independence: the foreign policy of the sixteen member republics of the USSR; the foreign and domestic policies of the fringe states just outside the USSR; and the domestic policy of the Communist parties of the states beyond that area. But there is a centre of centres, the directing core of this totality, whose attention is concentrated on the new Middle West, and whose manipulations of the outer circles have that interest alone in view.

The picture of England is drawn in historical perspective, with the outline of the British Isles superimposed over the outline of France between the wars (and titled *Sécurité d'abord!*) Radiating from it are political lines of alliance which also serve a double purpose as the framework of a system of cartels. The colours are the colours of twilight, green predominating.

The picture of the United States is of a mechanical man seen in cross-section, pistons in excellent order, with butter as a lubricant. The cross-section view makes it impossible to tell in what direction the figure is facing. One arm (is it the right?) has its fist covered by a crusader's casque.

How do these pictures compare with the output of the life class?

So far as the United States is concerned, the current fashion of being "realistic" has caused the living actors who are taking a number of the American stock parts to indulge in a certain amount of exchange of costumes. During World War I the Democratic President was an idealist. The Republican opposition announced itself realists. The idealist failed. To-day's Democratic President accordingly professes himself a realist, who recognises that the Atlantic Charter and the Decalogue have their places, but so has sin. The opposition has correspondingly no choice but to become idealist, suggesting that the President is willing to continue as captain of the team after having raised no objection to the removal of all goal-posts from the field. Senator Vandenberg turns to constructive measures. Senators Wheeler and Wiley busily propose lofty sentiments in resolution form.

It is true that the country is receiving little overall leadership toward even such objectives as a realist might permit himself; and the public is coming to the conclusion that in a world compounded of unilateral action and failure to act, Dumbarton Oaks is an uninteresting document. It is true that the isolationist group can itself propose the unattainable this time with no less confidence than last time that it will fail. It is true that cynicism grows when people are encouraged to believe that little or nothing good is possible.

Yet there are certain facts, mostly in the inchoate realm of forces that have not yet found their way into the channels of policy, which contradict the assumption that the United States will again play turtle.

This time the United States does not intend to disarm. The demand for bases, coming mainly from ex-isolationist quarters, may be the expression of as unilateral a mood as has lately been instanced elsewhere, but at least takes American policy beyond the limits of the continental

United States. Moreover, while the proposals recently advanced by the Services for universal military training are meeting various types of objection, the opposition does not feature the major basis on which the similar proposals failed after World War I, namely, that the country does not need reserves. One of the most considered attacks on the Bills so far introduced is that universal training must be only a part of a broad plan of scientific and industrial mobilisation if the country's war-preparedness is to be kept up to date.

Another force toward world action is the productive potential of an economy which has added \$20 billion worth of factories (book value) to a pre-war total valued at \$50 billion, and is committed to a programme of finding jobs. Here, too, future circumstances may afford an opportunity for a change of costumes in the economic act roughly comparable to the change of political costumes that has already taken place. It may now seem ludicrous, but it is not impossible, that isolationist Republicans, confronted by Democratic proposals for raising world living standards, would go on a slumming expedition and discover the American lower third.

But, on the whole, the pressure to explore the possibility of exporting as a cure for unemployment is likely to be irresistible, and present-day Americans know that exporting means importing. One section of the community learnt the lesson from the foreign bonds with which the walls of financial clubs were papered in the depression years. The farmers learnt a similar lesson of the limitations of purely monetary exchanges from the famous parity formula for farm prices, and Labour from the cost-of-living formula for wages. This argument, too, leads straight to a readiness to co-operate with other nations.

Neither of these major differences between the American position in 1918 and to-day—neither the unwillingness to disarm nor the anxiety to export—necessarily forecasts a foreign policy that is either integrated with those of other nations or close-knit in itself. But they do not add up to American withdrawal.

American Notes

A Budget for Full Employment

In his testimony before the Senate Commerce Committee two weeks ago, Mr Wallace very ably propounded his faith in an expanding economy of high production and high wages, and took his stand firmly on the "economic bill of rights" which the President suggested a year ago. Mr Wallace said frankly that if confirmed he would use his powers boldly "in the interests of the American people," to raise the economic sights and to advance the interests of small business, labour, the farmer and the consumer as against the giant corporation.

To attain a goal of a national income of \$170 billion providing 60 million jobs, Mr Wallace endorsed the Eberstadt theory of government-guarantee of private loans to stimulate investment in new plants and facilities, particularly by small business, from which he felt some 5 million more jobs might flow. He urged the trebling of foreign trade to provide another 3 million, with emphasis on a high level of imports as well as exports. Public works to provide jobs when the total falls below 57 million, he suggested, should be carried out by private enterprise paying prevailing wage rates.

This is hardly a revolutionary programme. Many of its proposals are accepted government policy in other countries, and it is all to the good to have the issues put before the American people. Mr Wallace also referred sympathetically to Senator Murray's Full Employment Bill, "to make free enterprise work." Its core is the proposal for a

"National Production and Job Budget." At the opening of each regular session of Congress the President would present an estimate of the total of investment and expenditure from all sources: consumers, business, local and State governments, as well as the Federal government. This budget would be considered balanced when the total was sufficient to guarantee full employment; when it was inadequate, the President would be required to submit plans for balancing it by further Federal spending.

The concept of a budget to be balanced by further spending, rather than by the more orthodox method, is congenial to New Deal thinking. But the method of that balancing is crucial if it is not to unsettle one sector of the economy while stabilising another. In the United States, the prospect of large-scale government spending is more than likely to provoke another "sit-down strike" by private capital, which might reach dimensions sufficient to unbalance any Manpower Budget. The purpose of Senator Murray's Bill is admirable. The British Government is already committed to a similar proposal. But even given the most perfect policy, it is debatable whether at this stage the less highly developed administrative machine in the United States would be equal to the new strain.

National Service

A coalition of Republican and Democratic conservatives has been responsible for the speedy passage of the Bailey-May Manpower Bill in the House by a vote of 246 to 165. The opposition was made up largely of Congressmen particularly sensitive to labour and farm votes in their constituencies. They made determined, and very nearly successful, attempts either to postpone consideration of the Bill, to amend it, or to substitute for it more effective use of the manpower ceilings ordered by the War Manpower Commission.

The Bill is now before the Military Affairs Committee of the Senate, which will hold secret hearings this week from representatives of the Services, labour, and industry. As it stands, the Bill provides for the freezing of men from 18 to 45 in agriculture or essential war industry, and, if appeals for volunteers fail, for the direction of others into designated industries, although the men involved are allowed to volunteer for the Services instead; and are to be given considerable latitude in choosing individual employers. Final penalties for disobedience include heavy fines, gaol sentences or, where appropriate, induction into the Services.

There is said to be substantial opposition to the Bill in the Senate; and some doubt is expressed whether it will ever emerge from the Committee pigeon-hole. This may be unduly pessimistic, in view of the extent to which the testimony of the Services outweighed the objections of industry and labour in the House. Nor, unless the Senate modifies its penalties, is the Bill inadequate to provide from the pool of 18 million men affected the 900,000 needed by the Services and the 300,000 required in war industry.

The Wallace Appointment

The Senate has postponed confirmation of Mr Wallace's appointment as Secretary of Commerce until March. The probability now is that he will be confirmed, in view of Mr Roosevelt's indication that he will approve the George Bill divorcing the lending agencies from the Department of Commerce. The Bill was passed in the Senate by a vote of 74 to 12, and has been approved by the House Banking Committee after the defeat of several amendments designed further to restrict the President's authority as it affected the transfer of other financial agencies. As the fight developed in the Senate it became the prime aim of the Administration to secure a vote on the George Bill before Mr Wallace's appointment came up, while the anti-Wallace die-hards attempted to deal with the confirmation first in the hopes of eliminating Mr Wallace altogether. From this manoeuvre the Administration forces emerged victorious, but only by a hair's breadth, by one vote in fact.

How free Mr Wallace will be in his new post to work out his policies for full employment, high wages, and an expanding economy turns on the persistence and nature of Congressional intervention, and the character of the man appointed to head the financial agencies. This second appointment will provide some clue to the President's determination to carry on the fight.

The attack of Mr Wallace by "the interests" has added to the stature he gained last summer by his modesty, good

sense, and loyalty during the election campaign. Not only has he emerged as the unrivalled leader of the progressive planners, but even his critics have been impressed by the clarity and forcefulness of his professions of faith and the adroitness with which he parried his hostile questioners on the Senate Commerce Committee. Mr Wallace's eventual confirmation may owe something to the calculation of the Democratic Conservatives that to exclude him entirely from high office would make a martyr of him and formidably increase his strength in the country by 1948.

The Shadow of 1946

Party politics never take a holiday. Both Democrats and Republicans have been publicly tuning up their machines. Already the tip of the shadow of 1946 lies on the grass. The Democrats have confirmed Mr Hannegan, the party chairman, and have voted to continue the fellowship with the Political Action Committee which served them so well in 1944. The Republicans, undaunted by a fourth major defeat, have maintained a striking discipline, and at their party meeting showed no disposition to sacrifice scapegoats. Whatever undercurrent of dissatisfaction may exist with Governor Dewey, Mr Brownell, his manager, and "eastern domination of the party" failed to make public headway. There was, however, significant acclaim for the statecraft of Senator Vandenberg, who has just delivered a second powerful speech advocating collective security.

Rumblings against the "bankruptcy" of Republican party policy and the practice of combining with conservative and agrarian Southern Democrats have been overshadowed, in any event, by the Senate struggle between the liberal and conservative elements for the control of the Democratic party. Senator Byrd emerged as the leader of the right wing, which is determined to eliminate Mr Wallace as a Presidential candidate in 1948 by demonstrating that he would split the party. In a speech last week Mr Wallace insisted that he, and his liberal supporters, would not be pushed "into the futility of a third party"; that they could achieve their objectives within the framework of the Democratic party.

It is obvious Republican strategy to sit back and enjoy the dissension in the rival camp. They know they need have no fear that the Democrats can ever outbid them for the safe, conservative vote outside the southern states; some of their greatest victories have been scored against Right-wing Democratic candidates like Mr John W. Davis in 1924 and Governor Smith in 1928. The conservative Democrats are neglecting the beam for the mote in concentrating on liquidating Mr Wallace on the rather naive assumption that a Democratic Administration is a permanent Washington feature.

The Cost of Clothing

Clothing prices have been the bad boy of the cost of living indexes, and the clothing shortage, particularly in low-priced lines, is of long standing. The main complaint has been the natural tendency of manufacturers to "up-grade" their products, so that while there is a famine in cheaper women's and children's clothing and piece-goods, supplies of more expensive articles have increased. The current textile shortage has aggravated the problem.

To meet the situation the Office of Price Administration and the War Production Board recently announced that 75 per cent of all civilian fabrics will be used for essential garments, and manufacturers of low-cost clothing will get priorities, based on their output in 1943. Frills and "fancy-ing up" will be eliminated on the principle that if coats are cut according to the cloth, there will be enough for everyone. Prices are to be rolled back to the levels of the first half of 1943, which on the average will mean a reduction of some 6 to 7 per cent.

All this is to the good, although in justice it must be pointed out that the War Production Board has already done a great deal, through the use of allocation and production directives, to increase the output of children's clothing. That the apparent shortage continues is due in part to more babies, but also to the fact that parents of babies and children normally dressed in hand-me-downs can now afford to buy complete new wardrobes. As long as there is no clothing ration—and the recent scare, which created a temporary shopping spree, seems to have had no foundation—the authorities will have a thankless task to keep the shops filled at a time when money is burning holes in so many pockets.

THE WORLD OVERSEAS

République du Silence?

POLITICAL life in France has not yet achieved a balance after the unsettlement of occupation and the *bouleversement* of liberation. The acute economic misery, described in recent issues of *The Economist*, has put the Provisional Government and the endurance of the whole French people to a very severe test. Communications between Paris and the provinces are still not fully restored, and in consequence the Government has no effective control of the country. Only very few of its measures have been carried out on a national scale, and the Provisional Government is still confronted with the task of making its authority real throughout the country. That France, deprived of sufficient food and heating and with growing unemployment in the towns, has endured so tragic a winter without any major social or political disturbances must in itself be regarded as a considerable political achievement.

Nevertheless, there are elements of tension and political crises in almost every field, and it is possible that the tension will come more strongly into the open with the approach of spring when physical hardships no longer absorb the energies of ordinary people. It is against this background that the need for economic relief for France is so important and urgent. Equally urgent is also the need for tackling some of the major social and political problems which are still largely unsolved. Among these must be placed the purge of the collaborators and the establishment of the Government's authority on a more solid footing.

The Government has now decided to bring the purge to an early conclusion. It has been decreed that for the central administration it should be terminated by February 15th and for local administrations by March 15th. All trials of collaborators, in which the charges are grave enough to allow for death sentences, are to be finished by May 1st. The Government's determination to bring the purge to a close within this short term has sprung from the conviction, which is undoubtedly justified, that there can be no stability in the administration so long as civil servants may suddenly find themselves charged with collaboration.

The Communist Attitude

It is true that the Government runs the risk that so quick and radical an end to the purge will expose it to new criticisms and that it may be accused of having spared the collaborators. But that risk has now been removed, at least partly, by the support which the Government has recently received from the Communist Party, hitherto the greatest single political group in semi-opposition to General de Gaulle. The fact that two Communist Ministers have sat on the Provisional Government ever since it was formed at Algiers has not prevented the Communist Party from adopting an ambiguous attitude towards the Government. Last October the Communist Party backed the *Milices Patriotiques* against the Government when the Militias were asked to lay down their arms and to disband. Communist influence was then strong enough to frustrate the Government's move. The *Milices Patriotiques*, re-named *Gardes Civiques Républicaines*, have survived until now, and as a sort of private police they have exerted control over some outlying Departments. Similarly, the Communist Party used its influence to keep in being the dualism of authority expressed in the rivalry between the Prefects, the local municipal councils and the Committees of Liberation in the provinces.

This policy has now been somewhat sensationally reversed. On January 22nd, the Secretary-General of the Party, M. Maurice Thorez, outlined the main points of the new Communist policy in a speech to the party's Central Committee. M. Thorez, who had only recently returned from Moscow, appealed rather poignantly to his followers to shelve revolutionary social aspirations, at least until after the war. He summed up the present Communist policy as follows: 1, "Everything for the war against Germany"; 2, France must rebuild a great army, at least a million strong;

3, the stepping up of war production is the Communist's first duty; 4, French democracy must be revived; and 5, the Communist Party must carry out its "national mission."

The meaning of those general principles became clear when they were translated into specific terms. An army a million strong—M. Thorez pointed out—cannot exist without a large cadre of officers. Those officers who were misled into following Pétain must, therefore, be re-admitted into service and be allowed to redeem their national honour. The stepping up of war production demands that the Communists should "rule out lazy and facile solutions." M. Thorez' appeals sounded almost like a paraphrase of General de Gaulle's earlier messages to the French people. He declared that the regular courts are the only authorities entitled to judge and inflict justice on the collaborators; that the army and the regular police are the only bodies entitled to carry arms; that the *Milices Patriotiques* have played out their rôle; and that the Committees of Liberation ought no longer to overlap with the regular administrative organs, or to obstruct their functioning.

The French press, especially of the Centre and the Right, welcomed M. Thorez' speech as showing political wisdom and statesmanship. Few politicians or journalists have had any illusions about the motive behind this radical reversal of Communist policy. Between October and January General de Gaulle went to Moscow, and the Russo-French alliance was concluded. As has so often happened before, the internal policies of the Communist Party are dominated by considerations of foreign policy. An analogous change of policy took place almost ten years ago, when Laval returned from Moscow with the Russo-French alliance and the Communists in the Chamber of Deputies, for the first time in their parliamentary career, voted for defence credits.

Whatever the motive of M. Thorez' recent statement, it will certainly not fail to influence the political outlook in France, though it remains an open question how stable and permanent that influence is going to be. The Committees of Liberation, the *Milices Patriotiques* and the *Franc-Tireurs-et-Partisans* are for the most part certain to take their cue from the Secretary-General of the CP; and their complete surrender to the Provisional Government ought to make it much easier now for General de Gaulle to place his Government on a solid footing.

Opposition to de Gaulle

Nevertheless, M. Thorez' magic wand cannot lay all the natural tension and discontent. It must have been something of an unpleasant surprise for General de Gaulle that, just after he had received help from the CP, his own followers of the resistance days grouped around the daily paper *Combat*, for the first time openly turned on him their polemical guns; and the criticisms of *Combat* were soon echoed by the Socialist *Populaire*. *Combat* represents a special trend in Gaullism. It pays to the General all the tributes which he has deserved; it also recognises his moral authority. But it is increasingly critical of what it regards as the social conservatism of the Provisional Government and of its lack of definite policy. Whether *Combat* has really any positive programme to offer to the idealistic and radical resisters, of which it seems to be the spokesman, it is perhaps still too early to say. But its criticisms have had a touch of genuine freshness and sincerity, which form some contrast with the somewhat stale and threadbare slogans repeated as a matter of routine by other movements, including some of the pre-war parties.

That *Combat* is not alone in its criticisms has been proved by last week's Congress of the *Mouvement de la Libération Nationale* (MLN), which adopted a very similar attitude. One of the chief issues discussed at this Congress was the fusion proposal made by the other great body of resistance, the Communist-influenced *Front National*. An overwhelming majority of the MLN delegates turned down the proposal. Some of the delegates suspected that it was nothing but an attempt by the CP to create the *Parti Unique*. The

Communists are now indeed extremely fusion-minded. They have proposed a merger with the Socialist Party, with the Christian Trade Unions as well as with the MLN. Nearly the whole French press has replied to these proposals, which hardly represent anything more serious than one of the seasonal CP "campaigns for unity."

The offers and the refusals to fuse have, however, yielded no reply to the question of the future of the Resistance movements. The national conferences of the MLN and of the *Front National* have confidently declared that they will not be reduced to the status of the ex-Servicemen's organisations after the last war, and that they do not regard themselves as mere bodies of veterans having no say in France's political affairs. But it is difficult to see in what way the resistance can really continue to play a political rôle. Its branches were organised on a purely local basis, and embraced people of the most divergent social and political outlook. In this lay the strength of the Resistance in the years of the underground struggle. But in this lies also its present weakness. The extreme diversity of its composition inevitably hampers it in working out its social and political programmes. Except for the Communists—and even this is not certain—the pull of the pre-war parties still seems to be relatively weak, but the Resistance has not proved capable of taking their place. The result is a tense political stalemate, silently presided over by General de Gaulle.—"La République du silence."

The German Rump

LAST year's Allied offensive in the west and the new Russian winter offensive have reduced Germany to its heartland between the Rhine and the Oder. In the west, the outposts of the Rhine-Ruhr industrial area are in or immediately behind the front and in the east, except for Olsa-Silesia, the Upper Silesian industrial district is lost. Roughly one-fifth of the area of the so-called Old Reich is occupied or will be occupied when the Russians have reached the Oder line in its entire length. Yet the early conquests of the Nazi regime were large enough to leave this Rump Germany in control, at the moment, of almost the whole of Central Europe, from the northern Italian plain and northern Yugoslavia to the western Baltic and Norway.

It can reasonably be doubted whether the Nazi authorities themselves are able to form a clear picture of the losses in men, materials, and resources sustained during the Russian offensive. The eastern provinces and the incorporated Polish districts produced considerable agricultural surpluses, especially of grain, potatoes and sugar beet. Large stocks of potatoes must have been left behind. Sugar factories in the Polish corridor, in the Poznan district and in Silesia were at the height of the season and the innumerable food factories were engaged in processing last year's harvest. It is, therefore, not surprising that the first result of the loss of territory in the east is a reduction in food rations. The food cards, originally issued for the eight weeks' period from February 5th to April 1st, will have to last for nine weeks, which means a reduction of roughly 10 per cent.

In addition to the actual loss of food stocks and food-producing provinces, the Nazis face the very difficult problem of reorganising the distribution of foodstuffs. Germany had been divided into carefully balanced transport zones for each foodstuff. This system has now been thrown out of gear. Large towns in Central Germany received a sudden influx of evacuees. The railways have been overburdened with military transport, and wide stretches of the network of canals and rivers cannot be used at the moment because of weather conditions.

Industrial Losses

The picture is virtually the same for industrial resources and productive capacity. After the loss of most of Upper Silesia, Germany's annual coal and brown coal output will be below 200 million tons. With it goes a considerable production of synthetic oil, zinc, lead and chemical products, not to speak of armament factories. The losses, however, cannot be estimated in definite figures or even in approximate percentages. Compared with production in Great Britain and in the United States, Germany's present output seems small and totally inadequate for replacing the losses and for equipping huge armies. Yet such comparisons are misleading. For a long time Germany has not manufactured appreciable numbers of heavy bombers, which in Great Britain and the United States absorb a large amount of

materials and labour. There is hardly any shipbuilding in Germany, except for U-boats and small craft. Canal barges are almost entirely made of concrete. Lastly, Germany has virtually stopped the manufacture of goods for civilian consumption.

During this war labour shortages have provided the greatest difficulties for all the belligerents. Paradoxically enough, at the end of the war Germany's labour situation will be easier. After the first three weeks of the Russian offensive, the loss of territory and productive capacity is far greater than the loss of population. The male population in the lost provinces stopped working and was at once enlisted in the Volkssturm battalions. Women and children, who are now on their way from the east to central and south Germany, can be immediately re-employed, either on the land or in factories. Considerable numbers of foreign workers appear to have managed to stay behind, but the bulk of prisoners of war and civilian workers seem to have been evacuated, and some seven, or even eight, million prisoners and foreign workers will still be employed in the Rump. Their efficiency is rated low, but in mere numbers they probably exceed Germany's total losses in killed, prisoners and permanently disabled.

The whole territory still under German control, from Tromsø in Norway to Bologna in Italy, is inhabited by perhaps some 120 million people, including prisoners of war and foreign workers. Roughly two-thirds of them speak the German language. The new industrial area in Central Germany, the Sudetenland, Bohemia and Moravia, and Austria, have become the industrial heart of what is left of the New Order in Europe, which, however, cannot live for any length of time without the coal and steel of the Ruhr-Rhine area and the agricultural surplus of the lost eastern provinces. It is true that natural resources, productive capacity, manpower and distances have, time and again in this war, proved deceptive. Rivers and mountains and, above all, the seasons, have not prevented military campaigns. The resources still available to Germany are inadequate compared with the resources of the United Nations, and the question now is what use Nazi Germany will try to make of these inadequate means for prolonging the war. There is no precedent for the present situation. Last autumn, the Nazis had before them the relatively simple problem of stabilising the western front along the German frontier against Allied armies which were numerically hardly stronger than their own.

Mounting the Counter-Offensive

The Russian offensive, carrying the whole front direct to the Oder line, has created an entirely different problem. First of all, the Russian armies are decidedly superior in numbers. Once the break-through was achieved, the speed of the advance was accelerated by the dense network of roads. The rivers, lakes and swamps, common to eastern Germany and western Poland, were therefore no obstacle. Under these conditions, a mere stabilisation of the fighting on a new front along the Oder line cannot be more than a temporary halt, if it can be achieved at all. The superiority of the Russian armies will remain, and inevitable losses will in proportion certainly not be greater than the German losses. The Nazis therefore face the problem of making a counter-offensive on a large scale with the immediate object of crippling the offensive power of the Russian armies.

The undertone of the Nazis' alarmist propaganda reveals that they are well aware of the problem. The reorganisation of a broken army, the temporary stabilisation of the fighting and preparations for a counter-offensive have already begun in the political field, while actual defence is left to improvisation. Propaganda suggests that Volkssturm battalions have everywhere taken a conspicuous part in the fighting. Men have been sent to the front direct from the factories. Wehrmacht units have carried on resistance in pockets in the rear of advancing Russian armies until they were able to rejoin other units in prepared positions. Behind this propaganda, which has never before used so many superlatives in describing the plight of refugees and the danger to the Reich, the reorganisation of the armies is undoubtedly progressing. Political opposition from generals and other officers, which provided the danger-point last summer, seems to be absent; in fact, after the purge of last year, effective opposition hardly seems likely at the moment. So far, the Allies' policy of unconditional surrender appears to have resulted in an "Unconditional Defence."

THE BUSINESS WORLD

The Banks' Capital

IF there is one thing certain about the two new institutions, Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, it is that the lion's share of any accommodation they may ultimately make available for the succour and post-war expansion of British industry will be provided by the joint-stock banks. If and when the capital and loan powers of these institutions are extended to the ultimate limits their founders have laid down, they will have total resources of £170 million—comprising £40 million of share capital and £130 million of "borrowing powers," of which the commercial banks will have provided £144½ million—i.e., £14½ million of share capital, and all the loans and deposits. Indeed, if it is intended to leave a considerable part of the share capital of the FCI only partly paid for any appreciable time, it will be true to say that the finance, as distinct from the control, of the plan for industrial rehabilitation, which these two corporations are designed to embody, will come almost entirely from bank funds; it will be a bankers' effort. Even if the amount eventually demanded of the banks were less than the maximum, and reached, say, only £100 million, the acceptance of such an engagement would give fresh point to the suggestion, heard from time to time since the war, that the banks should increase their own issued capital. The banks themselves hold that view, and many of them have already made the necessary application to the Capital Issues Committee, only to be told that they do not occupy a very high place in the priority of would-be applicants for new capital.

It is doubtless true that, in proportion to the total amounts which the banks employ in one way or another in their business, the addition of another one or a couple of hundred millions for any purpose is not exactly a major matter. Equally, there may be force in the contention that, even now, the banks make more medium-term and even long-term advances to their customers than the text-books suggest. After all, the steepness of the downtrend of advances—their most profitable type of business for fifteen years now—has discouraged any over-austere insistence on the rules. But this is the first time that the banks' acceptance of a definite commitment to undertake a species of industrial finance going well beyond the limits of traditional British banking policy has been widely advertised to the public.

Psychology, we are repeatedly told, plays a larger part in banking than in almost any other kind of business. Has it not been urged, before the Cohen Committee, that the banks must retain the public's confidence, even to the extent

of withholding information of their actual working profits, and the way they deal with them, lest full knowledge should give a misleading impression? Whatever prejudices the public may choose to hold must be honoured as the price of its confidence. And one of these prejudices is that, as far as possible, when the banks lend "long," they should borrow as long as possible. Undoubtedly, many people would feel, rightly or wrongly, that the banks had made the right gesture if, having undertaken these new commitments, they were to issue fresh capital, non-returnable to subscribers so long as the banks remained in business—all the more so since, at nominal values, the banks' paid-up capitals look, to non-expert critics, singularly small in relation to their total liabilities. For example, the Big Five have an issued capital of only £65 million, out of £4,139 million of balance-sheet liabilities, and on the plane of the present argument it is the psychology of the general public which counts. The very low ratio of capital to liabilities that now prevails is largely a result of wartime finance and the swelling of all financial figures to which it has given rise. But even before the war the capital ratio of the English joint-stock banks was very low, by any test. The stability of the capital account while the balance-sheet totals have risen has been the chief explanation of the way in which the banks have contrived to combine cheap money with fairly satisfactory profits.

The exact rôle which "capital" plays in modern banking is difficult to define. The "joint stock" which a century or more ago differentiated the forebears of many of the great banking corporations of to-day from their "family" rivals, now represents almost a microscopic part of the banks' total "working capital." Moreover, in the old days, the capital account was an additional security for the depositor, since it defined the proportions in which unfortunate subscribers could be compelled to contribute, to the limit of their fortunes, in the event of failure. But with the spread of limited liability, this function has long disappeared. The capital account still provides a basis for the arithmetic of the annual share-out of banking profits and a directory of investors entitled to dividend. As dividend rates on bank shares (apart from certain "maximum dividend" issues) range from 12 to 18 per cent, non-technical people (including some of fairly advanced political views) are apt to draw the misleading (or at least illogical) conclusion that banking profits are distinctly generous. Bank shares, however, having long been established as favourite long-term holdings of conservative investors, are dealt in on the Stock Exchange at prices ranging from three to five times their nominal value, and give present purchasers a percentage income return lower,

rather than higher, than that obtainable on the best of "gilt-edged" industrial equities.

The amount, status, market price and dividend yield of all the shares issued by the Big Five (whose total has not changed since the war) are shown in Table II below:

TABLE II—SHARES, 1939 AND 1944

Share Subscription and Denomination	Total Amount			Dividend (1944)	Present Price	Yield
	Authorised	Issued	Called-up			
	£	£	£	%		%
Midland—						
£12, £2 10s. paid...	34,428,948	34,428,948	7,172,697½	16	10/8	3.74
£2 10s. fully paid...	5,000,000	4,804,192½	4,804,192½		11/7	3.44
£1 fully paid...	5,771,052	3,181,731	3,181,731		95/6	3.35
Lloyds—						
"A" £5, £1 paid...	72,500,000	71,864,780	14,372,956	12	63/-	3.81
"B" £1 (stock)...	1,500,000	1,457,296	1,437,296	5	29/-	3.45
Barclays—						
"A" £4 (stock)...	5,700,000	3,430,356	3,430,356	10	57/6	3.48
"B" £1 (stock)...	14,300,000	11,760,811	11,760,811	14	82/-	3.41
"C" £1 (stock)...		667,050	667,050			
National Provincial—						
"A" £5, 14s. paid...	3,000,000	3,000,000	420,000		55/6	3.78
"B" £5, £1 paid...	48,000,000	39,447,080	7,889,416	15	78/-	3.84
£3, fully paid...	9,000,000	1,170,000	1,170,000		90/-	3.33
Westminster—						
£4, £1 paid...	30,000,000	28,283,960	7,070,990	18	95/6	3.77
£1 (stock)...	3,000,000	2,249,167	2,249,167	12½	75/-	3.33

None of the banks has anything but equity capital. Maximum dividend stocks like Lloyds "B," Barclays "A" and Westminster £1 fully-paid rank equally with other issues by the banks concerned up to their contractual dividend limit. Much the greater part of the banks' capital, however, is in partly-paid shares which have no theoretical dividend ceiling. Of the Big Five, only Barclays has an issued capital which is fully-paid; among the other banks, though fully-paid equity shares figure in the list, the larger issues usually take the form of shares with an uncalled liability of anything from four to seven times the amount paid up. And, as the table shows, the market still exacts a premium for this risk, expressed in terms of a higher yield at existing prices.

If the banks decided to increase their effective capital, a call on partly-paid shares would offer the first obvious line of attack. Thereafter, the banks might increase their issued capitals up to the "authorised" amounts on which they have already paid capital duty and then, if necessary, seek new capital-raising powers. The extent to which individual members of the Big Five might raise new capital within the limits of their present powers is indicated in Table III, to which figures of disclosed reserves have been appended.

TABLE III—CAPITAL (CALLED UP AND CALLABLE) AND RESERVES, DECEMBER 31, 1944

Bank	Total Capital			Called-up Capital as per cent. of		Declared Reserve	Reserve as per cent. of Called-up Capital
	Authorised	Issued	Called-up	Authorised Capital	Issued Capital		
	£	£	£	%	%	£	%
Midland	45,200,000	42,914,871½	15,158,621	33.5	35.7	14,110,609	93.0
Lloyds	74,000,000	73,302,076	15,810,552	21.4	21.6	10,500,000	66.4
Barclays	20,000,000	15,858,217	15,858,217	79.3	100.0	11,250,000	71.0
Nat. Prov.	60,000,000	43,617,080	9,479,416	15.8	21.7	9,479,416	100.0
Westminster	33,000,000	30,533,127	9,320,157	28.2	30.5	9,320,157	100.0

Certainly, if the banks desired new capital, they could raise very substantial amounts (given Treasury permission,

of course) without going beyond their existing powers. Lloyds and the National Provincial could increase their present capital nearly fivefold and the Midland and the Westminster approximately threefold merely by calling up unpaid amounts on their partly-paid shares. Barclays, though its capital is fully-paid, could increase the total by one-fourth without going beyond its "authorised" limit.

Admittedly, it has not, in recent years, been the banks' practice to increase their "internal" resources by raising new capital, but by making additions out of earnings to published reserves. These are maintained by the National Provincial and the Westminster at a total identical with called-up capital. The present proportion of reserve to capital varies with the other three members of the Big Five, from 66 per cent in the case of Lloyds to 93 per cent in that of the Midland. Even, therefore, if published reserves were raised to 100 per cent of present capital in all cases, the accretion to total "internal" resources would not be considerable. The process, further, would take an appreciable time; for, to judge by their current practice, the banks prefer contingency accounts, with their elasticity and confidentiality, to published reserves as a repository for ploughed-back earnings.

What is the case for increasing the banks' capital if and when the authorities agree? The main argument, it may be urged, is that while the banks' proposed commitments to the FCI and the ICFC, with their attendant publicity, may represent only a small addition in themselves to their engagements under all headings, they come at a time when total capital and reserves have been allowed to fall to a much lower ratio of total liabilities than the orthodoxy of British banking has hitherto regarded as desirable. As Table I on page 184 shows, bank liabilities (and assets) have approximately doubled since 1933, the first complete year in the cheap money era, but there has been nothing like an equivalent increase in capital and reserves.

Up to the beginning of the war, although capital and reserves had not increased commensurately with the expansion in banking business, all the Big Five had succeeded in maintaining the "customary" ratio of around 5 per cent of total liabilities. But since 1939 the ratio has been nearly halved, and it is now under 3 per cent. An infusion of new capital would provide only a minor addition to the banks' total resources—though it would bear a more sizeable proportion to their longer-term engagements. Its main purpose would be to sustain public confidence by restoring a former relationship which was rightly regarded as having psychological value.

Such a decision might have another beneficial effect within the field of public relations. The addition to total earning power made by the new capital would be small, and some reduction in present dividend rates would be an inevitable consequence. That, however, would be no bad thing if it helped to spike the guns of some of the banks' more biased political critics and made it harder for the average citizen to draw misleading conclusions about the profitability of banking business. If and when the normal procedure of the capital market were again permissible, the banks could issue fresh capital to existing shareholders (or call up unpaid amounts in part or whole) in such a way that the reduction in overall rates of dividend was accompanied by a small bonus in the terms of issue, by way of transferable rights. All issues could be made at a premium; the visible reserves of the Banks would thus be raised by the amount of the premium. The idea certainly deserves serious consideration.

TABLE I—LIABILITIES, DECEMBER 31, 1933, 1939 AND 1944

Bank	Capital and Reserves		Profit Balance, etc.		Acceptances, Endorsements, etc.		Current, Deposit and Other Accounts		Total Liabilities
	Amount	Per cent. of Liabilities	Amount	Per cent. of Liabilities	Amount	Per cent. of Liabilities	Amount	Per cent. of Liabilities	
Midland									
1933	25,748,012	5.6	1,721,363	0.4	15,833,404	3.5	413,752,673	90.5	457,055,452
1939	27,569,230	5.1	1,430,465	0.3	17,447,354	3.2	496,271,135	91.4	542,718,184
1944	29,269,230	2.8	1,314,759	0.1	14,620,055	1.4	1,002,825,685a	95.7	1,048,029,729
Lloyds									
1933	23,810,252	5.5	1,179,836	0.3	42,640,910	9.8	364,559,963	84.4	432,190,961
1939	25,310,252	5.2	1,102,727	0.2	29,536,217	6.0	433,590,899	88.6	489,540,095
1944	26,310,252	3.0	1,021,482	0.1	30,301,152	3.4	819,285,356a	93.5	876,918,242
Barclays									
1933	26,108,217	6.3	...	...	7,191,741	1.7	378,759,772	92.0	412,059,730
1939	26,608,217	5.3	...	...	15,594,145	3.1	461,376,448	91.6	503,578,810
1944	27,108,217	2.8	...	...	15,092,928	1.6	917,775,560a	95.6	959,976,705
National Provincial									
1933	17,479,416	5.6	857,033	0.2	6,395,008	2.0	288,397,118	92.1	313,128,575
1939	17,979,416	4.9	520,659	0.2	11,432,180	3.2	336,313,056	91.8	366,245,311
1944	18,958,832	3.1	669,328	0.1	10,777,147	1.7	589,911,940a	95.1	620,317,247
Westminster									
1933	16,820,157	4.9	1,043,217	0.3	31,847,225	9.2	294,739,761	85.6	344,465,547
1939	18,640,314	4.6	1,039,031	0.3	20,912,245	5.1	366,478,334	90.0	407,083,783
1944	18,640,314	2.9	923,766	0.1	15,191,860	2.4	598,915,133a	94.6	633,690,071

* Notes, in circulation in the Isle of Man, totalling £15,187, £13,858 and £18,998 at the three dates, respectively, have been omitted.
(a) Including provision for contingencies, *inter alia*.

Cohen Committee Evidence

THE Cohen Committee, appointed in June, 1943, to consider what major amendments are desirable in the Companies Act, concluded the examination of unofficial witnesses some two months ago and is now drafting its report. In the course of 26 sittings approximately 100 witnesses were questioned on the subject matter of some 50 written memoranda. Of the total number of witnesses some three-quarters represented 30 odd institutions, official bodies, or associations. The bulk of the remainder were members of the legal profession, but two companies, "Shell" and ICI, gave evidence, as did the editors of *The Economist* and *The Financial News*.

The terms of reference of the Committee concluded with the instruction:

and, in particular, to review the requirements prescribed in regard to the formation and affairs of companies and the safeguards afforded for investors and for the public interest.

In the view of *The Economist*, the concluding phrase, here placed in italics, is the crucial point of the whole instruction to the Committee, and it is from this standpoint that the evidence tendered should be considered.

It is a regrettable fact, but one symptomatic of the general outlook on economic problems, that almost all the witnesses disregarded this phrase altogether or, if they did not, spoke as though it meant the interest of some section of the public not specifically mentioned in the terms of reference. There were exceptions, but they were few. There are a number of cases where the representatives of institutions made

suggestions which were in the public interest, even although they might be troublesome to the institutions themselves. Much of the evidence was of a detailed and technical character, often very valuable in itself, but with no bearing on the larger questions involved. Perhaps even more was designed to continue the *status quo* because to change it would remove from established concerns an advantage which they at present possess. Thus the banker, the investment trust manager and the issuing house are against virtually every suggestion for increasing the amount of information given to the public. The banker can get the facts if he wants them, and it is the business of the investment managers to acquire such information as they can in advance of the public. Similarly it is contended that any detailed information about company results, or even the publication of the earnings of some companies, would be harmful because, when the profits were high, competition would be encouraged. Sometimes, to clinch the argument, it is suggested that the competition would be foreign. Fortunately, some of the private individuals giving evidence were able to tell the Committee, from a wide experience, that there was very little ground for supposing that competitors would wait until the publication of accounts to discover the main outlines of the position of any firm in which they were interested. It is, obviously, impossible, in advance of the publication of their report, to know the views of the Committee on these points.

The Economist, both in its written and oral evidence to the Cohen Committee, and in the series of articles which it published in the spring and summer of 1942, set out to demonstrate that a reform of company affairs is necessary in the interest of the public as a whole. Most of the reforms sought will benefit certain sectional interests, but they are not sought for that reason and, if the sectional interests conflict with the public interest, the latter must prevail. This is, of course, subject to equal treatment being accorded as between individual members of the sectional interest and to the general principle that legislation shall not be retroactive.

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A very simple instance will suffice to demonstrate the principle. Let it be admitted that to disclose the profits of the XYZ Co. will lead to an increase in competition and a fall in the company's profits. This can only come about by an increase in the supply of the products concerned and a fall in their price per unit. That is to say, new savings will be directed into a channel where the return to be obtained is above the average. Under conditions of free competition, they will continue to flow into that channel until the return is average and, when that point is reached, prices will be as low as is reasonably possible with a substantial benefit to the consumer. Further, the presence of competition will have driven some of the producers to effect economies in costs, so further benefiting the general public.

Under a system of purely private enterprise, the desirability of having some means of securing a rational distribution of new savings would be a sufficient reason for seeking increased publicity for company affairs. But no one seriously supposes that there will be no state intervention in the post-war years. To quote from the memorandum of evidence submitted by *The Economist*:

One of the most important ways in which the Government can inform itself about the economic condition of the country is through the records provided by company finance, which are also indispensable as registering the effects of Government policy.

It is no answer to this argument to contend, as some witnesses did, that the Government would want more information than could be disclosed in published accounts, and that the proper way of obtaining it is through the Census of Production or through trade organisations. The methods are not mutually exclusive. But any special investigation involves time and labour and form filling. The great advantage of financial accounts is that every firm compiles them in any case. The Government would not require to ask for information in any more detail than is already supplied to the management in any well-conducted business, and the purely financial particulars to be assembled from properly presented company accounts provide a manageable amount of data which would be very useful in the formulation of general economic policy, as well as to individual investors and their advisers.

With these objects in view, *The Economist* in its evidence concentrated its attention largely upon securing really informative accounts compiled in a standard form, and expressed the view that the law should

define . . . such terms as depreciation, reserves, re-investment of profits and the like, so that they may be used by economic policy.

There is so far no indication of the action that the Cohen Committee may take in this matter, but it is interesting to consider the attitude of the Institute of Chartered Accountants. On the one hand, as pointed out in *The Economist*, this body is proceeding to a series of definitions which, if less than perfect, is a very valuable foundation and deserves legal backing as a first approximation to a solution of the problem. On the other hand, the Institute objects, almost violently, to standardisation.

There appears to be a misunderstanding, or at least a difference, in the use of words. What is required is, first, that definitions should be agreed for all items appearing in published (and for that matter unpublished) accounts; second, that, whatever the scope of the information, unlike things should not be added together in an omnibus item—with an exception for items too small to be significant; and, third, that a small number of prescribed forms should be laid down with the object of ensuring that the figures, defined as prescribed, should be intelligibly assembled. It is difficult to see what the accountants can find objectionable in such a programme.

As for the extent of the information required, *The Economist* suggested a much extended statement of turnover and costs from all public companies and all private companies controlled by public companies. This should include full trading, profit-and-loss and appreciation accounts which would disclose the cost to the company of each of the main constituents of its expenses.

With the possible exception of some very large concerns, which ought to submit accounts for each main branch of their activity, it seems desirable to judge the efficiency of the management by the results secured from the whole complex of operations under its control. But the shareholder, and at least equally the public and the Government, are

entitled to know the main divisions of expenditure—what is spent on wages, materials, power; how much it costs to sell the product and to administer the concern. The total remuneration of directors, on the one hand, and of principal officers, on the other, ought to be disclosed, though there is no reason why the total income of individuals should be stated, since it serves little purpose other than curiosity. At the same time, contracts which involve the company in substantial payments to retiring directors and officers ought to be disclosed.

While leaning with special emphasis on the need for an improved profit-and-loss account and a more informative balance-sheet, the evidence of *The Economist* stated a case for increased information on all aspects of company affairs. In particular, directors—and auditors so far as their duties extend—should on all such occasions as reconstructions, new issues and amalgamations be required to give a summary of the position of the company as they see it, disarming all the major elements which they have under consideration. Further, much more accurate information should be available about the nature of a company's activities.

Several witnesses, questioned about the value of increased information, replied that there was no general demand for it or that shareholders do not make use of the facilities which already exist or are incapable of understanding even the simplest form of accounts. As for the questions of general demand and the ignorance of shareholders, it may be admitted that there is some truth in both contentions. (It has frequently been argued that there should be a permanent body devoted to representing shareholders.) But it is relevant to point out that there was no "general demand" for universal education among the illiterate. It

is the duty of the authorities to see that the information is available. Once it is there, it is beyond question that the investor and the general body of brokers, bankers and other advisers, including the press, will use it.

To sum up, the provision of adequate information will increase the rational element in industrial investment and enable savings to be directed where they will most benefit the community, what is "benefit" being decided by the free choice of consumers through the machinery of the market. It will also enable the public at large—or such members as are interested—to exercise a general oversight over the doings of those in control of industrial units. To leave those in charge of a business—even when, as is now rare in large concerns, they are the owners of the capital employed—wholly without any check on their activities until collapse impends is against the interests of the public, the workers and the investors who own the capital. Moreover, it is also against the interest of the management itself, since the impersonal stimulant (or deterrent) of full publicity is likely to be much less distasteful than direct Government intervention, which in many cases is the alternative.

It is only the blindest businessman who nowadays does not recognise the inevitability of a growing volume of contact between industry and the Government, representing the community. These contacts can be relatively loose and general, the Government concerning itself in the main with the economic climate and leaving individual business to conduct their own affairs, or it can be detailed and rigid. Much fuller publicity for the operations of industry is an essential element in the first alternative—whether as a means of collecting data on which general policy can be based or as a method of observing the results. Those businessmen, or their professional advisers, who, by blocking the way to fuller publicity, make the more liberal solution more difficult, are digging the graves of their order.

Business Notes

Disclosure of French Assets

The recent visit of M René Pléven, the French Finance Minister, to London has had one concrete result: an agreement by which the British and French Governments will keep each other informed on the property held by French and British subjects in Britain and France respectively. Sir John Anderson, referring to this agreement in the House of Commons this week, stressed the importance which the French Government attach to the enforcement of measures taken by them for the purpose of controlling French foreign assets and ensuring that they are used in the best interests of the country. The agreement reached between the two Governments is one "in principle" only, and its operation must await the mutual reinstatement of property interests interrupted by the war.

Although the agreement places a mutual obligation on the two parties, it will obviously prove largely one-sided in its early operation, since there are few British assets hidden in France. The information on French assets in Great Britain will be given by the Custodian for Enemy Property, who is in possession of all the data; it will not be divulged directly by the British banks with which the assets are maintained. It is understood that the US authorities are making the same facilities available to the French Government.

The breach of confidence that the disclosure of individual—as distinct from global—bank accounts and security holdings involves is regrettable. It should certainly not become a precedent if London's position as an international banking centre is not to be prejudiced. This is not to condone the activities of those who would evade the exchange regulations and taxes of their own countries. But, in principle, the tracing and punishing of offenders is a matter for the Government of the country in which the offence has been committed. An exception in the particular case of France at this precise moment may have seemed justified to the British Government. To the financial community it provides a most unfortunate precedent.

Bretton Woods Under Fire

The US Congress will next week begin its consideration of legislative proposals to give effect to the Bretton Woods agreement. Part of the preparatory lobbying by opposition interests is a long and detailed criticism of the Bretton

Woods proposals by the American Bankers' Association. Although the bankers do not wish to reject the scheme altogether—since they see in it a promising forerunner of other useful attempts at international co-operation—the amendments they suggest would in effect take all the reality out of the Bretton Woods Final Act.

The bankers' criticisms are familiar. They argue that the International Monetary Fund would merely be an inflationary agency, and would hamper the cause of real adjustments (balanced budgets, stabilisation of currencies, etc.) that must underpin any internationally stable system. Therefore, they would sweep away altogether the International Monetary Fund part of the scheme, but would give the Reconstruction Bank power to make loans for the specific purpose of currency stabilisation. They stress, quite rightly, that the world other than the United States will emerge from this war with large gold and US dollar reserves, and that for sound borrowers in need of dollars the capital market in the United States will extend a warm welcome. They specify the recent loan arranged for the Netherlands Government, and repeat the familiar invitation to Great Britain to come and fill its needs in the American market. In order to make approach to that market easier, they recommend the repeal of the Johnson Act which now bars the door to defaulters on 1914-18 war debts.

It may, perhaps, be unkind to take these views of the Association's Economic Policy Commission as reflecting the general body of banking opinion in the United States. They cannot, however, be dismissed as wholly unrepresentative. The bankers, forgetting the 1920's, are evidently convinced that the task of providing the world with the required supply of short-term dollar credits in the difficult post-war period, can be safely left to them. They appreciate none of the abnormalities of that period, they fail to realise the importance of providing a centre where international monetary policies can be discussed and co-ordinated. They would presumably leave that co-ordination to the automatic working of a system in which the dollar, once more a full gold currency, would be the anchor to which other currencies would be tied. Nothing could be more remote than this from the expansionist (or in American banking language, "inflationist") theme of the Bretton Woods proposals.

The Black Market

From time to time, the black market, particularly in food and drink, provides a news item. So much has been written lately, that the Minister of Food has made a statement on the subject. It is good to hear from him that the quantity of food disposed of illegally is only a small percentage of the total supply, and that the Ministry's organisation for catching offenders has the situation in hand.

The right soil for a black market is composed of two elements. One is the smallness of the basic minimum provided by official ration, and the other is the willingness of the ordinary consumer to resort to illegal methods of supplementing it. While the British ration represents a marked reduction in consumption compared with before the war, it is nonetheless a reasonable, if uninteresting, minimum. Again, there is a strong British tradition that the Government is backed up by the people. It would patently be absurd to pretend that this attitude is that of the entire population, but it is that of the vast majority.

The few who do take part in the black market, in whatever capacity, cannot be condoned. Their participation should be punished ruthlessly whenever it is discovered. And, it should be remembered, it is consumers themselves who can deal the deadliest blow to the black market by setting their faces with the utmost determination against any illegal food transaction, however small and insignificant it may appear.

Supplies of Industrial Diamonds

The anti-trust action against the diamond monopoly, initiated by the United States Department of Justice late last month, appears to be aimed at the monopolistic control of industrial diamonds rather than against that of gem diamonds, which came into existence with the agreement between the South African Diamond Producers' Association and the Government of South Africa in 1932. During the inter-war period, the output of industrial diamonds generally exceeded the demand for them—they are produced jointly, though in varying proportions, with gem stones. There was then no apparent restriction on sales and both diamond producers and their syndicate had to carry heavy stocks.

When war broke out, the diamond industry voluntarily agreed to supply the growing needs of the Allied war industries at pre-war prices. This promise appears to have been fulfilled. True, world production of diamonds—some four-fifths of which are industrial diamonds—fell, according to the US Bureau of Mines, from a peak of 13,013,000 metric carats in 1940 to the war-time "low" of 8,140,000 carats in 1943. Stocks of "industrial" accumulated before the war, however, prevented a shortage of supplies, although consumption rose by leaps and bounds. There were private complaints in the United States last year that the quality of the available industrial diamonds was deteriorating. This has been confirmed by the official US Bureau of Mines in its latest annual diamond review, but the Bureau added that "research and experience prove that the grades available are satisfactory substitutes." Meanwhile there is evidence that, on the instance of the Combined Raw Materials Board, production of industrial diamonds was increased in 1944. Increases in production have been reported in British West, South-West and South Africa, but so far reliable production figures for these areas are not available. The Belgian Congo, the largest supplier of industrial diamonds, however, produced in 1944, according to official Belgian sources, some 7,000,000 carats, against 5,900,000 carats in 1943, and is striving to produce 10,000,000 carats in 1945.

A shortage of supplies in the near future appears thus out of question, and Mr S. W. Hofman, the chief of the United States War Production Board's Diamond Division,

recently pointed out that adequate supplies will be available in the first half of this year to meet the increased demand, and that new supply arrangements would be discussed around the middle of 1945. It is thus doubtful whether there is enough evidence of monopolistic restraints of trade in industrial diamonds. It is, of course, conceivable that the monopolistic powers of the industry may be abused after the war. The demand for industrial diamonds has now risen to a rate at which the output of gem stones may be inconveniently high, unless the proportions in which they are produced can be readily adjusted. For a number of years, however, producers and their syndicate will find themselves in a strong position to absorb any over-production of gem stones, for their stocks have been largely liquidated during the war.

Future of Steel

Sir Alexander Dunbar, chairman of the English Steel Corporation sketched the post-war setting in which he expects the iron and steel industry to operate in an address delivered in Sheffield on January 30th. He suggested that Government intervention in industry is inevitable and that, if the industry is to be allowed to run its own affairs within the limits of national policy, it must be able to show that it is competent to do so. Sir Alexander said that plans for the rehabilitation of the industry had already been formulated, but he did not divulge their nature.

Like many generalisations, Sir Alexander's statement is unexceptionable. There is no reason why, within the framework of national policy, the steel industry should not be allowed to run its own affairs, especially if it demonstrates its competence to do so. There is some indication that he expects it to be able to operate within wide limits, for he is said to have expressed the view, for example, that trade agreements between Governments in pre-war days were not nearly so beneficial to this country as international cartels—such as the steel cartels—arranged between industrialists. In the matter of competence, again, much will depend on the nature of the plans drawn up by the industry for its rehabilitation and on the manner in which these are carried out. So long as these plans are withheld from the public it is impossible to judge their adequacy; there is no reason why the Government should not permit their publication in outline in the same way as it has permitted the publication of the plans of the cotton and other industries. There is far too much secrecy about steel.

Aims of the Cotton Industry

In a recent address to the Oldham and District Textile Society, the chairman of the Cotton Board, Sir Raymond Streat, outlined a policy for the cotton industry. First, in his view, is the need for the "right outlook" in the industry. Next, Sir Raymond was concerned with organisation; the Cotton Board, employers, trade associations and trade unions should all be brought to a "concert pitch of efficiency and vigour"; further, there is need for groupings within the industry, horizontally or vertically. Thirdly, Sir Raymond urged a "thorough-going reform of labour arrangements." Fourthly, the relationship between production and distribution must be put on a basis that will ensure greater efficiency in both branches. Fifthly, Government policy should be designed to encourage the re-equipment and modernisation of the industry, and, lastly, it should give the industry a "fair chance of trading at a profit."

Sir Raymond's six-point policy is essentially a statement of aims. It would be interesting to know how far the industry has already gone in preparing detailed plans for their fulfilment.

Cotton Yarn and Cloth Contracts

It was recently reported that the cotton trades unions were preparing to apply for higher wages. The possibility of an increase in labour costs without any corresponding advance in controlled prices for yarn and cloth led almost to a standstill in business in Manchester. As a result, Sir Frank Platt, the Cotton Controller, wrote last week to spinners, doublers and manufacturers, pointing out that hitherto, whenever the Minister of Supply had made a new Order changing controlled prices for yarn and cloth, a clause had been inserted permitting the completion of

existing contracts at the controlled prices ruling when the contracts were booked. Sir Frank continued:

I intend on any future occasion when the Minister decides to change the controlled prices to recommend that such safeguarding clause shall be omitted so that as soon as the new Order comes into force the new prices will be the only ones at which controlled goods can change hands, whatever contracts may have been made beforehand.

This action by the Controller has caused a good deal of comment, but it is recognised that something had to be done, for most spinners and manufacturers have sold their output six months ahead. The Controller has emphasised that he does not contemplate a provision in contracts that the price shall be changed solely by reason of a change in costs, but only if and when a new Order is made. He has been advised that it is no protection to producers to make contracts submit to a "wage variation clause," and, in fact, the use of such a clause might be considered a breach of existing Orders. The way is now clear for business to be resumed, and it is expected that many contracts will shortly be placed in yarn and cloth to cover the export allocations for the first quarter of the year.

National Bank of Belgium

On January 11, 1945, the National Bank of Belgium made up the first return of its position since the liberation of the country. The delay in resuming the returns was partly due to the outstanding differences between the Belgian and French central banks regarding the Belgian gold handed over to the Germans by the Bank of France during the occupation. When that difference was settled by complete restitution to Belgium of an equivalent amount of gold, the way was clear for the publication of the first return. The main items, together with comparable data from the last return to be published before the German occupation of Brussels, are given in the following table:

	(In million Belgian francs)	May 9, 1940	Jan. 11, 1945
Gold and foreign exchange.....		23,248	33,067
Bills and advances.....		4,944	2,970
Advances to State.....		29,776	32,531
Notes.....			42,713
Current Accounts.....			5
Treasury.....		3	
Private.....		902	3,546

The gold reserve has been revalued at the new parity of Frs. 49,318.082 per kilo, which produced a surplus of Frs. 10,493 million. This item is held temporarily to the credit of a special Treasury account, and will be applied to the reduction of the National Bank's advances to the State as soon as the new Belgian franc parity receives legal sanction.

Of the total advances to the State, the main sub-items are Frs. 11,447 million lent during the occupation (in the main to finance German occupation costs), Frs. 1,276 million lent to the Government while in London (of which Frs. 1,000 million was actually spent in Belgium), Frs. 6,558 million advances to the State made since the liberation and Frs. 8,657 million advances representing the counterpart of Belgian currency made available to the Allied troops during their operations on Belgian territory.

The latest note circulation, Frs. 42,712 million, compares with a figure of about Frs. 100,000 million just before the violent contraction effected through the exchange of notes. Of the latest circulation, Frs. 28,500 million results from the exchange of old notes—the initial conversion of Frs. 2,000 per head producing Frs. 14,500 million, a further Frs. 13,000 million being the product of the second release made a fortnight after the first, and the balance of about Frs. 1,000 million being released for meeting special cases of individual hardship, such as help to the "bombed-out." The balance of the latest note circulation is in the main the product of advances made by the National Bank to the State, the principal item being advances to provide Belgian currency required by the Allied armies. It is the expenditure of the Allied troops in Belgium which, since the liberation, has provided the main expansionist element in the circulation, and, since the volume of consumer goods available for the Belgian population has fallen rather than increased during this period, it is this expenditure which must bear

the responsibility for the resurgence of the black market and for other inflationary symptoms which, it had been hoped, the original deflationary purge would banish for good.

As the troops move from Belgium into Germany, this pressure on the circulation and the price system will tend to disappear, and as foodstuffs and materials come into the country, it should be possible to proceed to further releases of blocked deposits representing the old notes. Even with this unexpected spanner thrown in the works of the currency deflation, the feat of cutting the note circulation by more than half represents a real achievement. But for this measure and the parallel blocking of bank accounts, the price situation in Belgium today would be far more out of hand than it is. There is now reasonable assurance that as goods begin to flow into the country, the exchange value of the Belgian franc will be safeguarded—not, it should be added, through any deflation of wages, prices and the national income, but through stabilisation of these items at approximately the levels at which they were found at the time of the liberation and by adjustment of the circulating medium to that prevailing level.

UK-Belgian Trade

Three new Trading with the Enemy Orders published at the close of last week have removed the Trading with the Enemy regulations which previously blocked trading and financial relations between the United Kingdom and Belgium. The orders, which became effective on the first of this month, free all new monies and other assets deposited here by Belgian nationals from the claims of the Custodian for Enemy Property. Belgian assets previously vested with the Custodian are not automatically freed, but the responsibility for freeing them now rests with the Belgian authorities, whose responsibility it is to see that the assets in question are free from enemy taint. When satisfied on this point, they make the necessary request to the Custodian, who since the agreement of last October has automatically released the assets. Until the beginning of

LLOYDS BANK LIMITED

Head Office: 71 Lombard Street, London, E.C.3



Statement of Accounts

31st December, 1944

LIABILITIES		£
Paid-up Capital	15,810,252	
Reserve Fund	10,500,000	
Current, Deposit, and other Accounts	820,306,838	
Acceptances	40,376	
Endorsements, Guarantees, and other Obligations	30,260,776	
ASSETS		
Cash, in hand, with the Bank of England and with the Reserve Bank of India	93,628,018	
Balances with and Cheques on other Banks in the British Isles	31,969,611	
Money at Call and Short Notice	35,433,122	
Balances with Banks abroad	2,870,538	
Bills Discounted	26,540,180	
Treasury Deposit Receipts	315,000,000	
Investments at or under Market Value	204,087,424	
Investments in Subsidiary and Auxiliary Companies:—		
The National Bank of Scotland Limited	3,124,009	
Lloyds & National Provincial Foreign Bank Limited	600,000	
Indian Premises Company Limited	54,502	
Loans and Advances	104,385,952	
Other Assets and Accounts	22,066,860	
Bank Premises	6,856,874	
Liabilities of Customers for Acceptances, &c.	30,301,152	

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable March 15, 1945, to shareholders of record at the close of business, February 15, 1945.

By Order of the Board,
Toronto, J. R. BRADFIELD, Secretary.
January 31, 1945.

this month, anyone going to Belgium had to take notes to meet expenses. From now on banking facilities will be available. Commercial transactions have also been freed, though they remain subject to other British regulations, such as the grant of export and import licences and to the more acute physical restrictions due to the shortages of goods and shipping. Payments between the sterling and the Belgian franc area will remain subject to the British exchange control regulations and to the parallel restrictions to free convertibility applied in Belgium since the liberation.

These various measures represent the first freeing of financial and commercial relations between the United Kingdom and a liberated country. They are of exceptional interest and significance for that reason. The machinery is now ready to handle and finance the commerce that will begin to flow between the sterling and Belgian franc areas as soon as the existing physical obstacles to such trade are removed.

Local Loan Rates

Last week's debate on the second reading of the Local Loans Bill was chiefly of interest for the explanation by the Financial Secretary to the Treasury of the manner in which the Local Loans Fund would operate. There would be three departments concerned with the applications for loans. The sanction of the Ministry of Health would be necessary in order to ensure that the object of the loan was a desirable one. The Capital Issues Committee would be concerned with the question of priorities—seeing to it, for example, that a loan to build a new Town Hall was not sanctioned when there was still desperate need for new working-class houses. Thirdly, the Public Works Loans Board would be concerned with the question of the security for the loan.

The initial scale of rates for loans raised through the local loans fund, which it is intended to charge, is as follows: for periods not exceeding five years, 2 per cent; for five to ten year loans, 2½ per cent; up to fifteen years, 2¾ per cent; up to thirty years, 3 per cent; upward of thirty years, 3½ per cent. These are almost precisely the rates at which the Government is borrowing at the present time. An additional charge of 4s. per cent will be made over the loans as a whole in order to cover expenses of administration.

Life Office Investments

Some interesting data on the investment policy of British life insurance offices during the war years is to be found in a paper read recently before the Insurance Institute of London by Mr L. Brown, FIA, of the Prudential Assurance Company. Mr Brown has analysed the distribution of assets of twelve large companies for the years 1938, 1940 and 1943. Two major features emerge. The first, and by far the more important, is the growth in the offices' gilt-edged holdings by £173 million to £412 million at the end of 1943. At this level these holdings represent 39.08 per cent of total assets, compared with only 26.56 per cent at the end of 1938. The second feature is the growth in the item "stock and shares," which has risen from £149 million in 1938 to £158 million in 1943, although the total at the latter date equalled only 14.99 per cent of total assets, compared with 16.57 per cent in 1938. Approximately 55 per

cent of the 1943 total is in ordinary shares, whilst about 60 per cent of the increase in the combined item during the five years is in this class.

Both the rises in gilt-edged holdings and in equities are regarded by Mr Brown as an inevitable accompaniment of war-time finance and a closed economy. He would not seem to be a wholehearted equity fan. Discussing the trend in industrial finance to replace prior charges by ordinary shares, he says:

Generally speaking, the extension of such a trend is not likely to meet with the approval of life companies, who can have little desire at the present time to increase their holdings of equities at the expense of their investments in good fixed interest prior charges.

He is also at pains to point out that the increases in holdings of equities "principally reflect an effort to replace, in part, the high yielding securities which have been redeemed."

When it comes to a discussion of investment prospects, however, it would appear to be the gilt-edged outlook which is chiefly exercising the offices; since gilt-edged securities now form a large proportion of assets, this is hardly surprising. Mr Brown did not positively declare his expectation that interest rates will rise when physical controls are relaxed. But it is in that direction that his thoughts are moving. For he says:

Should it arise that we have to face a depreciation of market values owing to a substantial change in the general level of interest rates, I feel that, if the problem is sufficiently acute, it will be necessary to weigh carefully the desirability of ignoring current market prices for redeemable gilt-edged securities.

Anticipating the charge that such a policy would be similar to that of the nudist monarch who pretended to be fully clothed, Mr Brown points out that the alternative would be to "withhold from the current generation of policy-holders an equitable share of the emerging surplus by way of bonus." In practice, the extent of the problem, if it arises, will depend on the extent to which the offices have lent long in a war which has, generally speaking, been financed short. But on this matter no figures are available.

Argentine Rail Improvement?

The payment by two Argentine railway companies of a further full year's debenture arrears may be partly attributed to the recent special and temporary exchange concessions. The two debenture stocks in question are the Buenos Ayres and Pacific 4½ per cent and the Argentine Great Western 5 per cent, and payment on them has now been brought up to January 1, 1941, and April 1, 1941, respectively. But the fact that these payments caught the market by surprise indicates that the railways may be anticipating some increase in their earnings. Weekly receipts show considerable increases over the comparable figures for last year; but any major improvement must depend on checking the rise in costs; these have so far risen with almost equal rapidity. Fuel forms a major item of cost, and there are hopes that the end of the war may bring reductions in its present high price.

At the same time, the news that the Argentine Government is to impose a post-war system of import control will be received by the railways with mixed feelings. Argentina's gold and foreign exchange holdings at present total 3,800 million pesos but the intended industrial expansion will cost considerably more than this. The main purpose of import control must be to give priority to all types of capital equipment. This might suggest that the import needs of British-owned railways will receive early and special consideration, since most of their rolling-stock is very old and much of it is likely to be, in a short time, almost unusable. However, everything depends on whether the Argentine Government will permit the railways to charge adequate rates, or will otherwise help them, to make such replacement; and on the terms and conditions under which replacement is allowed.

British-American Tobacco

The net profits of British-American Tobacco Company for the year ended September 30, 1944, after deducting all expenses and taxation, are about 2½ per cent higher at £3,404,027 against £3,321,735. The ordinary dividend is maintained at 10.84 per cent, tax free, absorbing

£2,573,757, and general reserve receives £250,000 against nil. The ordinary dividend is covered by earnings of 11.9 per cent, tax free, against 11.5 per cent, tax free.

Net liquid assets, excluding inter-company items and employees' benevolent fund, are down by some £2,500,000, from £13,305,004 to £10,786,480. The most significant changes in the balance-sheet are an increase of over £3 million in debtors and £700,000 in stock, offset by a fall of over £3 million in Government securities and tax reserve certificates and £900,000 in cash. This shift of emphasis may indicate preparations for post-war trade.

The absence both of a consolidated balance-sheet and of any detailed profit-and-loss account figures makes it almost impossible to know what year-by-year changes take place in BAT's position. BAT controls numerous subsidiary companies, doing business all over the world in the production and sale of tobacco, from whom its revenue is largely derived. Only the dividends actually received from these subsidiaries are shown in the net profits, and their undistributed profits, which may be very considerable, are not shown. The balance-sheet shows investments in subsidiary and associated companies at over £34 million, which includes assets of £10 million odd in enemy and enemy-occupied territory; nevertheless, the auditors state that these investment possess, in the aggregate, a value largely in excess of the figures shown in the balance-sheet. This information, and the strong free reserves of over £5 million which BAT itself possesses, do at least indicate the very strong position of the group. It is likely that the end of the war will open up wider markets to BAT.

Miners' Welfare

The Miners' Welfare Commission is planning to put into operation, as soon as possible, the programme which was interrupted by the war. The building of pithead baths is a first priority in this programme, for, as the Commission points out in a report "Miners' Welfare Looks Forward,"

the provision of adequate welfare facilities at the pithead must influence not only the miner's opinion of his working environment, but his general social status and outlook, and also the attitude of boys towards entering the industry.

At the present time, out of about 1000 collieries, 362 collieries employing about two-thirds of the labour force, provide baths. The Commission aims to complete the programme within ten years of the general resumption of building. It also plans to extend the building of canteens, which are financed out of the Baths Fund, and suggests that where desirable, collieries should provide laundries at the pithead.

As part of its general scheme for improving amenities and making living, as well as working, conditions, more attractive, the Commission is urging its district committees to establish clubs, centres and playing-fields, and in cooperation with local education authorities to arrange for classes and discussion groups. Education is one of the foremost of the Commission's activities. Up to December 31, 1943, £1.1 million had been spent in grants for educational purposes—school buildings and equipment, scholarships and safety instruction.

Miners' Welfare is financed by a levy on output which

now stands at 1d. per ton. The continued decline in output is having adverse effects on the state of the Fund, and may mean that the Commission will have to "go slow" in its schemes. This would be very regrettable, and it may be that supplementary means of financing these very important welfare measures will have to be found.

Report to Foreign Bondholders

The latest report of the Council of Foreign Bondholders confirms that the Council has made representations (acting in regard to Germany in harmony with the Committee of British Long and Medium-Term Creditors of Germany) to the Government urging it to do its utmost to ensure that the arrangements made with enemy governments should give full consideration to the claims for service of pre-war foreign loans. Public long-term loans to enemy and enemy-occupied governments, states and municipalities normally coming within the scope of the Council's activities are estimated at £400 million.

The very size of this figure, together with the detailed record of the Council's individual successes and failures during 1944, indicate that despite the redemptions and requisitionings of overseas debt which the war has brought, the Council will have plenty of scope for its activities in the future. The trend of recent thought, indeed, has been in the direction of broadening the scope of the Council to include company investments in foreign countries and to strengthen the official backing for the wider organisation. In the recent debate in the House of Commons on overseas investments, Mr Richard Law, Minister of State, took the view that existing boards of directors already provided sufficient representation and protection for investors' interests. That view overlooks the cases, which are becoming increasingly frequent, where intervention by a foreign Government, generally on political grounds, renders both an investment unprofitable and the directors of the company concerned quite powerless. In such cases, it is hard to believe that representation and protest by a central body with official backing would not be more effective than the present set-up.

Shorter Notes

The revenue, after taxation, of the London, Midland and Scottish Railway Company for the year 1944 amounts to £15,679,000, against £15,672,000 for 1943. The ordinary dividend is maintained at 2.5 per cent, and war-time contingencies are again allocated £400,000. The preliminary figures indicate little change in the company's position compared with last year.

Regrettably, owing to an error, one sentence in Mr Gates's speech at the annual meeting of Tecalemit, Limited, was incorrectly reported in *The Economist* of February 3rd. The sentence in question should have read: "During the year under review both our London and Scottish factories and the factories operated by the Coventry Repetition Company, Limited, have been working to full capacity," etc., etc.

BAY HALL TRUST LIMITED.

Summary of the Directors' Report for the year ended 31st December, 1944, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

DIRECTORS' REPORT:

The gross revenue amounted to £121,418. After charging Debenture Interest, Income Tax, Directors' Fees, Management and General Expenses amounting to £31,964 the net profit is £89,454. Adding £103,772 brought forward, the total available for appropriation is £193,226 and a dividend of 7½ per cent is recommended which will absorb £76,035 and leave £117,191 to be carried forward.

At market prices on December 31st, 1944 (or where no market price existed at valuations by the Directors at that date amounting to £305,010), the Share and Debenture Holdings and British Government Securities had an aggregate value of £2,675,596, as compared with their book value of £1,974,099.

CHAIRMAN'S STATEMENT:

The net profit of £89,454 compares with £84,725 for 1943, an increase of £4,729. The allowance for Dominion Relief amounts to 4s. 4d. in the pound, so that the net income tax to be deducted on the 7½ per cent dividend now recommended will be at the rate of 5s. 8d., and the dividend is, therefore, equivalent to about 10.7 per cent, less tax at the standard rate of 10s. 0d. At the end of 1944, the value of our investments showed an indicated appreciation of £701,497 over book cost. Over 96 per cent of the investments, including British Government Securities, taken at the valuations at December 31st last, are situated in United Kingdom, South Africa, and other parts of the British Commonwealth. Similarly measured, but excluding British Government Securities, about 91 per cent of the investments are in Ordinary stocks and shares and the balance in fixed interest bearing securities.

Copies of the full Report and Accounts can be obtained on application at the office of the Company, Princes House, 95 Gresham Street, E.C.2.

POST OFFICE & TRUSTEE SAVINGS BANKS ISSUE

INTEREST PAID HALF-YEARLY

INTEREST IS SUBJECT TO INCOME TAX, BUT
TAX IS NOT DEDUCTED AT THE SOURCE

**3% SAVINGS
BONDS**

1945—1975

Issued by the National Savings Committee, London

COMPANY MEETINGS

BIGNELL'S, LIMITED

MR ARTHUR J. BIGNELL'S STATEMENT

The eighth annual ordinary general meeting of Bignell's, Limited, was held, on the 2nd instant, in Rushden, Mr Arthur J. Bignell, chairman and managing director, presiding.

The following is an extract from the chairman's statement, circulated with the report and accounts.

The trading profit for the year amounted to £6,423 17s. 1d., which, after charging directors' fees, depreciation, war damage insurance and estimated liability for excess profits tax, resulted in a net profit of £15,707 16s. 11d.

The directors recommend that a final dividend of 5 per cent, less income-tax, be paid on the ordinary shares, making with the interim dividend already paid 8 per cent. for the year.

You will observe that of the total trading profit of £66,423 17s. 1d. earned during the year, no less than £45,000 is absorbed by taxation. It is, however, hoped that in the earlier post-war period reduction in taxation will enable the shareholders to share to a larger extent in the prosperity of the company.

As far as war-time restrictions will allow, and in spite of the many difficulties familiar throughout the trade, your directors have given much time and thought to the supply of good civilian footwear to our customers, so that when more normal conditions prevail the company will be in a position to satisfy the anticipated demand for its products.

Your directors also have plans well in hand for the development of our export trade, and every endeavour will be made to increase this promising branch of the company's business.

The report and accounts were adopted.

ORIENT STEAM
NAVIGATION COMPANY,
LIMITEDMR IRVINE C. GEDDES'S
STATEMENT

The forty-fifth ordinary general meeting of this company was held, on the 6th instant, in London, Mr Irvine C. Geddes, the chairman, presiding.

The following is an extract from the chairman's statement which was circulated with the report: The operating profit is £298,383—a decline of £36,748 as compared with the previous year, which is partly accounted for by our having had the benefit of the earnings of two of the lost steamers during a period in the year ended June, 1943. We have written off £150,000 for depreciation and transferred £50,000 to the pension reserve which now stands at £250,000. We propose the same dividend as for last year. As compared with the balance-sheet of the previous year, there is a decline of £1,578,787 in debtors; this is accounted for by the receipt during the year of outstanding insurance money for lost steamers. There is a corresponding rise of £1,456,423 in investments.

The war story told by the accounts is clear; the company has lost ships and the insurance recoveries have been invested in Government securities.

The problem of restoring the fleet to provide for the carriage of passengers and cargo to and from Australia faces us with growing urgency. For example, will the nations of the world follow an expansionist policy in world trade; what is the future of air transport; how long will taxation remain at the present level and will it continue to be penal on the higher range of incomes? Lastly, will the high cost of ships and their operation create a restrictive barrier to travel?

The report and accounts were adopted, and the dividend of 5 per cent, free of tax, approved.

GOSSARD, LIMITED

STEADY IMPROVEMENTS IN ALL SECTIONS

MR. B. M. LINDSAY FYNN'S REVIEW

The annual general meeting of Gossard, Limited, was held, on the 2nd instant, at the offices of the company, 168 Regent Street, London.

Mr B. M. Lindsay Fynn, F.C.A. (the chairman), presided.

The Chairman said: Gentlemen,—I would like to remind you that as a leading British high-class corset business we did not find the year just closed too easy. Since the outbreak of war we have also acquired the goodwill and business of two other well-known corsets—the Royal Worcester and Bon Ton—which, it is true, cater for a somewhat less exclusive market. Even those acquisitions have not helped us greatly as yet, for restrictions on both the quantity and type of the corsets and foundation garments that we have been allowed to make have been severe, although we see the first signs of relaxations.

INCREASED SALES

Our sales, both in volume and value, showed a substantial increase on the previous year, although our corset output was further restricted and our export sales fell again, owing to the difficulty of obtaining export licences. Nevertheless, a large share of the entire corset export trade of the country was handled by your company, and we have not failed to point out how urgent it is that we should be allowed not merely to export, but also to export an article that will do credit to this country.

I would like to see Britain enter into negotiations without delay with the Empire countries and with Scandinavia, Denmark, Holland, Belgium, France, and Switzerland with a view to the formation of a West European Customs Union. I think such a free trade area is essential if Britain and the countries mentioned are to have sufficient home markets available to them to enable them to compete after the war with businesses enjoying as their home markets Russia and the U.S.A.

Our production costs expressed as a percentage of the selling price, again rose slightly during the year, as, despite the fact that we have used more expensive corset materials and have granted wage increases, our selling prices remained unchanged. We believe, however, that our goodwill has still further improved.

Our subsidiary and associated companies, with the exception of one that has not traded during the year, have made profits. This is particularly gratifying in the case of one company which had been very severely "blitzed" and which, indeed, suffered again in the early part of the financial year. This improvement in the trading of our subsidiaries still continues.

BALANCE-SHEET

I will now direct your attention to the balance-sheet, where every effort has been made to present to you as clear a picture as possible. You will notice that the preference share redemption reserve now amounts to £34,022 and the total of the reserves and undistributed profit amounts to a total of £86,255, against an issued ordinary capital of £145,000.

Our current liabilities, including provision for N.D.C. and for income-tax, 1944-45, amount to only £56,781, against current assets of £162,694. The strength of the company's liquid position is therefore evident.

The fixed assets which appear in the balance-sheet at £16,179, have recently been revalued, and we are advised that a fair and reasonable valuation for them amounts to £50,764. The provisions that we had made in earlier years for losses in subsidiaries have now been deducted from the trade investments to which they relate and the net figure shown.

OFFER TO PREFERENCE SHAREHOLDERS

The directors have for some years had under consideration the increasing weight of the preference share redemption fund, which equals already an ordinary dividend of nearly 6 per cent. per annum and which increases every year. This redemption fund is not liked by the company, nor is it, I understand, liked by the preference shareholders, as they find their shares in increasing numbers compulsorily acquired for redemption at a time when it is extremely difficult for them to purchase equivalent securities on reasonable terms.

Your directors propose to call for redemption as soon as possible the existing 6 per cent. preference shares, and to replace them by an equal number of 5½ per cent. preference shares. The present preference shareholders will have the right either to exchange their 6 per cent. shares for the new 5½ per cent. shares, plus a cash capital payment of 1s. 6d. per share, or else to receive 23s. per share in redemption. Any new shares not so taken in exchange will be subscribed by the Ocean Trust Company, Limited. Treasury consent to this operation has been obtained. The sinking fund for the new shares will be at the rate of 1 per cent. on the amount of the shares issued, including any redeemed, and this, we are convinced, will be fair both to the company and to the preference shareholders; it will equal a dividend of about 1 per cent. on our present ordinary capital.

DIVIDEND OF 12 PER CENT.

The earnings for the year, after deducting N.D.C. and the preference dividend, but without making allowance for the preference redemption fund or income-tax, were equal to about 27 per cent. on the ordinary shares. As a result of this, and bearing in mind the slow but steady improvement in all sections of the business of the company and its subsidiaries, the board now feel that shareholders are entitled to more generous treatment than has hitherto been practicable in the war year. They declared, therefore, an interim dividend of 4 per cent. on the ordinary shares and recommend a final dividend of 8 per cent., making a total of 12 per cent. for the year.

While it is, of course, impossible to foresee accurately the future course of events, the board have at the moment no reason to feel that this dividend cannot reasonably be maintained in the future.

I can assure you that the results under review and the directors' recommendations would not have been practicable had it not been for the fine work performed by all the company's executives and workpeople, and I know you will join with me in conveying to them our appreciation of their efforts during a difficult year.

The report and accounts were unanimously adopted.

The proceedings terminated with a vote of thanks to the chairman, directors, and the staff, moved by Major E. Beddington Behrens.

LONDON AND RHODESIAN
MINING AND LAND
COMPANY, LIMITED

The adjourned ordinary general meeting of this company was held, on the 8th instant, in London, the Right Hon. Viscount Elibank, the chairman, presiding.

The following is an extract from the chairman's circulated statement: The net profit of £86,153 compares with £86,136 for the previous year. The profits from our gold mining interests in Southern Rhodesia continue to be deleteriously affected by the existing high level of war taxation and by

the scarcity of labour and skilled supervision. Influenced by the growing decline in the number of operating gold mines and in mining revenue, the Government of Southern Rhodesia have recently appointed a Royal Commission to inquire into the disabilities under which the industry is suffering.

The sales of cattle were again satisfactory in numbers and in prices.

The report was adopted.

POWER SECURITIES
CORPORATION, LIMITED

MR WM. SHEARER'S STATEMENT

The twenty-second annual general meeting of this company will be held at Winchester House, Old Broad Street, London, E.C., on the 14th instant.

The following is an extract from the statement by Mr William Shearer (chairman and managing director) which has been circulated with the report and accounts: The accounts for the year 1944 show approximately the same results as those of the previous year, and call for no detailed comment.

Among other works of national importance which engaged our attention in the year under review was the construction of certain units of what is known as the "Mulberry" project. While no profit is likely to accrue in respect of this work, carried out under extremely difficult conditions, it is gratifying to record that we were able to make some contribution to the

execution of the works involved in this brilliantly conceived project, which played so vital and successful a part in the invasion of the Continent of Europe.

I feel confident that a great opportunity for the development of electrical and civil engineering projects in various parts of the world is open to British enterprise, notwithstanding the fact that powerful foreign competitors are already in the field in strength. But undue and unnecessarily prolonged restrictions and the unsettling effect of certain so-called "planning" for the sake of "planning" will certainly retard and if allowed to prevail may extinguish, the hope of the nation's recovery after hostilities are concluded.

In the post-war period, not only a continuance of wise leadership, but the utmost application and the most strenuous endeavours on the part of all engaged in industry and commerce will be required to restore to health and vigour the battered and shattered economic life of the country. To this end "regimentation" must cease and liberty to adventure and create must prevail.

JUTE INDUSTRIES,
LIMITED

INCREASED PROFIT

The twenty-fourth annual general meeting of stockholders of Jute Industries Limited will be held in the board room of the Association of Jute Spinners and Manufacturers, 5 Cowgate, Dundee, on the 15th instant.

The following is the statement by the chairman which has been circulated with the report and accounts:—

Trading profit, interest, dividends and transfer fees, at £130,736 4s. 10d., exceeds the previous year's figure by £23,932 18s. 5d.

The sum of £60,000 has been transferred to reserve for depreciation and obsolescence, and £35,000 has been added to the provision for deferred repairs.

After meeting a dividend of 4 per cent., less income-tax, on the preference stock, there remains, with the amount brought forward from last account, a sum of £41,160 11s. 9d. to be carried to next account.

Following on prolonged negotiations with the Inland Revenue authorities, a capital and profits standard for excess profits tax, with the exception of a few details, has been agreed. The directors consider the standard satisfactory, and they are advised that the provision made against this liability, as well as for income-tax and national defence contribution, is more than sufficient to meet the probable total of assessments on profits up to September 30, 1944.

At the extraordinary general meeting held on February 24th last year the issued preference and ordinary shares of the company were duly converted into stock.

The sale of the company's interest in the Camperdown Pressing Company, Limited, closes a long association, the company having been registered in 1882. The concern ceased to be a useful asset, and the sum obtained for the shares can, in the opinion of the directors, be used to better advantage. The proceeds are meantime invested in Government securities.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange : London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. Shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Feb. 1.....	5,057	5,297	111.9	136.8	3.05	3.82
" 2.....	5,185	5,217	112.0	136.8	3.04	3.82
" 5.....	6,843	6,858	111.9	136.8	3.04	3.82
" 6.....	5,432	5,582	111.9	136.8	3.04	3.82
" 7.....	5,406	5,340	112.3	136.8	3.05	3.81

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

1926 = 100

1945	Average	Transactions	1945	Average	Transactions
Jan. 25.....	130.3	974,000	Jan. 29.....	132.4	1,374,000
" 26.....	131.5	1,255,000	" 30.....	131.7	1,529,000
" 27.....	132.5	743,000*	" 31.....	131.8	1,178,000

1944: High, 131.8 (July 14). Low, 113.8 (Feb. 8). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1944		Jan. 17, 1945	Jan. 24, 1945	Jan. 31, 1945
	Low Mo. 15	High July 12			
354 Industrials.....	95.1 (a)	108.4	111.4	108.6	110.6
30 Rails.....	88.3 (a)	118.8 (d)	122.8	116.1	116.3
28 Utilities.....	85.0	93.5 (c)	94.6	93.2	93.5
402 Stocks.....	93.6 (a)	105.7	100.4	106.7	108.3
Av. yield %†.....	4.84 (b)	4.43	4.50	4.63	4.55

† 50 Industrial Com. Stocks. (a) Feb. 9. (b) May 3. (c) Oct. 18. (d) Dec. 20.

Capital Issues

Week ending February 10, 1945	Nominal Capital £	Con- versions £	New Money £
Shareholders only.....	71,428	...	99,996

Particulars of Government issues appear on page 194.

Year (to date)	Including Conversions £	Excluding Conversions £
1945.....	124,228,731	104,044,455
1944.....	116,098,120	105,805,484

Destination* Nature of Borrowing*

Year† (to date)	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1945.....	103,919,205	Nil	125,250	103,617,959	146,250	280,346
1944.....	105,687,214	118,250	Nil	105,219,714	488,750	97,000

* Conversions excluded. † Includes Government issues to Jan. 31, 1945, only. Above figures include all new capital in which permission to deal has been granted.

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yield		
	Dec. 29, 1936	June 25, 1940	July 25, 1944	Jan. 30, 1945	Dec. 29, 1936	June 25, 1940	Jan. 30, 1945
2½% Consols.....	150.9	126.2	141.1	146.4	2.95	3.53	3.05
Home Corps. (4).....	144.7	123.0	141.5	143.2	3.22	3.79	3.25
Ind. Debts. all classes (42).....	123.0	103.7	122.5	123.6	3.95	4.58	3.82
Ind. Pref. all classes (101).....	113.5	82.3	114.5	116.8	4.02	5.52	4.16
Insurance Coys. (10).....	135.1	66.8	123.0	118.9	3.16	6.23	3.54
Investment Trusts (9).....	63.3	36.3	51.8	53.0	3.64	6.64	4.37
Coal (8).....	119.9	64.8	109.2	102.8	3.18	9.00	6.09
Elec. Light & Power (16).....	131.0	76.9	121.4	124.1	3.92	6.75	3.77
Elec. Manufacturers (13).....	157.0	87.0	171.9	173.6	3.46	7.51	3.68
Gas (8).....	129.6	67.8	104.3	110.4	4.56	7.09	3.56
Iron and Steel (18).....	83.0	31.6	73.6	71.9	3.76	9.35	4.42
Total Productive (90).....	94.8	40.8	86.6	86.0	3.68	11.14	5.81
Home Rails (4).....	86.6	25.9	77.7	75.7	1.20	11.64	5.81
Total Distributive (28).....	78.8	28.7	82.3	82.4	3.20	8.73	3.72
Miscellaneous (20).....	81.3	40.8	80.6	78.9	3.87	8.15	3.68
Total Miscellaneous (40).....	95.5	45.0	83.9	83.7	3.91	8.46	3.89
Industrials— (All Classes) (158).....	90.8	38.9	86.7	86.4	3.68	9.91	4.18

FINANCE AND BANKING

THE MONEY MARKET.—Credit has become progressively more stringent this week. The weight of tax payments has been the main drain on market resources which, in addition, (Continued on page 195)

GOVERNMENT RETURNS

For the week ended Feb. 3, 1945, total ordinary revenue was £125,039,000, against ordinary expenditure of £148,528,000, and issues to sinking funds of £20,000. Thus, including sinking fund allocations £11,388,210, the deficit accrued since April 1st is £2,496,061,000 against £2,402,845,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Feb. 5, 1944	April 1 to Feb. 5, 1945	Week ended Feb. 5, 1944	Week ended Feb. 5, 1945
ORDINARY REVENUE					
Income Tax.....	130,000	869,428	929,587	79,904	80,442
Sur-tax.....	80,000	51,192	45,853	5,500	4,740
Estate, etc.,					
Duties.....	100,000	81,747	90,916	1,666	1,520
Stamps.....	19,000	12,435	12,435	...	120
M.D.C.....	500,000	26,051	28,530	660	715
E.P.T.....	500,000	404,443	413,658	10,044	7,540
Other Ind. Rev.	1,000	498	377	10	50
Total Ind. Rev.	200,000	144,849	152,156	97,784	95,127
Customs.....	564,900	464,586	485,294	11,114	8,140
Excise.....	472,900	415,955	430,699	15,531	19,750
Total Customs & Excise.....	1,037,800	880,541	915,993	26,645	27,890
Motor Duties.....	27,000	26,616	27,300	850	1,101
P.O. (Nat. Re- ceipts).....					
Wireless Licences	4,850	3,940	3,990	...	720
Crown Lands.....	800	950	880	...	140
Receipts from Sundry Loans	7,350	6,303	7,015	...	...
Miscell. Receipts	24,000	66,436	67,707	1,068	61
Total Ord. Rev.	310,180	243,328	254,424	126,347	125,039
SELF-BALANCING P.O. & Brcdcastg.					
	112,370	95,150	99,050	3,600	3,200
Total.....	321,410	252,845	264,329	129,947	128,239

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Feb. 5, 1944	April 1 to Feb. 3, 1945	Week ended Feb. 5, 1944	Week ended Feb. 3, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	307,993	339,148	18,003	2,011
Payments to N. Ireland	9,000	6,775	7,040	553	...
Other Cons. Fund Services	7,000	6,881	6,966	...	7
Total.....	436,000	321,649	353,194	18,556	2,019
Supply Services.....	550,139	450,354	467,576	10,645	14,659
Total.....	593,399	482,470	502,891	12,506	14,658
SELF-BALANCING P.O. & Broadcastg.					
	112,370	95,150	99,050	3,600	3,200
Total.....	604,976	491,963	512,796	12,806	15,728

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £179,034 to £3,415,264, the other operations for the week (no longer shown separately) increased the gross National Debt by £11,857,059 to £22,081 million.

NET RECEIPTS (£ thousands)	
Defence Loans Acts, 1937 and 1939.....	12,261
Tithe Act, 1936.....	200
Total.....	12,461

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	120
Overseas Trade Guarantees.....	10
Housing (Temporary Accommodation) Act, 1944.....	500
Total.....	630

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap			
1944					
Feb. 5	1170-0		Not available		
Nov. 4	1460-0		"		
" 18	1470-0		"		
" 25	1470-0	2305-5	513-8	27-5	1700-5
Dec. 2	1470-0		Not available		
" 9	1470-0		"		
" 16	1470-0		"		
" 23	1470-0		"		
" 30	1470-0	3806-0	587-7	59-2	1794-5
1945					
Jan. 6	1470-0		Not available		
" 13	1470-0		"		
" 20	1460-0	2341-8	489-3	"	1799-5
Feb. 3	1440-0		Not available		

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
Feb. 4	90-0	203-3	90-0	20-0	85
Nov. 3	120-0	211-3	120-0	20-0	62
" 10	110-0	206-1	110-0	20-0	43
" 17	110-0	209-7	110-0	20-0	43
" 24	110-0	217-8	110-0	20-0	83
Dec. 1	110-0	232-4	110-0	20-0	72
" 8	110-0	221-7	110-0	20-0	33
" 15	110-0	219-1	110-0	20-0	103
" 22	110-0	205-4	110-0	20-0	1-80
" 29	110-0	208-0	110-0	20-0	0-67
1945					
Jan. 5	110-0	224-2	110-0	20-0	1-81
" 12	110-0	211-1	110-0	20-0	1-50
" 19	110-0	216-3	110-0	20-0	1-19
" 26	110-0	207-8	110-0	20-0	0-31
Feb. 2	110-0	225-0	110-0	20-0	0-26

On February 2, applications at £99 15s. 1d. for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 29 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 2d. for bills to be paid for on Tuesday were accepted in full. £110 millions of Treasury Bills are being offered for February 9. For the week ended February 10, the banks will be asked for all Treasury deposits to a maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	Exchequer Bonds (1950)
1944				
Nov. 28	4,064	1,814	4,759	3,832
Dec. 5	4,570	1,708	4,415	8,012
" 12	4,124	1,697	4,352	10,445
" 19	3,926	1,671	3,531	5,191
" 26	3,516	864	3,072	3,156
1945				
Jan. 2	4,788	1,617	8,848	3,351
" 9	4,798	2,385	8,559	8,227
" 16	4,647	2,022	8,923	10,102
" 23	4,950	1,774	8,755	10,398
" 30	4,035	1,548	8,587	11,118
Feb. 6	...	...	4,178	11,777
Total to date	1,308,559*	785,578*	1,850,446†	92,056‡

* 271 weeks. † 214 weeks. ‡ 14 weeks.
§ Including all Series.

Interest free loans received by the Treasury up to Feb. 6th amounted to a total value of £70,270,184. Up to Jan. 27th principal of Savings Certificates to the amount of £203,070,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25s. 4d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

Date	Gold		Silver	
	Fine Tola	100 Fine Tolas	Rs. a.	Rs. a.
1945				
Feb. 1	67 12	121 2	9	...
" 2	69 8	123 9	...	...
" 3	68 12	122 10	...	...
" 4	68 8	120 0	...	...
" 5	70 12	121 4	...	...
" 6	70 12	122 7	...	...

BANK OF ENGLAND RETURNS

FEBRUARY 7, 1945

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt.....	11,015,100
In Circulation.....	Other Govt. Securities.....	12,38,303,781
In Bank, Department.....	Other Secs.....	669,199
	Silver Coin.....	11,920
	Am't of Fid. Issue.....	12,500,000,000
	Gold Coin and Bullion (at 168s. per oz. fine).....	341,718
		1250,241,718
		1250,241,718

BANKING DEPARTMENT

Props' Capital.....	14,553,000	Govt. Secs.....	217,247,764
Reserves.....	3,407,740	Other Secs.....	1,000,426
Public Deps.....	22,856,109	Advances.....	7,002,733
		Securities.....	19,287,448
Bankers'.....	176,540,261	Notes.....	26,290,181
Other Accts.....	56,567,421	Gold & Silver Coin.....	1,523,107
			273,925,031
			273,925,031

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS (£ millions)

	1944		1945	
	Feb. 9	Jan. 24	Jan. 31	Feb. 7
Issue Dept.				
Notes in circulation.....	1076-0	1217-7	1219-6	1221-4
Notes in banking department.....	24-2	32-5	30-6	28-0
Government debt and securities.....	1099-4	1239-3	1249-4	1249-3
Other securities.....	0-6	0-7	0-6	0-7
Silver Coin.....	0-0	0-0	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00
Deposits:				
Public.....	11-2	6-8	11-6	22-9
Bankers'.....	162-0	208-1	215-1	176-5
Others.....	54-3	58-2	57-8	56-8
Total.....	227-5	273-1	284-5	256-0
Banking Dept. Secs:				
Government.....	202-8	250-0	240-7	217-2
Discounts, etc.....	2-0	12-5	6-6	7-0
Other.....	15-7	14-5	23-0	19-3
Total.....	220-5	275-0	270-3	243-5
Banking depart. res.	25-0	34-0	32-1	30-4
" Proportion "	10-9	12-4	11-2	11-8

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS £ thousands

Working days	Week Ended		Aggregate from Jan. 1 to	
	Feb. 5, 1944	Feb. 5, 1945	Feb. 5, 1944	Feb. 5, 1945
Birmingham.....	2,407	2,192	10,652	10,081
Bradford.....	1,636	2,011	10,202	10,355
Bristol.....	765	849	3,856	3,717
Hull.....	713	939	3,421	3,987
Leeds.....	1,851	2,173	7,848	8,146
Leicester.....	866	983	4,794	5,091
Liverpool.....	5,940	5,466	27,452	26,946
Manchester.....	4,670	4,296	19,612	18,804
Newcastle.....	2,398	2,166	10,194	9,627
Nottingham.....	552	381	2,408	2,586
Sheffield.....	1,850	1,389	6,954	6,319
Southampton.....	204	281	966	1,139
12 Towns.....	23,652	23,126	108,359	106,787
Dublin*.....	7,523	6,669	41,088	38,083

* Jan. 29, 1944, and Jan. 27, 1945.

OVERSEAS BANK RETURNS U.S. FEDERAL RESERVE

Million \$'s

	Feb.		Jan.	
	1944	1945	1944	1945
12 U.S.F.R. Banks				
Gold certifs. on hand and due from Treasury.....	19,480	17,786	17,789	17,769
Total reserves.....	20,103	18,679	18,684	18,666
Total cash reserves.....	357	283	291	293
Total U.S. Govt. secs.....	11,781	18,651	18,620	19,006
Total loans and secs.....	11,814	18,784	18,765	19,186
Total resources.....	33,819	39,827	39,774	39,929
LIABILITIES				
F.R. notes in circ.	17,040	21,665	21,647	21,748
Excess mr. bank res.	1,540	1,300	1,200	1,000
Mr. bank res. dep.	12,847	14,156	14,085	13,884
Govt. deposits.....	175	334	479	648
Total deposits.....	14,937	16,028	15,961	16,165
Total liabilities.....	33,819	39,827	39,774	39,929
Reserve ratio.....	62-9%	49-6%	49-7%	49-2%
BANK AND TREASURY RESOURCES				
Monetary gold stock.....	21,910	20,572	20,571	20,550
Treasury & bank currency.....	4,093	4,129	4,129	4,127
Money in circulation.....	20,534	25,209	25,175	25,290
Treasury cash and dep.	2,497	2,704	2,859	3,018

BANK OF FRANCE

Million francs

	Dec.	Jan.	Jan.	Jan.
	28,	4,	1945	1945
	1944	1945	1945	1945
ASSETS				
Gold.....	75,151	75,151	75,151	75,151
Private discounts and advances.....	34,271	44,620	43,298	43,467
Advances to State:				
(a) In occupation costs.....	496,413	3,481,466	481,563	481,563
(b) Treasury advances.....	426,000	426,000	426,000	426,000
(c) Treasury advances.....	15,850	900	1,000	1,758
(d) Fixed advances.....	54,563	54,563	54,563	54,563
LIABILITIES				
Notes.....	572	574,902	571,397	565,211
Deposits.....	30,242	30,113	33,520	40,035
(a) Government accs.....	749	29,404	32,621	39,262
(b) Other accounts.....	29,500	29,404	32,753	39,262

COMPANY RESULTS (January 24, 1945, to February 7, 1945)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	For in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.		£	£	£	£	£	£	%	£	£	£	£	£
Steward & Patteson	Nov. 4	491,594	41,255	43,246	122,220	3,750	37,500	12½	...	1,996	435,696	38,731	12½
Coal, Iron and Steel													
Steel Developments	Dec. 31	4,567	...	4,267	9,872	...	4,119	5½	...	148	4,565	4,265	5½
Financial, Land, &c.													
Australian Mercantile Land, &c.	June 30	396,119	...	56,961	120,602	...	56,350	6	...	611	396,513	52,227	6
Brown (Charles) Holdings	Dec. 31	29,601	...	14,463	15,603	8,250	6,090	4	...	123	29,587	14,529	4
Electrical & Industrial Investment	Dec. 31	55,221	...	21,881	6,500	6,260	12	...	...	9,121	54,585	21,175	12
New Zealand and River Plate Land	Oct. 31	78,098	...	18,333	42,722	17,500	5	...	...	833	70,302	15,287	5
Power Securities Corporation	Dec. 31	113,375	...	50,553	100,291	17,500	24,000	6	...	9,053	113,632	52,834	6
Second Covent Garden Property	Nov. 30	164,363	...	31,708	123,045	17,500	9,300	3	...	4,908	164,599	31,530	2½
Wemyss Collieries Trust	Nov. 11	20,989	...	20,989	67,355	9,655	5,850	9	...	5,484	29,377	29,377	9
Motor, Aviation, &c.													
Blumel Bros.	Sept. 30	83,714	6,816	7,710	14,969	2,100	4,500	10	...	1,110	67,541	7,926	10
General Aircraft	Dec. 31, '45	(a) 101,760	...	(a) 11,970	52,218	...	...	...	...	11,970	41,502	Dr. 5,908	Nil
Rubber													
Aboyn-Clyde Rubber of Ceylon	June 30	16,213	...	3,210	4,579	...	...	...	3,595	385	15,829	512	Nil
Bandanga Limited	Sept. 30	8,027	1,942	2,164	2,846	...	1,180	5	1,000	16	6,883	704	4
Castlefield (Klang) Rubber	June 30	1,291	...	135	2,098	...	...	...	...	135	1,170	Dr. 4,527	Nil
Sedenak Rubber	Oct. 31	2,029	...	Dr. 309	7,737	...	...	...	...	309	2,172	Dr. 1,862	Nil
Shipping													
Orient Steam Navigation	June 30	341,797	150,000	141,797	245,459	41,130	52,044	5½	...	48,623	354,087	104,087	5½
Shops and Stores													
Stead & Simpson	Dec. 31	55,402	...	32,371	106,004	12,000	20,000	10	...	371	55,269	31,769	10
Timpson (William)	Dec. 31	216,287	...	85,135	91,067	13,156	37,500	15	35,000	521	204,244	79,442	15
Tea													
Central Province Ceylon Tea	June 30	62,929	...	27,239	33,219	5,445	15,247	12	6,500	47	45,386	22,682	12
Kintyre Tea Estates	June 30	19,588	1,000	4,748	6,686	670	4,032	12½	...	46	16,204	6,962	12½
Textiles													
Jute Industries	Sept. 30	130,736	60,000	35,736	71,160	30,000	...	...	...	5,736	106,803	31,803	Nil
Linen Trading Co.	Sept. 30	229,275	2,778	226,385	457,149	121,000	99,000	6	...	6,385	234,152	230,088	6
Lister & Co.	Nov. 30	320,407	...	58,467	95,518	15,000	35,625	5	...	7,842	193,065	57,807	4
Marshall (Thomas) Marbeck	Dec. 31	101,217	1,834	29,079	52,758	3,000	12,500	25	10,000	3,579	62,866	24,006	25
Stapley & Smith	Nov. 19	48,257	773	27,484	31,507	25,594	...	...	...	1,890	43,854	24,648	Nil
Trusts													
Caribonum Trust	Jan. 31	47,572	...	46,764	47,934	8,250	38,500	11	...	14	47,540	46,805	11
English and New York Trust	Dec. 31	44,131	...	23,564	64,170	12,328	8,219	5	...	3,077	41,605	20,576	4½
Governments Stock and Other Sects.	Dec. 31	101,034	...	46,378	24,282	20,566	3½	1,530	...	...	99,848	45,369	3½
Law Debenture Corporation	Dec. 31	103,778	...	34,598	34,598	5,000	20,049	7	9,549	...	95,437	28,467	7
National Dominion & General Invest.	Dec. 31	11,997	...	9,707	17,663	7,500	2,000	2	...	207	11,335	9,556	2
Nelson Financial Trust	Oct. 31	56,663	...	20,960	34,359	12,000	6,480	3	1,379	1,101	56,516	19,533	1½
Oranum Investment Co.	Dec. 31	125,812	...	60,207	69,336	31,611	25,289	4	2,000	1,307	121,152	55,816	3½
Standard Trust	Dec. 31	105,865	...	32,873	78,666	17,463	10,583	5	...	4,827	100,515	30,510	5
United Counties Trust	Sept. 30	2,230	...	Dr. 841	4,193	...	...	...	...	841	4,844	Dr. 487	Nil
Waterworks													
Chester Waterworks	Dec. 31	18,989	...	12,425	24,094	5,842	6,634	6	...	51	17,451	12,887	6
Sunderland and South Shields Water	Dec. 31	96,940	...	81,471	157,670	1,094	60,604	7½ & 5	15,506	4,273	104,154	88,048	7½ & 5
Other Companies													
Alders (Tamworth)	Oct. 31	61,859	7,960	18,302	19,794	2,772	12,500	25	2,500	530	62,287	15,510	25
Anti-Attrition Metal	July 31	83,090	...	18,262	20,393	...	13,125	15	...	5,157	72,708	12,562	15
Bell & Nicolson	Dec. 31	39,330	1,619	34,846	76,789	1,400	24,000	16	10,000	554	37,829	32,997	14
Biggins Limited	Nov. 25	66,424	4,825	5,746	13,013	2,250	3,000	8	...	496	65,806	5,701	8
Booker Brothers, McConnell & Co.	June 30	162,848	...	140,206	173,082	33,335	80,811	15	15,000	11,060	165,971	114,101	15
British-American Tobacco	Sept. 30	3,404,027	...	3,404,027	5,909,734	585,000	2,575,757	10½	250,000	4,730	3,321,735	3,321,735	10½
Crosley (John) & Sons	Dec. 2	153,623	...	32,622	68,914	14,849	17,819	10	...	46	100,882	50,868	7½
Dixor Limited	Dec. 31	10,149	181	857	5,668	582	2,016	7½	...	1,741	9,073	619	Nil
Gossard Limited	Nov. 30	48,273	1,769	9,891	14,186	1,980	5,547	8	...	2,368	37,634	7,358	6
Lunt (Richard) & Co.	Dec. 31	33,695	...	16,695	36,308	400	10,050	15	5,000	1,235	29,774	24,524	15
M'Laren, Sons & Co.	Dec. 20	5,770	...	5,770	26,850	4,500	...	...	...	1,270	5,216	5,216	Nil
Opperman (S. E.)	July 31	102,416	8,802	13,634	32,985	...	12,500	12½	...	1,134	77,439	10,806	12½
Pawsons & Leas	Dec. 28	30,557	...	21,837	63,336	...	20,700	7½	...	1,137	30,181	21,532	7½
Pratt (J. Alfred) & Co.	Oct. 31	23,566	...	10,460	38,528	3,750	3,600	6	2,500	610	26,840	11,091	5
Redfern's Rubber Works	Dec. 31	90,782	...	16,697	23,953	4,500	7,200	12	...	4,997	70,237	7,783	12
Weber (L. & J.) & Phillips	Dec. 31	16,103	...	16,103	30,599	...	16,740	9	...	637	15,339	15,339	9
Totals (£000)													
January 1 to January 24, 1945	No. of Cos. 56	8,033	755	2,666	4,683	516	1,605	...	396	149	4,589	1,271	...
January 24 to February 7, 1945	52	8,150	291	5,090	9,122	1,113	3,451	...	371	155	7,580	4,886	...
January 1 to February 7, 1945	108	16,183	1,046	7,756	13,807	1,629	5,056	...	767	304	12,169	6,157	...

† Free of Income Tax.

(a) Two Years.

(Continued from page 195)

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain.
Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between February 1st and February 8th.

Egypt. Piastres (97½) 97½. **India.** Rupee (18d. per rupee) 17½-18½d. **Bogian Congo.** Francs 176½-177. **China.** National \$3-3½. **Iran.** Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Jan. 31	Feb. 1	Feb. 2	Feb. 3	Feb. 5	Feb. 6	Feb. 7
Cables :-							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-125	90-180	90-130	90-130	90-430	90-500	90-625
Zurich	23-50	23-50	23-40	23-40	23-40	23-40	23-40
Buenos Aires	24-82*	24-82*	24-80*	24-80*	24-78*	24-78*	24-78*
Rio de Janeiro	5-19	5-19	5-19	5-19	5-19	5-19	5-19
Lisbon	4-08	4-08	4-08	4-07	4-07	4-08	4-08
Barcelona	9-20	9-20	9-20	9-20	9-25	9-20	9-20
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official Buying Rate 29-78.

† Free Rate.

§ Bid.

INDUSTRY AND TRADE

Cotton Goods for Far East.—The Cotton Board have announced that provision has been made by the Board of Trade for a cotton piece goods allocation for Period I, 1945, for British Far Eastern territories. In view of the urgency with which supplies are required, the allocation will be used for the replacement of stocks. The actual distribution in the territories concerned will be under military control. The Cotton Board, therefore, have asked merchants to offer stocks for this purpose.

the types of goods being, amongst others, printed shirtings, khaki drills, dyed poplins, printed dress fabrics, cambrics, zephyrs and coloured woven shirtings. The goods must be delivered within the next ten weeks. It is reported that supplies are very short in Far Eastern markets and the authorities are anxious to arrange for exports as quickly as possible.

Property in Liberated Countries.—The Trading with the Enemy Department have made arrangements with the Belgian, Netherlands and Norwegian authorities for settling personal and commercial debts and claims outstanding between United Kingdom residents and those in the countries concerned. The removal of legal obstacles arising from the war to settlement will be considered.

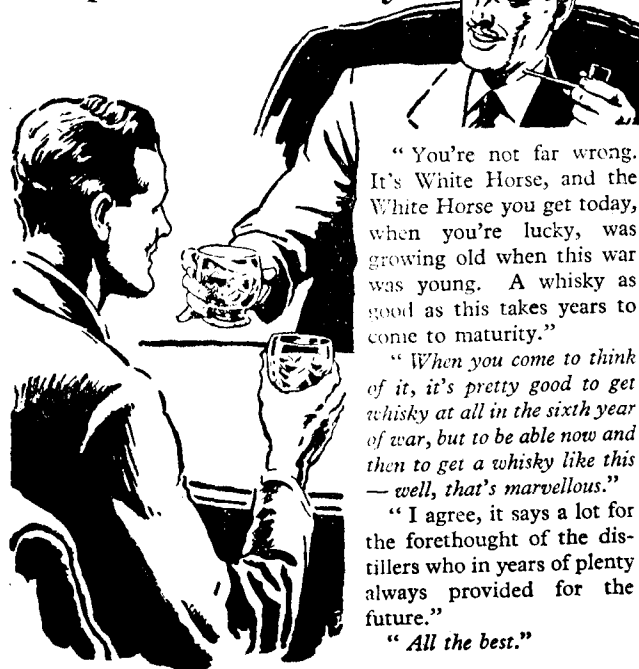
"The Economist" Sensitive Index.—There was no change in the index during the week ended February 6th. The complete index (1935 = 100) was 158.6; crops 135.7; and raw materials 185.5.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Jan. 25, 1944	Jan. 16, 1945	Jan. 30, 1945
Cereals and Meat	93-0	66-9	108-7	108-0	108-0
Other Foods	70-4	61-1	107-3	107-3	107-3
Textiles	74-2	54-3	92-5	103-9	103-9
Minerals	113-2	95-4	136-9	145-5	145-5
Miscellaneous	87-0	77-6	128-9	128-9	128-9
Complete Index	87-2	70-3	114-5	118-3	118-3
1913=100	119-9	80-8	157-6	162-7	162-7

* Highest level reached during 1932-37 recovery.

"This must be
pre-war whisky"



WHITE HORSE

MAXIMUM PRICES:—Bottles 25/9; Half-bottles 13/6
as fixed by The Scotch Whisky Association.

**RATIONING MAKES
EXTRA VITAMIN SUPPLY ESSENTIAL**



THE BODY MUST HAVE ENOUGH vitamins A and D if it is to remain healthy. Before rationing most of us got sufficient of these in our ordinary meals, but wartime diets tend to reduce the vitamin value of our food. A daily dose of Crookes' provides sufficient 'anti-infective' vitamin A to enable you to resist colds and influenza; it provides, too, the correct amount of 'sunshine' vitamin D to keep adults healthy and to allow children to grow up with strong bones and sound teeth.

CROOKES' HALIBUT OIL

OBTAINABLE ONLY FROM CHEMISTS

Capsules—per carton of 100—8/6. Liquid—per phial—enough for 16 days 2/.

Musical Evening



"UNDERNEATH the gaslight's glitter," the Victorians loved an interlude of music. Uncle Albert would sing songs of Araby, and in return might be given permission to smoke.

Without singing our own praises unduly, we may mention that Rothman cigarettes were already famous at that time. Today our Navy Cut Medium

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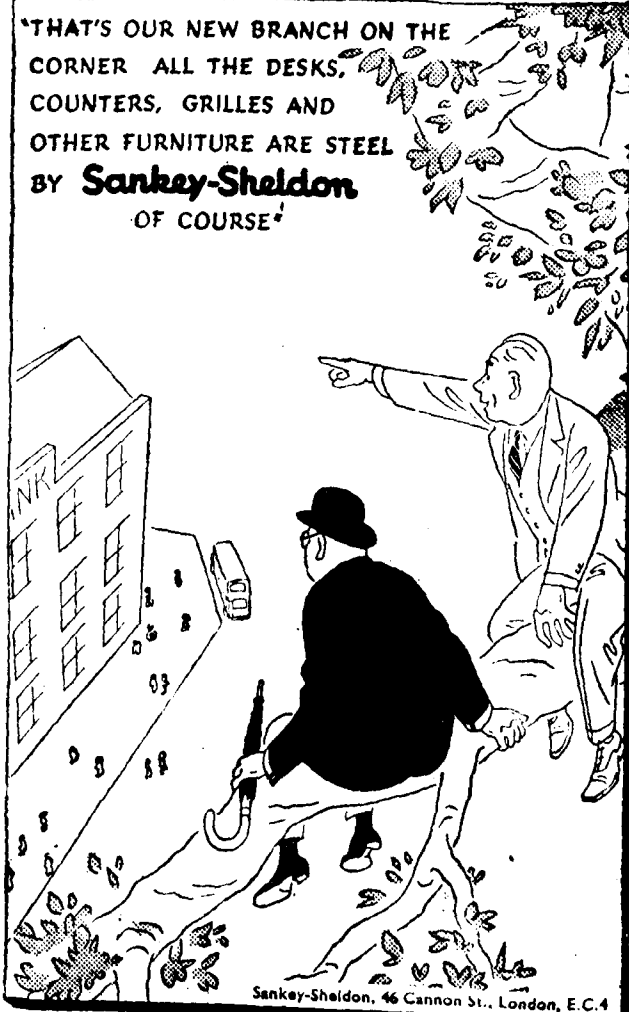
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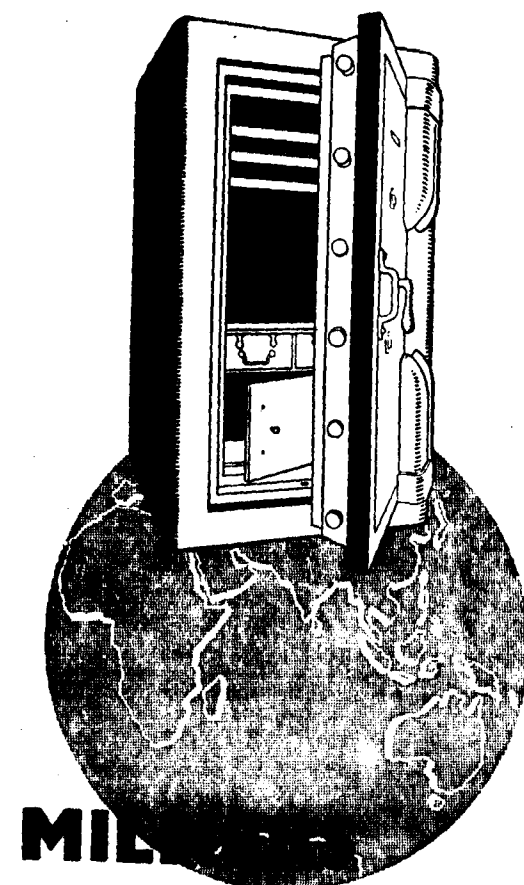
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Conference in the Crimea

THE statement issued at the end of the Crimea Conference is the clearest and most explicit yet issued after any meeting of leaders of the United Nations. It compares favourably with the document produced by the Teheran Conference, in which only very general principles were enunciated and specific agreements related only to minor questions such as the guarantee of independence given to Persia.

It is true that the full scope of the discussions will only become known little by little, either by the carrying of decisions into practice or by more immediate unofficial leakages. It was in this way that the world came to realise the full scope of the Teheran meeting. Similarly, in commenting on the Crimea decisions, it is well to remember that much has not been published and that, particularly in the matter of interpretation, the unpublished results may have greater importance than the avowed and publicly agreed statements.

In some ways, the Crimea Conference appears to have reversed the decisions taken at Teheran. There, the three leaders agreed to different zones of influence, or at least of leadership in action. This entailed Russian dominance in Finland, Poland, Roumania, Hungary, and possibly Czechoslovakia, and predominant but not exclusive Russian influence in Yugoslavia. Greece fell to the lot of

Britain, Italy to Britain with some American participation. The events in Poland, Yugoslavia, Greece, and Italy in the last year have underlined how unsatisfactorily this division is working. For instance, it is quite impossible for the other Great Powers to disinterest themselves in the problem of Poland. The new Declaration accordingly appears to propose new procedures.

The Three Powers reaffirm the right, guaranteed in the Atlantic Charter to all peoples, to choose their own form of government. Therefore

to foster the conditions in which the liberated peoples may exercise these rights, the three Governments will jointly assist the peoples . . . in Europe . . . to establish conditions of peace . . . to form interim Governmental authorities broadly representative of all democratic elements in the population . . . to facilitate where necessary the holding of . . . elections.

Thus the Great Powers' responsibility covers all phases of liberation and, if the emphasis is laid on the joint nature of their responsibility, there should be an end once and for all to the "spheres" established at Teheran.

This decision will, no doubt, be hailed in the American Press as a victory won by the President over British and Russian policies, with their desire for exclusive spheres. If to regard it in this way will make the policy of American

intervention in Europe more popular and more enduring, it would be foolish to cavil. But if British diplomacy has not, in fact, been bending every effort to induce the United States to undertake constructive responsibilities in Europe it has been failing in its duty. There is no need to speak of victories; but every action that links American policy to Europe is an advantage for Britain.

In two instances—Poland and Yugoslavia—the agreement goes beyond general principles and lays down the methods by which joint responsibility will be exercised. The Tito-Subasitch Agreement is to be implemented and extended to bring in former members of the old Yugoslav Parliament, provided they are not compromised with the enemy. In Poland

the Provisional Government which is now functioning in Poland should . . . be reorganised on a broader democratic basis, with the inclusion of democratic leaders from Poland itself and from Poles abroad.

The Russian Foreign Commissar and the British and American Ambassadors in Moscow are to consult with the Lublin Government and make recommendations on its reorganisation. Once this broader Polish administration has been established, Britain and America are to recognise it as the Provisional Government of Poland.

It is too early to say how great an advance these decisions mark on the previous and unhappy state of affairs in Eastern Europe. Everything turns on the interpretation given in practice to such terms as "democratic," "free and unfettered elections," "democratic and non-Nazi parties," "not compromised by collaboration with the enemy." If these words mean what they say, and what British and Americans understand them to mean, then clearly a great advance has been made. To this only the execution of these plans can give a final answer. Democracy is a word so misused as to be almost devoid of meaning. Most elections these days, even the plebiscites of the dictators, are "free and unfettered." There is, however, one sure test. If the governments established under the Crimea Declaration and the communities they administer show healthy signs of dispute, differences of opinion, and genuine independence of political approach, it will be safe to say "Amen" to the present proposals.

Their effectiveness depends in its turn upon the precise meaning attached to the phrase "joint control" or "joint responsibility." If it is genuine, if the Three Powers are really to consult with each other, if Commissions of Control are really to be more than rubber-stamping machines for the policy of the dominant Power in each area, then a new phase will open in Europe far more hopeful and propitious than the last. But this again can be proved only by events.

In the sphere of post-war collaboration for peace and security the Crimea Conference goes rather further than Teheran. Since November, 1943, the Great Powers have conferred together at Dumbarton Oaks on the future organisation of peace. In the new Declaration they announce not only their support for the decisions reached so far but also a solution for the one outstanding problem—the question of voting procedure in the Security Council. The solution itself is not to be divulged until France and China have been consulted. They are to be associated with the Big Three as convenors of the Conference at San Francisco on April 25th. Thus on April 25th the Big Three will presumably become the Big Five.

The procedures proposed at Dumbarton Oaks, however complete and however fully agreed upon, will remain simply the machinery of international collaboration. The actual concerting of policy, particularly of Great Power policy, remains the central problem of world security. The Crimea announcement that in future the Foreign Secretaries of the three Great Powers will meet at regular intervals for consultations is a more significant announcement than the more general statement on the machinery of world peace. It only remains for the French Foreign Minister to be invited, and an effective "European Commission" will have been established at a sufficiently high level to ensure results.

On the most important topic of all, the settlement with Germany, the published agreement does not add very much to what is already known. The zones of occupation are mentioned but not defined. A Central Control Commission in Berlin will work under the Supreme Commanders of the Three Powers. France is to receive a zone and join the Control Commission. For the rest, nothing is said about the composition of a future German administration, while the actual list of terms to be imposed—after unconditional surrender—upon Germany is in parts so ambiguous that it is difficult to say whether the peace proposed is hard or soft or even whether the Allies have postponed or taken firm decisions.

The destruction of German militarism and of the German General Staff appears for the first time beside the annihilation of Nazism. The punishment of war criminals is reaffirmed. For the first time it is officially suggested that the Germans can eventually win "a decent life . . . and a place in the comity of nations." The ambiguities concern the economic and territorial settlement. The Declaration states that the Allies will

eliminate or control all German industry that could be used for military production.

Interpreted harshly, this could mean the total destruction of German heavy industry; leniently understood, it could mean a measure of Allied supervision—admittedly difficult—over a functioning German industrial system. The Declaration further establishes a Reparations Commission in Moscow and demands that

Germany be obliged to make compensation for the damage in kind to the greatest extent possible.

Everything turns here on the two phrases "in kind" and "the greatest extent possible." Does "in kind" include forced labour, and the dismantling of existing German factories, or alternatively, the export from Germany of reconstruction goods made by German workers at home? Does "the greatest extent possible" mean simply physical limits—the amount of industrial equipment and foodstuffs that can be taken and the transport available to carry them—or does it include some conception of a minimum standard of life for the Germans? And, since it cannot be a policy of indefinite duration, what time limit is envisaged? No verdict can be passed on the terms as they stand. The interpretation is all.

Territorial changes are only touched upon indirectly. There is no mention of the future status of the Ruhr and the Rhineland, and the compensation to be given to Poland for the loss of the lands East of the Curzon Line is defined merely as "substantial accessions of territory in the north and west." These territories are not further specified and the final decision is to await the peace conference. Thus it looks as though the final territorial settlement with Germany had been postponed. Like the economic clauses, the territorial arrangements may be severe or they may be lenient. The Crimea Declaration gives no firm indication of the Great Powers' plans, either because they wish to keep them secret or because they have not yet finally formulated them.

If a summary is attempted of so wide and comprehensive a declaration, it can perhaps best be given in the suggestion that, save in one matter, the Crimea Conference is a simple endorsement or logical development of the policy of Teheran. The exception is the assumption of joint responsibility for liberated Europe, which, properly interpreted and fully applied, opens a door to a far more genuine and fruitful collaboration than any achieved so far. The problem for the next months is whether the Powers, having opened this door, will be ready to walk through it to the new fields of collaboration beyond. Time and their policy will show this. The Crimea Declaration, like the Dumbarton Oaks plan, is primarily concerned with the machinery of international relations. The content of policy is still to be decided in London, Washington and Moscow. It is on these decisions of policy, by each Government in its own capital, that the weight of public opinion should now be brought to bear.

Industrial Relations

THE problem of industrial relations casts a shadow of doubt over every aspect of reconstruction. Without effective co-operation between management and workers the stupendous war effort of the British people would have been impossible; without relations at least as good the effort of industrial reconversion and recovery will be in jeopardy.

The basic principle of joint consultation is incontestable. That every worker should feel himself to be, in a fundamental sense, a partner in industry rather than the servant of an employer may be considered an additional element of social security. It is obviously important that the worker should be free, and feel free, to make complaints and to urge reforms without fear of dismissal or victimisation. The principle is identical with that of political representation—namely, that employees should have the right to be represented by members of their own choosing.

The practical worth of joint consultation is also undeniable. Management can often be greatly strengthened when it draws regularly upon the pooled knowledge and experience of the workers; and this fact is in itself a powerful stimulus to increased efficiency in every branch of production. Major R. A. C. Radcliffe, a member of the Welfare Department of the War Office, has shown that the collaborative spirit in the British Army owes much to the fact that men are not merely told what to do but why they are to do it.

It not only enables them to give intelligent co-operation, but also makes them feel that their leaders are treating them as intelligent and reliable human beings in whom full confidence can safely be placed.

These notions are not new; they formed the basis of the recommendations put forward by the famous Whitley Committee in 1917. These included the formation, in well-organised industries, of Joint Industrial Councils and the appointment of Works Committees representative of management and workers in industrial concerns. In four years 73 Joint Industrial Councils were set up. In June, 1944, JICs were working successfully and widely—in Government Service, Local Authority Service, Fishing, Mining, various branches of Engineering, Building, Textiles and in many other trades and industries.

The Whitley JICs had much wider terms of reference than their counterparts of today. They were urged to meet for the consideration of such matters as the better utilisation of the practical knowledge and experience of workpeople, the settlement of the general principles governing conditions of employment, the methods of fixing and adjusting earnings, technical education and research, processes, and industrial law. These recommendations were not accepted universally by federated employers. Even

another war has not convinced every employer of the need for joint consultation; and in some trades labour itself is still uneasy and suspicious.

The Works Committees or Works Councils were less successful. For this there were three reasons. First, the councils received little support from organised labour. The trade unions regarded them with scepticism, chiefly because the entire initiative in their constitution rested with the employer. Secondly, they were extremely limited in the scope of their activities. They dealt only with welfare (in its narrowest sense) and working conditions and excluded discussion of terms and conditions of employment, and any subject related to the industrial or economic policy of the firm. And, thirdly, the councils afforded no representation, as a rule, to office staff, draughtsmen and technicians.

*

The principle of joint industrial consultation has been greatly strengthened during the war, and the establishment of joint production committees in the engineering and other industries is one of the most important wartime developments. In 1942, engineering employers and unions agreed on a model Constitution for JPCs, which they recommended should be set up in all federated firms. This constitution is not, however, a rigid formula; it can be adapted to the conditions of individual factories. The terms of reference of JPCs " . . . to consult and advise on matters relating to production and increased efficiency . . . in order that maximum output may be obtained " are very wide—so wide, indeed, that they often lead to a difference of interpretation which may itself be a cause of friction.

A great deal depends on the calibre and the sense of responsibility of the workers' representatives who are elected annually—all the workers in the factory may vote, but only union members may serve on the committee. Some workers' representatives are regarded by their fellows in the workshop as "bosses' stooges" because they sit round a table with the management; others tend to use the committee as an opportunity for airing grievances. Then there are some managements which resent the intrusion of the workers into production matters, and tend to regard with suspicion any suggestions they may put forward. The success of JPCs, it cannot be too strongly emphasised, is in direct relation to the extent to which both sides are prepared to co-operate.

One weakness of the committees is the absence of representation of office staff, draughtsmen and technicians, and a constant source of friction is the rivalry between foremen and shop stewards, who are frequently elected to office.

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JPCs are due to terminate at the end of the war, and many employers clearly do not wish to regard either the committees or the agreements as permanent. On the other hand the Trades Union Congress, at Blackpool in 1944, passed a resolution in favour of the continuation of joint production committees in the postwar period. In spite of all the difficulties, JPCs have done valuable work. With all their imperfections they remain the most promising of all developments in the sphere of industrial relations and the core of achievement around which postwar improvements should grow.

★

The problems of industry as they relate to labour are so differentiated that plans for industrial consultation should proceed upwards from the ground floor and should develop from the practical experience of workers and managers at the factory level. If the state assumed the overriding function of drafting schemes of joint consultation in industrial management its powers would be used to impose either a rigid pattern that could be made to harmonize with local needs only with very great difficulty, or a pattern so generalised and amorphous that it would produce only negative results. The basis of good industrial relations rests on satisfactory co-operation in the industrial unit, the factory; but, quite obviously, this must be supplemented by joint consultation at the national level. Only by this dual approach can local experience and progress be pooled and made to contribute to the formulation of common standards.

Dualism in joint consultation leads to the important question whether compulsory powers should be vested in the higher joint consultative bodies. The late Dr Walpole, a man of considerable experience and authority in this subject, recommended most strongly that the "National Councils" should be advisory and not executive—on the incontestable grounds that executive authority should be reserved for individuals and bodies that can be held accountable by the community. His councils would not dictate, but indicate the lines on which joint consultation should proceed at all levels.

Critics of the principle of joint consultation argue that in peacetime there is a fundamental conflict of interests between employers and employees which precludes any genuinely harmonious co-operation. And the justification for this view is said to be that employers are concerned only with profit-making and employees with the preservation of the market value of their services. But these objectives are perfectly legitimate and reasonable, and pursued in a fair and efficient manner they are quite compatible. Profitability measures the success of industrial enterprise and determines the reward of owner and worker alike; and the market value of labour depends, in the long run, on its efficiency. It is only when this interrelation is unappreciated that the pursuit of profits or high wages becomes narrowly partisan and restrictive.

It is certainly true that fear of unemployment has a marked disciplinary effect upon labour; and it is reasonable, therefore, to suppose that under conditions of full employment envisaged after the war industrial indiscipline will become more prominent. Yet it would be a dreadful confession of weakness, or of blunted sensibility, to suggest that discipline must come before employment. As Sir William Beveridge has written:

A civilised community must find alternatives to starvation for preservation of industrial discipline and efficiency. But a free community cannot look for those alternatives by increasing the list of forbidden actions and making new crimes.

The problems of industrial relations likely to develop under conditions of full employment make the widespread adoption and improvement of joint consultation vitally necessary.

In so difficult a field and with so little practical experience for a guide any scheme for the reconstruction of joint consultation must be tentative and elastic. Among recent proposals those put forward by an independent industrial group—"men and women who have made a special study of joint consultation"—are particularly

interesting. The group confines its attention to the local level, since "acceptance of the principles of employee representation throughout industry and commerce on a voluntary basis would determine higher levels of organised representation." It recommends that:

1. All employees in an undertaking should have the right of elected representation under secret ballot, with the exception of executive or management staff.
2. Only members of a trade union should represent employees, but all employees should participate in the election of representatives.
3. The dignity, privileges and safeguards of democratic assembly in political government should apply to all Joint Consultative Councils.
4. Any subject affecting, directly or indirectly, the interests of all engaged in the undertaking may be discussed by the JCCs, since every activity in the organisation is concerned with production.
5. Any information requested by the management or employee representatives or both should be provided by the board of directors.
6. Management and employees should be represented on all JCCs and sub-committees on a basis of equality—that is, in equal numbers.
7. In addition to the main JCC there should be sub-committees appointed by the main body to deal with specific subjects such as production, welfare and safety, or to guarantee adequate representation to all employees in all departments; and such representation in large undertakings should be granted by departmental councils with one managerial or supervisory representative and one employee representative for every fifty employees.
8. Any representation at higher levels—district, regional or national—should be by members of the JCCs representing both management and employees. Employers' federations and trade unions should also be represented at these levels.
9. Managerial and employee representatives, in equal numbers, acting in an advisory and consultative capacity, should meet periodically with the board of directors to discuss any matter of mutual interest.
10. In addition to the chairman of the main JCC appointed by the board of directors there should be a vice-chairman appointed by the employee representatives, and joint secretaries representing management and employees.

These proposals, radical though they seem when compared with the present state of industrial government, represent what will probably be the minimum demands of labour in many industries after the war. National acceptance of them, the group says, "would hasten political evolution which is based on an understanding of the forces at work in maintaining natural economic solvency and high standards of living."

This analogy with "political evolution" suggests the easiest line of attack upon the proposals. Political evolution in recent times has concentrated power increasingly into the hands of the central authority, for the growing complexity of social and economic life makes strong and unified control essential. The recent history of industry offers a close parallel—it, too, has grown and become more complex. The strong and efficient direction which every industrial unit needs might be impossible to attain if control were vested in too many hands, or if it had to listen to too much advice.

It would be foolish to overlook the limitations of joint consultation. It can be of immense value in almost every sphere of industrial activity, but it cannot, under private enterprise or any other efficient system of organisation, replace the central direction of policy. Industry, like government, needs its "inner cabinets" of key-men. But the direction of British industry before the war was all too often lamentably unprogressive and smug. Advice, whether it came from the scientist, the designer or the worker, was too often waved aside as interference. But this war has shown what wonders can be accomplished by efficient co-operation; and the industrialist, if he is wise, will endeavour to retain and enlarge every one of his new contacts.

Middle Eastern Dilemma

THE difficulties which have arisen over the position of France in the Levant are not new. Ever since the French took over the Mandate for Syria and Lebanon in 1920, these countries have been in more or less constant revolt against their authority. The French recognised this fact when in 1936 they negotiated a treaty which was to substitute independence and alliance with France for the former mandatory position. The French Chamber, however, refused to ratify the Treaty and the war began with Syria and Lebanon still under full French control.

In 1940, after a week's vacillation, the French Commander in the Levant opted for Vichy. In 1941, during the Raschid Ali revolt in Iraq, the French High Commissioner, General Dentz, allowed the Germans to use Syrian airfields. A British and Free French force entered Syria and after severe fighting established Free French control. General Catroux, on September 26, 1944, proclaimed the independence of Syria; he guaranteed the Syrians' right to assume the attributes of sovereignty in domestic affairs, to appoint and receive diplomatic representatives and to control their own armed forces. Similar declarations were made in the Lebanon. In both cases, however, the French connected

the achievement of independence with the signing of a treaty with France—"your independence and sovereignty will be guaranteed by a treaty in which our mutual relations will be defined."

Since that time the French have adopted with increasing firmness the attitude that in 1941 they made the grant of independence conditional upon the signing of a treaty of alliance which would guarantee a special position to France. Both the Syrians and the Lebanese deny this interpretation. They argue that the grant of independence was unconditional and that they are free to accept or to refuse an alliance with France.

This clash of opinion has already led to one crisis, in November 1943, when the French arrested the newly elected Lebanese Government for passing domestic legislation to which the French objected. This particular crisis was surmounted, but no compromise has yet been found to reconcile the two divergent views of the status of the two republics. The Syrians are demanding to be given the promised control over their armed forces and insisting that the French forces shall be withdrawn. The French reply that no change of this kind can be made unless the Syrians and Lebanese sign the treaty of alliance. Meanwhile, both General de Gaulle and the French Foreign Minister have declared France's determination to carry the responsibility for keeping order in Syria and Lebanon and of maintaining sufficient forces to do so. Demonstrations have occurred in Damascus; the Syrians and Lebanese publicly denounce the French attitude; and the present deadlock seems likely from day to day to degenerate into violence.

The conflict is not only the concern of the French and the Arabs. The British also are involved, partly because they, like France, have special interests in the Middle East, but mainly because their guarantee of Syrian and Lebanese independence, given in 1941, has encouraged the Syrians and Lebanese to look to them as protectors. It is true that in an exchange of letters with General de Gaulle in 1941 Mr Oliver Lyttelton, then Minister of State in Cairo, declared that

We have no desire to encroach in any way upon the position of France. Both Free France and Great Britain are pledged to the independence of Syria and the Lebanon. When this essential step has been taken and without prejudice to it, we freely admit that France should have the predominant position in Syria and Lebanon over any other European power.

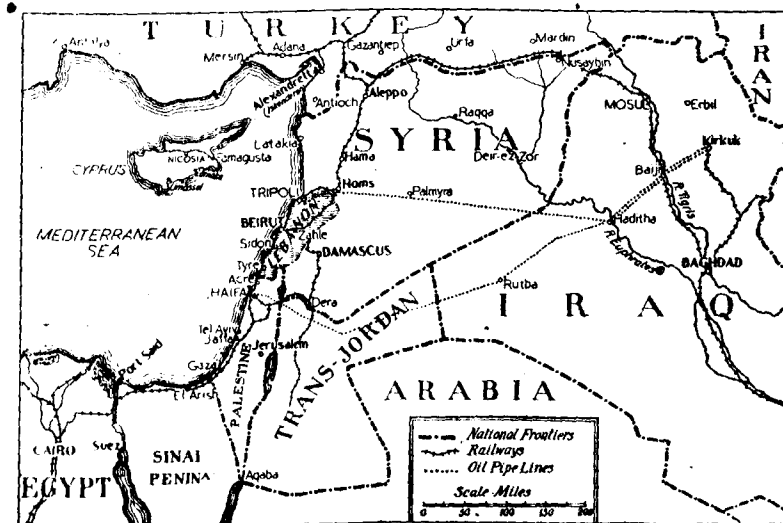
The fact remains that, in this present crisis, the Arab world looks to the British to support Syrian and Lebanese independence, while the French would regard any such intervention as a British imperialist plot to oust them from the Levant, usurp their "predominant position" and, with accustomed hypocrisy, to denounce a French policy in Syria and Lebanon which is no less restrictive of those countries' independence than British policy

in Iraq or Egypt, and considerably closer to granting full self-government than British policy next door in Palestine.

Added colour and bitterness have undoubtedly been given to this view by the behaviour of some British representatives in the Levant, who appear to have gone out of their way to exasperate French opinion and in doing so, have raised unduly high Arab hopes of British intervention. Intervention

is indeed the policy which these men tacitly advocate. They see Great Britain as the champion of the Arab cause, expelling the "unwanted French" and setting up an Arab Union in grateful treaty relations with Great Britain.

This view is quite extraordinarily naive. It neglects an aspect of British foreign policy which is even more important than friendship with the Arabs. Friendship with France is an indispensable condition of effective British diplomacy, and General de Gaulle has made it very clear that an open clash over Syria would prejudice general relations between France and Britain. It also gives a totally false picture of the real British position in the Middle East. For the moment, in contrast to French policy, British policy has some Arab backing, but it is only ten years ago that the Arabs in Palestine were fighting the British and the problem over which they fought—the future of Jewish immigration—is still unsettled. Nor



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can it be said with certainty whether the treaties which give Britain a "predominant position" in Egypt and Iraq will not become in the course of a few years as great an obstacle to Anglo-Arab friendship as is the treaty proposed by the French to-day. Fundamentally Britain and France face the same problem—how to reconcile the Arab world to their continued presence in the Levant.

To state this fact is not to condone the blunders of French diplomacy in this crisis nor to underestimate its disastrous effect on Arab confidence. But it is a plea that the British should abandon any thought of complacent superiority in their attitude to France. On balance, they have perhaps managed their relations with the Levant more skilfully, but the problem of Palestine is a reminder of how narrow and precarious that balance may be. Is the conclusion, then, that the British Government, desirous of French friendship and conscious of the ambiguities in its own policy, should disinterest itself in Syria and Lebanon and fully recognise France's pre-eminent position? It can be argued that such a policy would conciliate the French and that, if the possibility of British backing were withdrawn, the Syrians and the Lebanese would sign the proposed treaty with France and accept a status similar to that of Iraq. On the other hand, such a policy would disappoint the Syrians and the Lebanese, estrange the Arab world and leave the Near East in a state of turmoil and disunity. Ought the British therefore to oppose the French and lend full moral support to the Syrians and the Lebanese?

It is difficult to decide which of these two alternatives would do more damage to fundamental British interests. The dilemma is so unattractive that one might well imagine the British Government moving heaven and earth to find a third possibility. There is little sign of it. Since Mr Eden's statement in support of Arab Union in 1941, no inkling of British policy has come from high quarters. There is no evidence that the Foreign Office is hard at work to establish the common interest of Britain and France in the Levant and to formulate a policy which might embrace them. There is no sign of a new approach to France, designed to discuss frankly the problems of the Middle East as a whole and to establish as a point

of departure the basic fact that neither Power can fruitfully stay in the Middle East in the face of a hostile Arab world; that both Powers have to find a method of proving to the Arabs that the presence of their troops and their economic activity is in the interests of the whole area.

Such a policy is not impossible. Its first step would be to put the weight of British and French diplomacy behind Arab Union—the association or federation of Iraq, Syria, Lebanon, Palestine, Transjordan, Egypt, Saudi Arabia and the Yemen. The next would be to negotiate with the whole Union a treaty of alliance with the British and French Empires. The third would be, within the framework of this alliance, to negotiate agreements on particular interests—for instance, the establishment of joint military, naval and air bases or the setting up of a Middle Eastern Economic Council to carry on the work started by the Middle East Supply Centre and to canalise British and French and if possible American capital into enterprises which foster economic unity and rising living standards throughout the Arab Union. Such a policy would have a chance of reconciling the Arabs to the continued presence of the British and the French in the Levant and to the free acceptance of such transitional arrangements as are necessary. At the same time, it would represent not a retreat on the part of France—or Britain—but an advance to a new and tenable position in keeping with the developments and demands of security and co-operation in the Arab world.

There may be a temptation in this country to dismiss this wider approach on the grounds that the French would not consent to such a policy. The truth is rather that the British have shown no signs of initiating it. As in so many other spheres of diplomacy, the attitude of the British seems to be to drift along, deflected now this way, now that, by the energy of one official or the apathy of another. The total effect is a rather unsteady maintenance of the *status quo*. But it is precisely the *status quo* which from the point of view of either French or Arab friendship is untenable. It is thus an overwhelming British interest to reshape British policy, to widen the whole approach to the Middle East and propose a framework within which French prestige, Arab independence and British strategic interests can be alike preserved.

NOTES OF THE WEEK

Peace in Greece

On Monday last the Greek Government and EAM signed an agreement which brought the civil war in Greece to a definite conclusion. As often happens after wars between nations (but rarely after civil wars) the peace terms appear to be more moderate and sensible than were the armistice terms. The Athens agreement provides for the preservation of democratic liberties, the cessation of martial law, the release of hostages, and an amnesty for EAM. A national army is to be raised, there is to be a purge of collaborators and Metaxists from the Administration, and finally provision is made for free elections and a plebiscite on the future of the monarchy.

The British Government and their representatives in Greece have obviously made a decisive effort to prevent the conflict from degenerating into a war *à outrance* and to achieve a compromise. For this they deserve praise and gratitude. But this is not to say that the critics at home have been wholly wrong, since their pressure has certainly played an important rôle in modifying British policy in Greece and directing it towards a peaceful outcome.

It may be too much to hope that all will now be calm in Greece, and that the rôle of the British as impartial arbiters on the spot has come to an end. The aftermath of civil war is bitter; tempers still run high; the memories of mutual atrocities are vivid, and the temptation to wreak vengeance on the defeated and therefore the weaker side can still linger on for some time. The British arbiter on the spot and his critics at home must still watch vigilantly to see that the new peace in Greece is fairly carried out.

Polish Dilemma

The first Polish reactions to the Crimea decisions have not been uniform. M. Arciszewski's Government has adopted a rigidly legalistic attitude, and has refused to recognise the Big Three's statement on Poland. The opposition grouped around M. Mikolajczyk has not yet stated its views; but it is very likely that it will try to negotiate on the composition of the new Provisional Government in Poland. But to the Government as well as to the opposition the apparent award of Lvov to Russia has come as a shock.

M. Arciszewski's Government has raised three major objections to the Yalta agreement. It recalls its exclusive legal and constitutional title, though in the Polish Government, as in most exiled Governments, the thread of constitutional continuity has been severed more than once. More decisive than formal legality is the fact that, with the departure of the Peasant Party and of sections of the Socialist and Christian Democratic Parties, the Government has lost most of its representative character. The second objection raised by M. Arciszewski is that the Poles have been given no say in the decisions made concerning the future of their country. This is, unfortunately, true. But the "irreconcilables" who have formed the present Polish Administration in exile are at least partly to be blamed for this; they overthrew M. Mikolajczyk's Government precisely at a moment when it had reached a decisive point in its negotiations with Moscow, and their own negative attitude then made further negotiations impossible.

Finally, the assertion, made by M. Arciszewski, that no free expression of the popular will can be secured by a

Government created in Poland while the country remains under the sole occupation of the Soviet forces is rather begging the question. This assertion implies the demand either that British and American forces should be sent to Poland or that the Russian troops should immediately withdraw. If these implications are made explicit, it is impossible not to see the impasse to which they lead. For this reason, the objections will carry little weight.

It is likely, therefore, that the groups of M. Mikolajczyk, M. Grabski and the opposition Socialists will be the only ones to respond positively to the Crimea decisions. It is, however, on the political parties in Poland that the real emphasis should now be laid. At least two important questions arise in this connection. Will the "reconstruction" of the Administration in Poland be such as to leave them free scope? Only if this question receives a positive answer in practice will there be any hope for a real broadening of the Administration. And from whom is the new Provisional Government to derive its authority? From the Lublin "President," M. Bierut? It would clearly be suicidal for the Polish democratic parties to agree to this. Even if M. Bierut were to accept them now on the most generous terms, he would still be free to dismiss them later on and eventually to establish a single party system.

If the Crimea agreement has any practical meaning at all, it should entail a broadening of the Administration from top to bottom. A collective temporary Presidency—something like a Council of Regency—could be established which would guarantee the new Provisional Government against a coup from any single party. It is on this point that all Polish negotiations will now presumably turn. The Polish demand for such guarantees ought to have the fullest possible support of the Allied Commission in Moscow.

Land Bill Explained—

Tuesday's debate on the Requisitioned Land and War Works Bill brought out its highly complicated and technical character. Sir John Anderson had first to explain how the Bill would work in practice, and members rightly felt that time and anxiety would have been saved if a White Paper or ministerial statement had accompanied the Bill's presentation. Sir John said that the war works in question had cost some £700 million, that most of this expenditure was irrecoverable, and that the greater part of the requisitioned land would be returned to its owners; but that the Government was entitled to the use or disposal of valuable assets, such as factories and hostels, which it had itself built.

This clear and incontestable case does not alter the fact that the Government is asking for a blank cheque in its acquisition and use of requisitioned land and the Government in this context means the various Ministries and Service departments which have requisitioned land. The Board of Trade, for instance, can dispose of requisitioned factories without appeal being possible to the proposed Commission. It is this fact which invalidates Sir John Anderson's plea that inter-departmental machinery is unnecessary and is inconsistent with joint ministerial responsibility. His one major concession was that not only landowners but interested bodies, such as the Commons Preservation Society and local authorities, should have the right of appeal to the Commission. This helps to secure that land should not be unnecessarily acquired, but it does not secure that requisitioned land is put to its best advantage.

—But Not Justified

Sir John Anderson emphasised that the appeal Commission, although appointed by the Treasury, would be independent of it, that it would possess considerable powers *vis-à-vis* the Government, and that it would take into account the whole complex of amenity and planning interests, which he was prepared to see more specifically stated in the Bill. But to strengthen the Commission will not make it more representative; and wider drafting will not compensate for inadequate machinery.

Machinery must be devised to correlate the intentions of the various departments which have requisitioned land with the needs of national and local land planning. An example of what may happen otherwise is the recent pro-

posal of the Admiralty to sell a training camp for use as a holiday camp, in defiance of the local planning scheme. The Commission, whose main rôle is to adjudicate between owners and the Treasury, is ill-suited to harmonise this chorus of national and local interests. Its powers are limited, and final decision in many cases is, doubtless rightly, reserved to the ministerial level. Sir John Anderson suggested that Parliament should be able to intervene at this level. But the real need is administrative. Final decisions that are taken solely by the individual departments responsible for requisitions will produce unfortunate results.

The House did not divide against the second reading. But members were far from convinced that the machinery of the Bill would work in the national interest. There will clearly be heavy pressure at the committee stage for substantial amendments to be accepted.

World Labour Meets

It is, perhaps, more than an accident that the World Trade Union Conference should have coincided with the meeting of the Big Three, and that the views of the British, American and Russian labour leaders on the treatment of Germany after the war should have echoed so faithfully the policy of Mr Churchill, Mr Roosevelt and Marshal Stalin. Close comparison between the Yalta declaration and the trade union leaders' speeches shows that on all important points of principle, Governments and Labour are at one, though for the British TUC, Sir Walter Citrine stressed the point that German labour should not be employed on reparations under slave conditions, which would undermine the standards of trade unions everywhere.

Does this mean that trade union movements, at any rate in the "big three" nations, have become merely the ventriloquist's dummies of their Governments, the rubber stamps of official policy? The outsider might be forgiven for placing this interpretation on the proceedings at County Hall. The announcement of Labour's peace aims, three days before



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remand homes. They may be delinquents, they may be prostitutes or they may merely be suffering from parental neglect. The juvenile court magistrates urged strongly, in evidence before the committee, that there should be more segregation, in particular, of girls with sexual experience. This, however, the committee was unable to accept—largely for practical reasons, but also because it is against the spirit of the 1933 Act, which aimed at treating the young, offenders and non-offenders alike, according to their needs rather than their deeds. Segregation may well be bad for the offenders and delinquents, who are thereby encouraged to consider themselves a class apart. This is the argument that underlay the Act and influenced the present Report. But is it not still more important that the non-offender, the child who is merely neglected, should not be perverted? The committee makes some sound recommendations for segregation in certain cases, and suggests that children under eight should be sent to a different institution, preferably a nursery home. But the question of the working and administration of the 1933 Act is one that might well be given careful consideration by the Advisory Council on the Treatment of Offenders.

The Colonial Debate

The second reading of the new Colonial Development and Welfare Bill, which was debated in the House of Commons on Wednesday of last week, aroused very little criticism. Taken by itself, the measure is, in fact, unexceptionable. The only two possible criticisms are those anticipated by the Colonial Secretary—that the money to be voted is not now enough or that in the future, in leaner times for Britain, it will be too much. Since it is difficult to envisage a time when the British taxpayer will be more hardly pressed than he is at present, it is only the first criticism that is relevant. Colonel Stanley did not pretend that £120 million is enough for what he called

the sole and permanent support of all the social requirements of the whole of the Colonial Empire. . . . In the long run [he went on] the social standards of a country must depend upon its own resources, must depend upon the skill and energy of its own people, and the wise and full use which they make of their internal wealth.

Here, again, the principle is unexceptionable. But it does not solve the problem of how means can be found to develop and enrich the colonies so that adequate social standards can be maintained. It is doubtful whether the new Colonial Development and Welfare Fund, even if used to the full, can do this. The colonies will need to draw on other sources for assistance. The private investor from outside would be welcomed, provided that a reasonable dividend and reasonable security would content him and if he came into the territory "as a partner and not as a master."

The Colonial Secretary also discussed the possibility of private investment inside the colonies. The difficulty here is that the resources of the colonial capitalist are likely to exceed his capabilities for wise investment and management. To solve this problem Colonel Stanley mentioned the possibility of colonial development companies, with capital and managerial experience provided by the colonial governments, which would enter into partnership with the outside investor and gradually pass over their own functions to the private investor inside the colony. This is a novel suggestion which needs careful consideration. In the meantime, the best way of enabling the colonial peoples to take an active part in their own development is by furthering their education—in all its aspects. If the new Fund concentrated on this alone, it would almost certainly reap a larger dividend than if it scatters its resources on a large number of smaller projects.

University Grants

The increased aid to British Universities, announced by Sir John Anderson in the House of Commons on Tuesday, will be a relatively small burden on the Budget but a most fruitful investment for the community. That some major increase in Government assistance would be vitally necessary for post-war development has long been obvious. The intake of students, alone, may increase to double pre-war numbers in the first five years after the European victory. Men and women now in national service will return in thousands to take up or complete their higher

education. By 1920, 13,000 Service students had entered British universities; this time, the number is likely to be at least twice that figure. In five years' time, the results of the Butler Act should also be making a more permanent addition to the pressure of new students.

This pressure of applicants, together with the rise in prices, will greatly increase the running costs of the Universities. In addition to this, they have to face a three-fold need for capital expenditure—to cope with the increased enrolment; to overtake what will be perhaps eight years' arrears of normal building and re-equipping; and to shoulder the new responsibilities in the technical field which, by common consent, will have to be undertaken after the war.

The only source from which money can be obtained in the necessary amounts is the Exchequer, and the Chancellor's announcement shows that the Government is disposed to respond generously. In each of the next two financial years, the present annual Vote to the University Grants Committee of £2,149,000 is to be increased by £2,000,000 for general purposes, by £1,000,000 for developments in the medical schools, by £500,000 for the teaching hospitals and by a token grant for capital purposes of £250,000, making a total of £5,900,000. Moreover, the Chancellor made it clear that this is only a beginning and that the grants would be further reviewed in two years' time. In particular, the Government accepted the estimate that the capital needs of the Universities would amount to about £18,750,000 for general purposes and £10 million for the medical schools, both sums calculated at pre-war prices. When building once more becomes possible, the capital grant will have to be greatly increased.

It is very satisfactory that so large an increase should be made in such good time, and without any strings attached to it in the shape of stricter control over the Universities than is now exercised by the UGC. One word of warning may not, however, be out of place. The mood of the times is to lay particular stress on the development of the technological side of university education. Not only public funds flow freely for these purposes, but private funds also, as witness the munificent gifts that Lord Nuffield has made to Oxford for medical purposes and the equally praiseworthy gift of £435,000 that the Shell group is making to Cambridge for a school of chemical engineering (very badly needed in this country). All this is very right and proper and long overdue. But a university, it should not be forgotten, is a university, and the less obviously "useful" faculties deserve their share, since they contribute quite as much as the natural sciences to the output of balanced and well-stocked minds, which, in the last analysis, is the most useful service of all.

De Gaulle and Descartes

It is not an easy thing to define what is and what is not constitutional in France to-day. The Consultative Assembly invalidated the Constitution of 1875 when the Assembly was still at Algiers. Is this invalidation still valid? Since the Consultative Assembly had, as its name implies, no legislative power, was it entitled to adopt so sweeping a legislative decision? On the other hand, no return to the Constitution of 1875 is practically possible, since this would mean the revival of the Chamber and Senate of 1940 which abdicated in favour of Pétain. Last week a hundred of these former members assembled in Paris and asked the Provisional Government to allow them to stand as candidates in the next elections. The 100 deputies had all voted for Pétain. Some of them now argue that as no legal prosecution has been opened against them, they still are, according to the 1875 Constitution, members of a non-existent Parliament.

The truth is that France is in a sort of extra-constitutional interregnum in which references to 1875 are meaningless. When the Right argues that no sweeping social changes—such as the nationalisation of industry—can be taken now because the Government has no constitutional authority, the Left reply that the constitutional issue is completely bogus. It could be used to paralyse the Government and prevent it from taking any action; yet it exists and acts. If it can mobilise a class for the army, it can surely mobilise property for the national effort.

In the controversy both sides have produced excellent logical and legal arguments to support their case—argu-

ments which show that the tradition of Descartes is not yet dead in France. Even so, the dispute is somewhat unreal; and General de Gaulle does not seem to be inclined to resolve it in a spirit of abstract logical consistency. His Government represents a practical mixture of the constitutional and the extra-constitutional. It is certainly unorthodox enough to refuse the constitutional claims of such fragments of Vichy or of 1875 as may still survive; but its orthodoxy is strong enough to induce it to postpone radical social reforms until the election of a new Constituent Assembly.

Argentina Changes Step

The Argentine Government has accepted an invitation by the Pan-American Union to all its members to participate in an economic and technical conference at Washington on June 15th. The agenda covers improved living conditions based on maximum production and employment, the effective distribution of commodities and equality of opportunity in access to markets and raw materials,

as contemplated by such instruments as the Atlantic Charter, and the conclusions of the conference on food and agriculture at Hot Springs.

Discussion promises to embrace much that will already have been covered at the Mexico City Conference opening next Wednesday. It will proceed at an almost equally high level, since the Pan-American Union has expressed the hope that Governments will be represented by those of their Ministers who are charged with the formulation of economic policy.

Argentina was not represented at Hot Springs; it will not be present to defend its isolation at Mexico City; and it announced last month that, until its request for a meeting of Foreign Ministers to consider its position was granted, it would not participate in further conferences of the Pan-American Union. In the shifting sands of its inter-American relations, its latest move—to accept the invitation to Washington—is a step that narrows the political breach between Argentina and the rest of the Americas. The deliberations at Mexico City, where its non-cooperation in the widest field of American endeavour is to be discussed, may well be reflected at the later conference, where Argentina is presumably disposed to discuss economic co-operation.

No Sense of Humour

War nerves are no respecters of persons; their latest victims, apparently, are the variety artists, whose Federation has pledged itself to avoid representation on any "bill" containing the names of enemy aliens for at least ten years after the war. This show of rugged but humourless patriotism reflects little credit on the Federation, which is attempting to usurp the public's right to decide who shall try to make it laugh or cry.

Quite apart from the futility of attempting any precise definition of the term "ex-enemy alien"—which alone could make the ban workable—this heavy-handed victimisation sets a deplorable example. The ban on German humorists will not prove very serious once the star performers of the Reich Propaganda Bureau have been compulsorily retired; and one may suppose that the public has seen and heard quite enough of Japanese juggling and trickery for many years. But it does seem somewhat ungenerous to draw the line at those who have provided the variety world with its stock-in-trade of gags for five years. Ten years is a long time—even in the life of a music hall joke.

Shorter Notes

The Family Allowances Bill follows closely the provisions set out in the Government's White Paper on Social Security. For each child after the first a weekly allowance of 5s. will be paid. The Bill does not answer the question whether this meagre grant will be further reduced by its inclusion in assessments for income-tax. Even if it is tax free, the grant is inadequate, and neither Parliament nor the public ought to accept this as the last word on children's allowances.

The impending introduction of a bill to nationalise Australia's inter-state air lines is causing considerable controversy, and it is clear that the air line operators are

prepared to make every possible effort to defeat the Government's object. The Acting Prime Minister, Mr. Forde, has been challenged to make public the findings of an inter-departmental report on civil aviation. Mr. A. B. Corbett, the former Director-General of Civil Aviation, and chairman of the committee, has declared that nationalisation would bring disaster; and it is understood that the Committee's report favoured instead the creation of a public utility company similar to BOAC.

The following table gives the number of civilian casualties in air-raids since September, 1939:

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,980	3,474
Sept.-Dec., 1940.....	22,282	28,522	50,804
Total, 1941.....	20,863	21,839	42,702
Total, 1942.....	3,221	4,149	7,370
Total, 1943.....	2,357	3,462	5,819
Jan.-May, 1944.....	1,561	2,916	4,473
June-Aug., 1944.....	5,479	15,934	21,417
Sept.-Dec., 1944.....	1,425	3,134	4,559
January, 1945.....	585	1,629	2,214
Totals to date.....	59,308	83,581	142,889

Those killed in air-raids during January included 198 men, 293 women and 94 children under 16. The figures for the three periods of 1944 included in the table may still be subject to some revision.

The Sunday cinema ban for children imposed by the Surrey County Council (and criticised in last week's *Economist*) is not to go unchallenged. The Cinematograph Exhibitors' Association have decided to institute proceedings on the ground that it is an unreasonable condition to impose upon the licence.

The Committee stage of the Road Transport Lighting (Cycles) Bill has been temporarily held up. A motion to report progress until the Law Reform (Contributory Negligence) Bill, at present before the Lords, should have established the undiminished responsibility of the motorist to avoid cyclists, lit or unlit, was accepted by the Attorney-General. The legalities of motorist-cyclist collisions are necessarily involved, and will continue to carry the possibility of injustice so long as cyclists are not provided with special tracks and encouraged to use them.

In selecting a new principal, Somerville College, Oxford, has decided firmly that it prefers a woman of affairs to a pure scholar. The controversy is an old one—much older than women's colleges—and on the appointment of Dr. Janet Vaughan, Somerville is evidently prepared to risk the standard protest that men and women of affairs have too many outside interests to make a full-time job of their headship. Dr. Vaughan's interests are certainly varied, and she will bring a rich experience to her new work. She has managed to combine marriage with medical research and is a member of several medical committees, the Nuffield Foundation and the Royal Commission on Equal Pay.

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Letters to the Editor

The Coal Industry

SIR,—The anxiously awaited report by Mr Robert Foot contains some valuable matter; unfortunately, it offers no practical solution of the ills which have so long pursued the coal industry. It is all to the good that he should have so clearly stated that the coal now belongs to the nation, a fact which perhaps the public insufficiently realises and one which it is hoped will sink into the minds of the directors of colliery companies.

The amazing part of the report is that Mr Foot rests content to expect reformation of the industry by cajoling owners in possession and relying on admonition. No hand is held out to labour so as to secure the essential co-operation of the trade unions. The omission is all the more remarkable seeing that it must be anticipated that the Government will have to find funds for the reorganisation of much of the industry. It is incredible that public money should be used for this purpose without the full co-operation of the trade unions in respect of any supervision which may be required.

Mr Foot very rightly stresses the paramount need for making the industry more completely efficient. Some progressive owners have been much hampered in the past by the fixing of quotas which in times of low consumption have spread the total demand over the inefficient and efficient alike, thus preventing efficient producers from obtaining that full degree of production essential to the procuring of low costs, which affords opportunities for reduction of prices to the consumer and makes light the charge for high wages. Further, if efficient producers are thus cramped, though they can struggle to improve their equipment, there is but little encouragement for expansion, which always offers further opportunities for reducing cost of production.

Other industries, through rationalised efficiency, have been brought out of distress. Where there are such wide differences of efficiency, as in the coal industry, the first step is to give the maximum of freedom to efficient producers whether large or small. However, it is probable that post-war, for a period, every ton of coal that can be raised will be required to meet the swollen demands for the home and export trades. The problem to be faced is how can a policy be devised which both secures this result and gives freedom to efficient producers to progress. The time for platitudes is past. The Minister of Fuel has long since exhausted the possibilities of persuasion and admonition. Practical measures have to be taken.

May I submit that the solution lies in the differential treatment of groups of the industry based on their relative efficiency—broadly speaking, the segregation of the efficient from the inefficient.

The first requirement is for a factual examination of the costs and economic conditions of the collieries so that they

can be thus classified. I would suggest that the Minister of Fuel should appoint a Council for this purpose, as small as practicable, but consisting of members equally representing the coal owners and the trade unions. Information as to costs and economic factors should be made available to them so that they could segregate the industry into three classes, namely, those with the maximum efficiency being placed in the first class; those with a fair, but lesser, degree of efficiency in the second class; and those with a minimum degree of efficiency in the third class. With all the facts before them, it should be possible to draw datum lines above or below which the respective colliery undertakings could be placed.

Every encouragement should be given to the first class to expand, and most of these could probably finance their own requirements for this purpose. Expansion and modernisation of equipment in the second class would be justified to the extent that the Council anticipated a period of adequate demand to justify the expenditure. In the third class would be placed those who under competitive conditions would fall by the way, whose production should be absorbed by the more efficient producers so as to help maintain their output and keep down their costs and selling prices.

An essential requirement would be that selling prices should be based on the performance of the efficient producers in the first class, so as to reduce the price to the consumer both in the home and export markets. The result of this policy would be that the trading accounts of those in the second class might show little or no profit, and that the inefficient in the third class would definitely make a loss. How is this situation to be met? It is suggested that any losses thus incurred should be made good by the Government during the period that the demand required the raising of coal from inefficient pits so that it could be satisfied. The Council referred to should appoint engineer supervisors to check the management of all collieries which it is anticipated will make no profit or a loss. Authority could be given to efficient producers to associate for the purpose of fixing prices provided an independent prices survey committee of a representative character, including trade union and consumers' representatives, was appointed to check the same. Thus could efficient producers be left free to progress, to the advantage of all concerned, and the inefficient nursed over a period during which the total demand required that their collieries should be worked to secure an adequate supply.

These suggestions are not submitted as a solution of the difficulties of the industry, but as an indication of where to make a start. State ownership is not advocated. It sounds simple and omnipotent, but affords the minimum prospects for the securing of efficiency, and will tend to increase discord rather than provide harmony in the industry. Under these proposals trade unions would be entitled to adequate representation on the council and any committees appointed.

Provision is made to cover an anticipated period of demand in excess of efficient productive capacity. This would provide an opportunity for working out the organisation required to meet the needs of the period when failing demand will sooner or later come about, requiring the gradual closing of uneconomic collieries and the transfer of their labour to more prosperous districts. Thus could the State harness the benefits of proven efficient production and provide for inefficient production so long as its tonnage is a national necessity.—Yours faithfully,

Sandy, Bedfordshire

P. MALCOLM STEWART

Selection of Pupils

SIR,—Your article of January 20th underlines the grave weakness of selecting for secondary education in all its varieties children of 11 or 13 by competitive test, but ends by assuming that this must continue for all children for some decades.

Your contributor does not, however, comment on the

corollary of this assumption, which seems to me of not less importance. In short, it is that the new Education Act deprives the poor man of the right to pay for the education of his child, and may in practice deprive him of an effective say in the form of state schooling to which the child will be subjected.

This issue of the poor man and his right to assist if he is willing in the education of his child has, I think, been confused by talk of the privilege of parents who can afford to pay fees at the expense of those who cannot. The real issue is, I believe, both wider and deeper.

It is right to give the bright children all possible opportunity. I do, however, question whether it is in the true interests of education, rightly conceived, to declare that as between two less developed children, say, one from a drunkard's home and the other the child of a conscientious workmate anxious to help his child, the first shall go to school A and the second to school B because the first scrapes through a test which trips the other. By steeply scaling fees to income for a proportion of school places in each type of school, it should be possible, without establishing any position of privilege for the better-off parents, to leave some right of selection to parents who do not agree with the Authority's decisions.

So thinking, I decided to test my opinion by reference to such facts as I had available.

I left an old-established North Country grammar school—not in this county—at the outbreak of the last war. Perhaps a third of the 180 boys had scholarships. The remainder paid, I believe, £15 a year. Apart from 10 per cent at one end and 15 per cent at the other—who were not all scholarship holders—the boys came from very similar homes. In many cases a scholarship holder and a fee-payer came from the same home. I think at least 60 per cent of the boys had at some time attended elementary schools. Their fathers were tradesmen, farmers, the smaller professional men, foremen, etc. After excluding those who entered a family business or passed on to other schools, two classes which might be presumed to be specially favoured in after life, I find I can remember 98 boys who survived the war, and of whom I know something more than is disclosed by the school register. Forty held scholarships and 58 did not. They are now between 45 and 55 years old, and this is what they had become prior to 1939:

	Scholarship Boys	Non-Scholarship Boys		Scholarship Boys	Non-Scholarship Boys
Senior Service Appointments	1	11	Graduate and Elementary Teachers	13	7
Doctors and Dentists	2	10	Clerkships, Banks, Civil Service, Insurance, etc.	12	5
University and Research	1	3	Farming	—	3
Musicians	1	1	Retailing, Wholesaling and Miscellaneous	4	6
Accountants and Solicitors	6	5			
Engineers, Civil and Mechanical	—	5			
H.M. Inspector of Schools	—	2		40	58

Of these 98 boys, 30 graduated, 10 scholarship and 20 non-scholarship boys. Four scholarship and four fee-paying boys took open scholarships at their universities. These 30 graduates had become prior to 1939:

	Scholarship Boys	Non-Scholarship Boys		Scholarship Boys	Non-Scholarship Boys
Doctors	2	6	Industrial Director	—	1
Research & University	1	3	H.M. Inspector of Schools	—	2
Musicians	1	1	Teaching and Holy Orders	5	3
Services	1	3			
Engineering	—	2			

To my knowledge a number of the fee-paying parents kept these children at school at considerable personal sacrifice, for in those days families were large. There was no wide divergence in the parents of each group. The same varieties exist in both lists. The boys were more steeply graded in ability in the non-scholarship list. Some were low in their forms and would have shaped poorly in any competitive test up to 16 or so.

To me it seems that the non-scholarship boys' record is strikingly the more impressive and virile in both tables, owing, I suggest, to the selfless acceptance of responsibility by the parents and the influence of that acceptance on the home background. Part of the success of the Scottish village schools of the 19th century—which were also fee-paying—is generally attributed to the same influence.—Yours faithfully,

J. S. NICOLL

Staveley, Kendal

The Cost of Assistance

SIR,—The Note of the Week in your issue for January 27, 1945, needs some qualification if misunderstandings are to be avoided.

You compare a figure of £56,910,000, being the total cost of supplementary "needs" pensions for the current financial year, to pensioners at ages over 65 (men) or 60 (women), with a figure of £22,525,000, stated to be "paid by the state under the contributory pensions scheme," and with a figure of £56,000,000 which is stated to consist of "non-contributory old-age pensions paid on proof of need."

In fact, the figure of £56 million relates as to about £45 million to pensions payable after age 70, without means test, to those who had previously been entitled to (a) contributory pensions between 65 and 70 or (b) widows' pensions under age 70 because their husbands were insurable under the contributory pensions scheme. In the elegant shorthand of Whitehall, the two classes are known succinctly as "by virtue" pensions. Only the balance of £10 to £11 million relates to non-contributory pensions granted, subject to a means test, under the original scheme of 1908, to those who have no title to a "by virtue" pension under the contributory scheme of 1925.

I may add, by way of elucidation, that the figure of £22,525,000 is at present fixed and consists of two parts: (a) a sum of £21,000,000 per annum payable into the Treasury Pensions Account until 1946—a device for stabilising the burden on the Exchequer of the growing annual excess of contributory pensions between 65 and 70 and widows' pensions over the relative contributions currently collected—and (b) £1,525,000 per annum payable under the voluntary state scheme of contributory pensions introduced in 1937. The sum of £21,000,000, in fact, includes provision for the concessions granted in 1929 to certain members of the dying class of "pre-Act" widows, i.e., widows who became such prior to the introduction of the contributory pensions scheme in 1925.

Thus, the figures of £22,525,000 and £56,000,000 are hardly comparable with the figure of £56,910,000 for supplementary pensions.—Yours faithfully,

F. A. A. MENZLER

Reform Club, S.W. 1

[The argument of the Note—that the history of supplementary pensions shows how difficult it will be to estimate the cost of social security—is not affected by this correction.—EDITOR.]

Tradition and Industrial Design

SIR,—I would like, if I may, to comment on your excellent notes under this head. For hundreds of years design developed steadily because architects and designers solved their problems in a straightforward way, *always taking into account and using to the full the skill, equipment and materials available*. They were, I repeat, solving a problem before designing in a style. Work which is done in this way to-day, bearing in mind the vast changes wrought by the machine both in manufacture and transport, is, surely, the traditional work of our time. It is using age-old principles, but not age-old forms, and is, therefore, rooted in tradition. If a competent designer is responsible for it, it will have style. Whether it is the modern style I care not. Such things will be added unto us.

It may well be as you say, Sir, it is right to rebuild the House of Commons in late Gothic style. As part of a larger group of buildings it is difficult to envisage a breakaway. But one has an uneasy feeling that to pack behind a façade of this sort all the complicated apparatus necessary in such a building savours of window-dressing. Maybe this gives it a peculiar fitness for its purpose. I do not know. But I am disturbed by a haunting echo of Lethaby's words about, I

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think, Sir Giles's famous forebear. I quote from memory. "To him building Gothic was easy. But he proved it was impossible. And, therefore, he may be considered a great teacher if we have the wits to learn."—Yours faithfully,

Broadway

GORDON RUSSELL

Second Austrian Republic

SIR,—Your article in your issue of February 3rd is an admirably well-balanced statement. Will you permit me to amplify it?

The Austrian drama of the last two and a half decades was primarily influenced by economics. Even the tendency of the Austrian Socialists to approve, or instigate, an *Anschluss* originated in their fear of losing the nation's power to produce and consume; together with its commercial relations in Central Europe. There was never much love for Germany in Austria, and especially not for Prussia. The disruption of an economically sound pattern, such as the old Austrian-Hungarian Empire constituted, was followed by autarkic principles, as a result of which each of the newly created states glorified its patriotism and nationalism. Austria was left with Hobson's choice.

It was not the demand for an *Anschluss*—as you suggested in your article—which brought about the disruption of the First Austrian Republic; it was the economic isolation, which enfeebled Austria politically and rendered her helpless. Even so, the economic margin, though small, was big enough to keep the country in the front rank with those who could claim a very high general education for their people and exemplary social services.

The dissension among Austrians may, after all, not be so deep as appears, since the Austrians have the same capability of tolerance, when it comes to action, that is so characteristic of the British nation.

I therefore consider Austria to be perfect material for the federative solution in Central Europe, which should be the aim of every nation now in process of regaining freedom. An independent Austria—indeed not only by name, but by facts of constitution—could be the nucleus of a

growth of economic solidarity in Central Europe generally.

Austria's political dissension will find a quick solution if broad, work and social institutions give the people of the country a chance to act according to their guts.—Yours faithfully,

JULIUS MEINL,

Chairman of the Austrian Democratic Union

Patents Reform

SIR,—In the public discussion of the pending revision of the Patents and Designs Acts most voices seem to have favoured imposition of a general "Licence of Right" and held this to be a crucial point in the demand for a reform. It would, therefore, seem proper to mention that this view is by no means shared by all and to recall the recent dispute on the same grounds between the ICI and Boots which was widely debated in the press.

In opposition to a general "Licence of Right" it was argued that:

(1) A general licence of right would be a gross injustice to the inventor because it would be hard to find anybody willing to risk time and money on costly spade work when after being successful any unimaginative competitor could step in and upset all calculations in exchange for a small royalty at 10s. in the £ inland revenue.

(2) The reform would foster a wide use of secret processes with an atmosphere of secretiveness and suspicion in its train, leaving the public in ignorance of progress.

(3) In this country the path of an inventor is already so strewn with thorns that a deterioration of his position would lead to further stagnation at a time when vital interests of the country demand the greatest encouragement of creative inventiveness.

May I add that the achilles-tendon of the present Patents and Designs Act is undoubtedly the cumbersome and consequently enormously costly patent litigation. The result is that no average inventor or industrialist can afford to defend a patent before the court and therefore, that the value of a British patent has in practice little relation to the worth of the invention but is almost completely ruled by the strength of the financial power behind it.—Yours truly,

O. J. BRUNN, M.Inst.B.E.

Stoke Park, Bucks

AMERICAN SURVEY

Repealing the Poll Tax

Governor Arnall, of Georgia, is receiving congratulations for his success in persuading the state legislature to repeal the poll tax, which in half a dozen southern states disfranchises not only negroes, but even larger numbers of poor whites. Governor Arnall's victory is in striking contrast to the friction and resentment which have been stirred up in the south by attempts to outlaw the poll tax by Federal statute or judicial decision; and it tends to support the contention that the south is prepared to do its own house-cleaning.

This is not quite the resounding liberal achievement it appears at first sight. Governor Arnall did not advocate allowing negroes to vote; indeed, he assured the state legislators that there was no danger of negro participation so long as Georgia retained a "white primary system." His main argument seems to have been that there was some risk of Georgia's representation in Congress or the Electoral College being reduced if she persisted in disfranchising many of her citizens. The Governor's motives may well have been mixed. In extending the vote to Georgia's poor whites he may expect to reinforce his own political standing as against the more conservative figures in his own state machine.

This widening of the franchise is itself a step forward. Its effect on the position of the negro is more problematical. The issue now becomes purely racial, rather than one of economic distinctions; and any further action will be the more bitterly contested. At the same time, this narrowing of the issue to one of racial intimidation may be an essential preliminary to the further goal of extending the rights of citizenship to the negro. Despite the decision of the Supreme Court last year, insisting on the right of negroes to vote in state primaries—which, under the one-party system in the South are far more decisive than the official elections—there is a field in which battle has only just been joined.

Taming the Cartel

It would be an exaggeration to say that the Foreign Trade Council has kind things to say for the cartel; but at least its recent report recognises that the cartel is a feature of foreign economic life, which must be reckoned with if American exporters are to compete with foreign businesses on an equal footing.

Having taken this initial hurdle, the Council makes four recommendations for taming the cartel. These are that Congress should require the confidential filing of international business agreements; that Congress should set up standards of foreign economic policy to measure the "reasonableness" of such restraints of trade as may be contained in these international agreements; that it should allow American firms to enter into such agreements provided they do not result in unreasonable restraint of trade inside the United States; and that the State Department should be authorised to give conditional and revocable approval to such understandings arrived at by private firms.

These proposals only touch the surface of the difficulties to be encountered when Congress attempts to prescribe the exact degree of restraint of trade which is to be allowed. But at least they constitute a more hopeful and realistic approach than the belief, so often voiced in the United States, that non-recognition is a cure for economic as well as political sore spots. Anti-cartel feeling is too deeply rooted in the United States to give way overnight to a policy of accommodation. But it is plainly unrealistic for the United States to insist, in the face of resistance or indifference from all other countries, on refashioning the world economic structure in the image of the Sherman Act; and it is a hopeful sign that in moderate quarters the proposals of the Council are welcomed as pointing the way to a solution of the international cartel problem as it affects the United States.

Murder at the Yard

Inspector Lestrade often swallowed his pride in calling on Mr Sherlock Holmes. But never in that long partnership was he forced to confess to being stumped by a crime that had taken place inside the Yard itself. It is in a position as humiliating as this that the mystery man of Washington, General Donovan, finds himself. The General had drawn up for the President a highly secret memorandum on that most hushed of all subjects, the organisation of Intelligence work. Please note, Watson, that fifteen copies only were taken. Presumably, in view of the importance of the subject, they were all marked to persons of consequence.

Yet this document, emanating from an office wrapped in secrecy, and dealing with a matter retailed only in whispers, has been published in full on the front pages of the McCormick-Patterson newspapers, the press most hostile to the Administration. This is Washington's most enthralling "Whodunit?" "There is a force at work here, Watson, which has its agents in every corner of our city..." Several million readers are now regaled with the plans to co-ordinate the secret services and intelligence units in order to deal with the problems of the peace; and the McCormick press is free to make hay with the slogan of a "New Deal Gestapo."

Once upon a time President Cleveland was asked if he thought a certain secret well kept. "I find the White House cat knew all about it," he said, with a tired smile. The leaks of Drew Pearson are small potatoes compared with this latest burst, which recalls the earlier unhappy results of journalistic enterprise on the part of the *Chicago Tribune*. One cannot help wondering how many more water mains are to be pierced before the United States Congress passes an Official Secrets Act to protect itself and its Allies. Is freedom to blab essential to democracy?

* * *

Connecticut Politics

The appointment of Admiral Thomas Hart to succeed the late Francis B. Moloney (Democrat) as Senator from Connecticut brings a salty tang and a nautical roll to the Senate for the first time in many years. Generals in American politics are common; Admirals are as rare as angels' visits. But Admiral Hart's selection resolves a stalemate in Connecticut state politics.

In some states, when a United States Senator dies, a special election is held; in others the Governor appoints a successor to fill out his term of office. Connecticut belongs to the first group, but both Republicans and Democrats deplored the necessity of holding an election in war-time, which would cost something like a quarter of a million dollars, and, in view of the delay in polling Servicemen, might not be decided for several months. The logical alternative was to pass a Bill authorising the Governor to make an appointment, but this apparently simple solution posed a dilemma.

The complexities of Connecticut politics include a Republican Governor, a Democratic Lieutenant-Governor, a Democratic Senate, and a Republican House. Governor Baldwin, a Wilkie Republican with strong views on American participation in world affairs, would have relished the ampler stage of the Senate; but had he appointed himself to the Senate and resigned the Governorship, he would have been succeeded by his Democratic Lieutenant, a change of which the Republican state machine took a poor view. On the other hand, the Democratic Senate was reluctant to give the Governor the power of appointment unless he would choose a distinguished Democrat.

After much coming and going, the Gordian knot was cut. The enabling Act was passed, and Governor Baldwin placated his evenly-balanced legislature by appointing a Republican as uncontentious as the Admiral, a figure steeped in salt water, rather than dyed in the wool. This elaborate balancing-act is one more example of the perennial capacity of the American political system to baffle the simple-minded Briton. Nor should any American who has mastered such intricacies find it difficult to understand why Earl Winterton is the Father of the House of Commons and is not in the Lords.

* * *

The Kaiser Empire

A battle seems to be in the making over the future of steel capacity in the west. The contenders are the United States Steel Corporation and Mr Henry Kaiser; the prizes the Kaiser steel mill at Fontana, California, and the

Government plant at Provo, Utah, which has been operated during the war by U.S. Steel. These two modern plants represent something more than possible units in the Kaiser industrial empire, which has been one of the prodigies of the war, and is already laying its plans for the post-war period.

In itself, the project of an integrated control on the West Coast of ship repair yards, steel, magnesium, steamship lines, aircraft, building materials, cement, and possibly automobiles, all turned out in the most modern plants, is something to dazzle the imagination. According to reports, the Kaiser Company will seek to retain three of the shipyards it now operates for the Maritime Commission. It has already applied for a share of post-war Pacific shipping; and this access to cheap water-borne transportation will serve the other Kaiser interests in building materials and consumers' goods. Most of these plants are Government-financed; the pinch may come when Mr Kaiser must substitute private for federal credit.

But there is no doubt that sentiment West of the Rockies is deeply concerned in the survival of this industrial Paul Bunyan. The Western States are determined to safeguard the industrialisation and prosperity bred of the war; they are profoundly suspicious of the intentions of Eastern industry. Their representatives are particularly sensitive about the future of the new steel plants, which they regard as the corner-stone of Western industry. They fear, rightly or wrongly, that if these are acquired by eastern interests, they may be shut down to keep up profits of the old-established plants in the East; and that at the very least they will not be operated with a main eye to Western prosperity.

There are doubts about the peace-time economic soundness of both the Geneva and Fontana plants. The eleven Far Western states have now the capacity to turn out more than a million tons of steel in excess of their peace-time requirements; these may be lifted if industrialisation goes on and substitutes are found for shipbuilding and aircraft, but this is uncertain, as are outlets to China, Japan and Russia. In any event, the cost of reconversion to peace-time products is put high, in the case of the Geneva plant at \$40 million. What is certain is that the decision will be taken on political, as well as purely economic considerations, and that Western politicians will give high priority to the preservation of the Kaiser organisation, with its promise of jobs for Westerners. It may also prove to be not wholly without significance that Mr Kaiser is an outspoken supporter of the Roosevelt Administration in general, and of Mr Henry Wallace in particular.

Shorter Notes

The May-Bailey "work or fight" Bill is making dishearteningly slow progress. Opposition both inside and outside the Senate appears to be growing, and it is far from certain that some extension of regulations already in force will not be substituted for the bill. The interested lobbies representing labour, the farmer, and industry, have made fatal use of revelations about the misuse of manpower and overproduction of certain categories of war goods.

*

The gulf between practical politics and large schemes of federal guarantees of full employment was emphasised this week when the House cut from \$75 million to \$5 million an appropriation to help states and localities plan a reserve of public works for the first year after the war. Plans for expenditure on the state and local level already completed total only \$1 billion.

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THE BUSINESS WORLD

The Electricity Grid

THE creation of the electric grid sanctioned by the Electricity (Supply) Act, 1926, was one of those rare acts of economic statesmanship which, like the repeal of the Corn Laws, cut clean through the tangle of tradition and established practice. Its conception can be traced largely to the recognition of the deficiencies in the organisation of the electricity supply industry as a whole during the last war. The purpose of interlinking the public generating stations was twofold. First, it held out promises of financial economies through a reduction in the proportion of reserve capacity; secondly, it was held to guarantee continuity of supply in war in case of a breakdown of individual generating stations. Moreover, by coincidence rather than foresight, the grid has been a successful experiment in a new technique of economic control in that it interposed the public authority as a wholesaler between the private producer and the private distributor of electric power.

The grid, it need hardly be said, has been a big success; it has fulfilled both aims. By the end of 1938 the capital saved by way of the reduction in reserve generating capacity already amounted to £22 million—equivalent to nearly three-quarters of the capital spent on the construction of the grid, on its extensions and reinforcements. Equally, it has proved an effective guarantee against the breakdown of local supplies caused by the bombing of generating plant and by other causes. Little has been known hitherto about the details of its wartime experience, for the publication of the annual reports of the Central Electricity Board (which is responsible for the operation of the grid) and of the Electricity Commissioners was suspended at the outbreak of war. The ban has now been lifted; the reports of the CEB for the four years 1940-43 were released this week. The reports confirm, inevitably, that the main object of the CEB since 1939 has been to meet the growing demand for electricity with regularity and with as little additional plant as possible.

Despite the enforced black-out and a sustained economy drive, the consumption of electric power continued its rapid expansion throughout the war. Output at public generating stations rose by 40 per cent, from 26,400 million units in 1939 to 37,000 million units in 1943. The detailed analysis of the distribution of consumption, usually given in the annual reports of the Electricity Commissioners, has not yet been published. But there can be little doubt that the expansion in demand has come mainly from industry; further transfers from private to public supply may also have been an important factor.

The two main problems of the CEB were the provision of additional capacity commensurate with the mounting demand and the day-to-day maintenance of supplies.

For technical reasons, arrangements for plant extensions have to be made at least three to four years ahead if the risk of the plant not being in commission when required is to be avoided. Fortunately, the CEB had budgeted for a continuation of the marked upward trend in demand experienced during the 'thirties; when war came extensions were thus already in train. During the summer of 1939, the CEB formulated a programme of extensions that were required to be in commission in 1942 to meet the estimated peacetime load in that year. When war was declared, contracts for part of the additional plant had already been placed. A re-examination of prospective demand in war suggested that this was likely to be "substantially below the peacetime estimate"; hence, the CEB decided to postpone the placing of the remaining contracts. Early in 1940, however, it reversed its views and decided to go ahead with the postponed part of the 1942 programme. In the same year it made arrangements for the provision of additional generating capacity expected to

be needed for 1943 and took preliminary steps for the erection of new stations for 1944. In addition, the Government, for reasons of security, called for the construction of additional transmission lines and for the provision of reserve plant in existing and new generating stations. The transmission lines were financed from a special fund—the Electricity (Civil Defence) Fund—and they are to be absorbed into the grid, at appropriate valuations, when demand justifies that course after the war; similarly, the grid has been relieved of the burden of the capital charges on reserve plant so long as it remains surplus to peacetime needs.

In 1941, the views of the CEB about future needs began to conflict with those of the Government. The Production Executive took the view that the CEB's generating plant programmes for 1943 and 1944 were not necessary to the war effort and could be justified only by peacetime needs; consequently, it withdrew the priorities previously granted for plant extensions and persisted in its decision upon renewed applications by the CEB. In 1942, the Minister of Production, who had assumed the functions of the Production Executive, authorised a third of the CEB's programme for 1944, and, in the following year, he approved the issue by the Board of directions for the construction of further additional plant. In all, the capacity of the selected stations was raised during 1940-43 by 2,326,656 kilowatts to 10,984,656 kilowatts, an increase of 27 per cent.

The conflict of views was inevitable. The CEB has been concerned with the need for providing an adequate volume of supplies and anxious not to risk a deficiency; the Government has been guided by the overriding need for munitions and was in duty bound to cut the CEB's programmes to the bone. The CEB had to operate at times with a slim margin and must have had a good many headaches in its effort to maintain day-to-day supplies, even before the crisis of January, 1945. True, comparison of the 40 per cent increase in generation with a 27 per cent expansion in generating capacity gives an exaggerated picture of the Board's difficulties. As a result of the black-out and the longer hours of work in factories the demand for electricity was more evenly distributed during the day and the load factor on the grid (that is, average demand as a percentage of peak demand) rose from 36 per cent in 1938 to 50 per cent in 1942; an increase in peak demand in 1943 brought it down to 48 per cent in that year. But this advantage was partly offset by bigger maintenance difficulties and more frequent breakdowns of plant; in the winter of 1943-44 some 18.6 per cent of capacity was out of commission, against a pre-war average of about 6 per cent. Difficulties of maintenance and the supply of inferior and variable qualities of coal led to a slight loss in average thermal efficiency amounting, by comparison with 1939, to 3 per cent in 1941-42 and 1 per cent in 1943.

After the war, the success of the CEB will again depend mainly on its ability to forecast the demand for electric power with some accuracy four years ahead. For some time it has had to concern itself with the problems of the peace and, in particular, with the probable trend of demand. Indeed, last November it announced details of its post-war expansion programme, which provides for the installation of an additional 3,000,000 kilowatts by the winter of 1948, at an estimated cost of £90,000,000. The Board, in fact, is budgeting for a continuation of the rapid expansion in demand, though part of the projected new plant may presumably be used to replace part of the 2,000,000 kilowatts of existing machinery that will be more than 20 years old by the winter of 1947 (20 years is regarded as the average life of generating plant).

If it were not for the fact that the CEB's pre-war estimates of demand have generally been near the mark, its

post-war programme might, perhaps, be regarded as somewhat optimistic. There are a number of considerations that must have shaped its picture of a fairly rapid growth of demand. Domestic demand for lighting and heating will probably continue to grow, if only because of the heavy projected building programme. Industrial demand is more difficult to forecast; here the CEB may have been guided by the Government's decision to assume responsibility for the maintenance of a high and stable level of employment

The American Railroads

(From Our New York Correspondent)

ONE of the notable contributions to America's war effort has been made by the railroads of the country. Class I Railroads (that is, all save the minor lines) have successfully handled increases over 1940 levels of 99.6 per cent in freight traffic and of 304 per cent in passenger travel, with practically no increase in operating equipment.

RAILWAYS OF CLASS I IN THE UNITED STATES

Year	Revenue Ton Miles	Revenue Passenger Miles
1939	333,438	22,651
1940	373,253	23,762
1941	475,072	29,350
1942	637,984	53,658
1943	727,075	87,820
1944*	745,000	96,000
% Change 1940-1944	+99.6%	+304%

* Estimated.

No new passenger cars have been constructed for civilian use during the war period, and the supply of freight cars has increased by only 7 per cent, of locomotives by 1 per cent. And for many years prior to the war the financial condition of most roads was so poor that not much equipment was bought, so that a high percentage of the rolling stock is quite aged. Yet the present state of rail services is remarkably good.

This sharply increased physical volume of traffic has its financial counterpart in a 244 per cent increase in the net income of Class I railroads since 1940. Net income of Class I carriers was \$189 million in 1940, and may well reach an estimated total of \$650 million in 1944. This increase has been further reflected in rising prices of railroad securities, and more particularly in the speculative obligations of railroads undergoing reorganisation. In mid-December medium and lower grade rail bonds were 35 per cent above 1940 levels; common stock prices were up 59 per cent. A considerable rise has occurred recently, as the markets have been anticipating a longer war than was generally expected a few months ago and consequently a longer period of high traffic. In fact, the market appears to believe there is a good chance these war-time changes represent a financial revival of the railways, which may last for some years, from the bankrupt or poverty-stricken condition so prevalent for many years prior to the war.

Gross rail earnings have risen steadily since 1939, and probably will reach an all-time peak in 1944. They have risen as a result of the phenomenal increase in traffic. Freight volume has been swollen not only by the increased supply of goods to be transported, but by diversion of business from other forms of transportation, such as shift-ings of oil transport from submarine-menaced coastwise tankers, and also by longer average hauls. Only to a relatively minor extent are these increases in earnings associated with higher rates. A 4.7 per cent increase in freight rates was suspended in May, 1943. Passenger traffic has risen with increased consumer incomes and curtailed use of automobiles. Although passenger rates are 10 per cent above 1940, season-ticket rates are unaffected and special rates for the armed Forces offset the increase.

But net earnings made their high in 1942, and have failed to follow gross earnings in 1943 and 1944, chiefly because wages and prices of supplies have increased at a faster rate than revenues. According to the testimony of Dr J. H. Parmelee, Director of the Bureau of Railway Economics of the Association of American Railroads, before the Interstate Commerce Commission, straight time wages for all railroad employees have increased 25.6 per cent over

and by its own views of the rate of increase in the mechanisation of industry. Again, it may be expecting a continuing transfer from private to public supply. Railway main-line electrification might be an important factor, but probably not during the period covered by the new extension programme. If the Board's estimates of the demand for electricity are as close to the truth as they were before the war, the post-war prospect for industry would seem to be encouraging.

the average rate in effect in 1940. In combination with the cost of newly granted vacations with pay and the rising price of materials, this has added \$1,150 million to annual railroad operating costs. The operating efficiency of the railroads, particularly heavier train loading, has increased steadily during the war, but apparently has not sufficed to offset factors operating to increase unit costs. Increased payroll and Federal income taxes added another \$876 million to deductions from gross earnings by 1943, but have tended to level off and decline in 1944.

Net income (after charges) of Class I Railroads has also dropped since 1942, though standing well above 1940 levels. This slump reflects the fall in net operating income and has occurred despite a continuing but slow reduction in fixed charges as a result of debt retirement, reorganisation and some refunding to lower interest rates.

Increased wartime earnings have also been utilised to build up a comfortable position in cash and working capital. Since the end of 1940 cash held by Class I Steam Railways has increased by 82 per cent, working capital by 106 per cent; cash totalled \$1,138 million, and working capital \$1,723 million on September 30, 1944. Despite the striking increase it seems probable that this position is not excessively favourable in view of larger current expenses for payrolls



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and materials. Funds also must be accumulated to meet large funded debt maturities in 1945-7, to make up maintenance postponed, despite heavy wartime wear and tear, because of shortages of labour and materials, and to introduce needed improvements in service.

Unless it can be assumed that labour will relinquish its gains, or that operating efficiency and labour productivity will make even more sensational strides than those of the war period, the post-war outlook for rail transport hinges chiefly on the volume of traffic reasonably to be anticipated and the rate at which traffic will move.

Several estimates have recently been made, translating into financial terms various possible levels of post-war traffic, assuming current price and rate levels and pre-war efficiency. They show striking agreement in concluding that, should rail traffic fall to 1940 levels, Class I Railways as a whole will show sizeable deficits after debt charges, in contrast to an actual net income of \$189 million in 1940. Even on 1941 volume, the rail roads in the aggregate would only just about make enough to service their debts. Thus if rates and costs and efficiency remain unchanged, a traffic level somewhat above 1941 would appear to be necessary to provide any earnings for the equity holder—or to provide a secure enough earnings margin to permit the borrowing of the substantial funds needed for modernisation. A recently published study by the Interstate Commerce Commission indicates that the most likely volume will approximate the 1941 level. The chief determinant of volume will be the level of production the United States is able to maintain in the reconversion period and the post-war beyond.

The possibilities of higher rates to provide adequate railroad earning power will be limited by the competitive situation, even though the Interstate Commerce Commission indicated, in extending in mid-December, the period for which freight rate increases were suspended, that these

increases might be allowed to become effective, should the financial condition of the roads warrant it. During the thirties the roads suffered from a diversion of traffic to other forms of transportation. Their vulnerability to such development will be determined by comparative costs. Since other forms of transportation are now subject to regulation, some feel that the roads will be more advantageously situated than during the pre-war period.

Prospects for reducing expenses are also limited. Deferred maintenance will have to be made up. While some debt has been retired, even the most optimistic estimate of the reduction in fixed charges to be achieved thereby has been about \$155 million, out of the \$635 million total in 1940. The prospects for reduction in labour rates do not appear substantial, and any marked savings in costs of materials would probably come about only if a general deflation occurred—in which event gross income would be at a low level. The only other possibility for unit cost reduction would seem to lie in gains in labour productivity and in operating efficiency. Some gains in labour efficiency might be achieved by revision of certain labour practices; perhaps greater operating efficiency will be possible with more modern equipment and terminal facilities, consolidations of service and elimination of unproductive services. The obstacles to such innovations are large: the poor credit position of many carriers; the opposition of labour and officials fearing displacement through consolidation, of towns facing abandonment of services, etc. And furthermore, it is difficult to improve efficiency on a declining volume.

In short, the railroads of this country face an uncertain and precarious future with many problems of readjustment. Like many other lines of business, their welfare will depend upon the country's success in attaining and maintaining prosperity in peacetime. But the level of prosperity will apparently need to be high to make the financial position of the railways secure.

Business Notes

Crimea and the Markets

The stock markets were firm after the issue of the Crimea communiqué. That, which reads like a reporter's cliché, records what is perhaps the most significant piece of market behaviour for many weeks. After the Allied advance last summer, every piece of news which seemed to argue an early end to the war and reminded the markets of transitional difficulties to come, tended to put share prices down. The inverse relation between good news and prices was becoming proverbial. Now comes the best news of all—short of the actual end of hostilities—and prices rise in a most inconsistent way. Certainly, those who try to rationalise market events sometimes have an unenviable task.

The truth seems to be that the public have steadily supported the market all the time, but the volume of their dealings has been, and still is, relatively limited. Professional and institutional investors, part of whose duty it is to reason why, have been a much more uncertain marginal influence in prices. Their objective is not necessarily identical with that of the private investor, to whom a share is a "good" share if its capital value is likely to be higher in x years' time than to-day, even if it falls temporarily in the interim. To the professional the last qualification is substantial. Why should he come in now if he can buy more cheaply later? There has been something like a stalemate in recent weeks, when professional interests were holding off and there was no special factor to capture "the public's" imagination and

raise the total business done above a distinctly mediocre level.

If the harder tone, after the Crimea communiqué, were maintained for, say, a fortnight, a considerable and welcome broadening of business might be fairly confidently expected. At the moment, it might be wise not to read too much into this week's showing. A vague, generalised feeling of satisfaction with an announcement of high immediate news value will not of itself bring "the public" into the market in larger numbers for more than a limited time, unless some more solid and compelling influence replaces the inevitable first glow of satisfaction. If it does not, the "others" will not come in; if it does, they will stay out at their peril. On the whole, it may be more dangerous, in the immediate future, to be a bear than a bull. But it may be more dangerous still to have heavy commitments open.

PMH in Cotton

The disquieting report on comparative productivity in the British and American cotton industries, made last October by the Platt Cotton Textile Mission that had studied production methods in the United States, has stirred the industry in this country into action. On February 9th the Cotton Board Committee on post-war problems resolved that "they should forthwith invite offers from the industry to make a mill or mills available for practical tests" in the application of new methods and machinery.

Experiments must have the approval of a committee to be appointed by the Cotton Board. Representatives of the Federation of Master Cotton Spinners' Associations and of the two trade unions in the spinning section will sit in equal numbers on the committee; members of the textile machinery industry and of the Shirley Institute are to be invited to collaborate in the experiments. Departures may be made from trade practices, provided these do not involve a reduction in the earnings of operatives and on condition that they may appeal to the committee; when the tests have been completed the former practices are to be resumed unless the employers and trade unions agree to the permanent adoption of changes.

The decision of the industry to try out new methods in

the spinning section—similar plans are in preparation in the manufacturing branch—proves the value of technical investigations into foreign practice—and of the publication of the findings, however unpleasant they may be.

Franco-British Financial Negotiations

Reports from Paris, which appear to be well founded, have purported to give a clearer definition of the practical results obtained in the recent Franco-British financial negotiations. The only admission made on this side is that the talks led to an agreement "in principle" about mutual disclosure of information regarding the assets held by nationals of each country in the other country. The storm of protest which followed the Chancellor's announcement of this agreement has perhaps helped to modify and restrict its translation from "principle" to practice. It is now understood that the agreement to disclose is not a continuing one. It will apply only to assets which have had to be disclosed by the banks to the Custodian for Enemy Property, and when the Custodian ceases to have French assets vested with him, disclosure will automatically cease. This does not cleanse the agreement of all taint, but it removes some of the worst fears that had been entertained about its scope and ultimate effect.

According to the Paris reports, the financial talks covered three other subjects. The first was the freeing of sterling and franc assets of French and British nationals respectively. This problem has been the subject of almost continuous conversations since the liberation of Paris, and fairly early developments may be expected. It is reasonable to suppose that they will be on the lines of the recent freeing of commercial and financial relations between the UK and Belgium—that is, the freeing of balances arising from future trade but without prejudice to the disposition of pre-existing balances. The second concerns a Franco-British debt of which very little has hitherto been heard. It arises from the Blochaine-Waley agreement (these being the French and British signatories) signed just prior to the Franco-German armistice. By this agreement Britain took over delivery of goods—mainly war materials—from the United States which the French Government had paid for to the tune of over \$150 million. The original payment was made by the British into a blocked account to the credit of the French Government. The suggestion is that Britain should deliver to the French Government other items to an equivalent amount against debits to this dollar account.

The third item on the agenda would seem to have been the fate of the Reynaud-Simon agreement, under which the British and French Governments fixed the proportions, namely, 60:40, in which their external war expenditure should be shared and set up clearing machinery to settle French expenditure in the sterling area and British expenditure in the franc area. The clearing account is reputed to have shown a balance of some £50,000,000 in favour of Britain at the time of the French collapse. The reports from Paris talk of a "cancellation of the Reynaud-Simon agreement." If this is meant to refer both to the clearing balance and to the provisions for sharing the joint costs of the war, it would clearly be very far-reaching.

Stock Exchange Council

There is more than formal significance in an over-riding rule which has been passed this week by the Stock Exchange Committee for General Purposes, following the addition of a new clause, 108A, to the Stock Exchange Deed of Settlement. On March 25, the committee will cease to have a legal existence and the Stock Exchange Council will come into being. Consequentially, certain rules now in the book will be put in abeyance, certain references to the committee or the managers will have the word the council substituted and a blanket provision will give the council the powers with which the decision of the proprietors and the amended trust deed have already vested it.

The reformers have been only just in time. The new regime which will end dual control of the Stock Exchange—by committee and managers—in name and (it may be hoped) pave the way for its ultimate disappearance in fact, will come into force just as the European War, by all appearances, is nearing its end. Before the Stock Exchange year 1945-46 is over, many of the younger members, now serving with the Forces, will probably have returned and the necessity to consult them before taking the final plunge,

and getting rid of dual control once for all, will no longer be a valid shield for conservatism.

Meanwhile, much has been gained, even by the present half-way measure. The Stock Exchange will have a live chairman, who can approach the authorities as the head of a great national institution rather than as a pupil visiting the headmaster's study with expectations pleasurable or otherwise. Given the present position in the matter of capital issues, permission to deal and the grey market, for example, it is easy to read potentially interesting possibilities into the new relationship. Within the Stock Exchange's own walls, the main beneficial consequences of the new order will be psychological. The representatives of the proprietors, who administer the affairs of the Stock Exchange as a property, will work together with the representatives of the members, who deal on its floor. And once co-operation and joint understanding have the inevitability of established routine, the battle for unified control will be over.

Permanent or Temporary Houses

Discussions about the relative merits of permanent and temporary houses tacitly assume that there is a choice between them. There is indeed a choice; it is not between constructing an equal number of both with a given volume of resources, but between a given number of permanent houses and a bigger number of temporary houses.

These discussions, surely, are academic. The total number of additional dwellings needed to provide every family with a separate home has been estimated at around one million units. The number that is likely to be needed to meet the most urgent requirements after demobilisation is probably not less than half a million. The shortage will be so acute after the war that, for a time at least, the emphasis may well be on numbers rather than on types. Any dwelling that fulfils the essential requirements of a home will be better than no home.

The number of permanent houses "of traditional construction" that could be built within two years has been officially estimated at about 300,000 units. If this estimate is a reasonable one, the case for supplementing them with temporary factory-constructed dwellings is surely unanswerable. Even two years is a long time to wait for members of the Forces who wish to set up homes.

The Need for Cheap Light Metals

One of the most significant factors in war-time industrial progress is the improvement in the technique of using the light metals aluminium and magnesium. It is an improvement that will find wide and growing application in peace. The world's total output of aluminium in 1943, at more than 2,000,000 tons, was more than treble that of 1939, and that of magnesium, at more than 250,000 tons, showed an even bigger expansion.

If the metal-using industries in this country are not to be handicapped from the start by comparison with those in other countries, they must be able to secure the two light metals at a price no higher than those paid for them by



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their competitors. At present, both metals are sold at substantially lower prices—between a quarter and a third less—in the United States than in this country; one reason for the advantage of consumers in the United States lies in the fact that costs of production in that country—and in Canada—are lower than in Britain, which meets its needs partly from home production and partly from imports.

Since the maintenance of a policy of cheap raw materials is a prime condition of the survival of this country as a major industrial Power, the time has come for the formulation of a policy designed to enable the metal industries to obtain their light metals at competitive prices. There are a number of possible solutions. For example, supplies might be imported freely and bought in the cheapest market—since many of the new plants in North America are Government-owned, the resuscitation of the pre-war private cartel is unlikely. This drastic solution, however, may not commend itself, for there may be a case for maintaining plants in this country for reasons of defence. If it is decided to maintain a given volume of production in this country, supplemented by imports, the prices at which home-produced metals are sold should be no higher than import prices. In other words, if, for non-economic reasons, a nucleus of productive capacity is to be maintained, the taxpayer and not the metal-using industries should bear the cost.

Aircraft for Sale

The US Government's offer of Dakota and Lodestar aircraft to British air-line operators has been taken as a stern reminder—if one were necessary—that American constructors will not be backward in promoting the export of their aircraft. In this case, however, it is not the constructors who are selling aircraft, but a Government agency, the Surplus Property Branch of the Foreign Economic Administration. Trade criticism of the Americans for using their embassies as bases for trade promotion is, therefore, hardly fair. The American Government can hardly be blamed for selling their own property when it is no longer needed.

Primarily, the offer follows from the division of labour involved in the Allied production programme, by which American constructors concentrated on transport aircraft. It has been implicit in previous American assurances that transport aircraft would be made available to this country during the reconversion period. Whether this limited offer will now be taken up by prospective British operators is another matter. At best, a second-hand Dakota can only be a stop-gap until more suitable and more economical aircraft are available. Its attractiveness depends entirely on what alternatives are offered by the British aircraft industry.

Among many civil transport aircraft in the development stage, only the Lancastrian and the York are so far being produced in numbers. In recent months good progress has been achieved, and high priority for the work has been admitted by the Government. Even so, the British aircraft industry has a long way to go to catch up with American constructors. Within five years or so there is no reason why British aircraft, particularly in such vital matters as weight control and standardisation, should not be as good as American. Meanwhile, the urgency of having at least some British aircraft available for the home and export markets, even at the cost of subsidising ex-military types, must be realised to the full. Rightly or wrongly, the well-meant offer of the American Government has helped to put wind in the wings of the aircraft industry.

Zinc Corporation Scheme

The judgment of Solomon was a simple problem compared with the complicated issues which shareholders in Zinc Corporation face under the terms of the scheme put forward this week by the directors. The company, which owns lead-zinc-silver leases at Broken Hill, New South Wales, as well as smelting interests, wishes to expand its operations and, as a preliminary, to simplify its capital structure. At present, some £245,692 of £1 preference shares are entitled to a cumulative preferential 20 per cent and equal share-for-share participation with 653,139 ordinary shares of 10s. (which rank in all respects as £1 shares) in surplus profits.

The scheme offers, for each £1 preference share (a) one

and a half 5½ per cent cumulative redeemable preference shares of £1, (b) one and a half 5½ per cent cumulative (but irredeemable) preference shares of £1, and (c) one ordinary share of £1, with the relinquishment of participating rights. In fact, fixed preferential dividends will be reduced from 20 to 16½ per cent and (if ordinary dividends are maintained at their present 10 per cent level) total payments to existing preference holders will be 26½ per cent against 30 per cent. In a liquidation, preference shareholders will receive £3 against £1 as at present. Additional capital is to be raised by issuing 224,708 £1 ordinary shares for cash at 40s. to existing preference and ordinary shareholders in the proportion of one new ordinary share for each four shares held.

What is the issue of all this? First, the psychological difficulty due to the hostility of workers and others in New South Wales to the existence of 20 per cent preference shares is overcome. Secondly, a somewhat archaic capital structure, the legacy of unavoidable circumstances at the company's formation, is undeniably simplified. Thirdly, assent is given to the company's expansion plans by the British Treasury, which apparently does not view the writing up of nominal preference capital (with the increase in the balance-sheet value of mining property from £355,393 to £1,419,039 which it involves) in the same unfavourable light as a capital "bonus" to ordinary shareholders. Fourthly, the preference shareholders give away 11½ per cent of their income-in-hand—presuming ordinary dividends are maintained at the current rate—in return for 200 per cent increased capital-in-the-bush—that is, in the event of liquidation.

The choice is one with which few preference shareholders can have been confronted before, and it is hard to say on what solid ground they can base their judgment. The argument by market values is, on the whole, favourable. The new preference shares will be far more marketable than the old, and the combined market value of the parcel of shares which preference holders will receive is expected to come out at approximately £6 2s. 6d., against £6 for a single 20 per cent preference share. The company held consultations with the Association of Investment Trusts before issuing the scheme, and, apparently, encountered no opposition in that quarter.

It seems anomalous, however, that, under the scheme, preference shareholders should be worse off if the company prospered as a going concern and better off if it unfortunately had to wind up. The aims of the scheme command complete approval, but could not the income rights of the preference shareholders have been virtually maintained by offering them three new shares with 6½ per cent (instead of 5½ per cent) dividend—plus an ordinary share—for every existing preference share?

Overseas Apparel Markets

The overseas market for British tailoring has always been what is known in the trade as "exclusive," and this applies particularly to men's clothing. In most countries it is fairly clear that more British-made suits could be sold, provided prices were brought down and styles modified to suit foreign tastes. It should be perfectly possible to sell mass-produced ready-made suits abroad as well as at home, and so capture the medium-price markets, which previously had scarcely been touched—it is only the demand for the most expensive materials which has to any extent been satisfied.

During the last five pre-war years, exports of apparel from the United Kingdom averaged about £9,000,000, of which about two-thirds went to the Empire. On the other hand, imports were as high as £7,000,000 a year, and came almost entirely from foreign countries.

Women's wear presents problems different from men's. Women, being more amenable to fashion, are less conservative about style. It may well be that cheap American dresses, for example, sold so well as much because of the excellence of their sizing as for anything else. This difference between American and British methods may have accounted for the popularity of American dresses which gave British manufacturers—and, indeed, the Government—so much cause for concern just before the war. As far as the overseas market for men's clothing goes, too little study of it was made in the past. It is good, therefore, to learn that some sections

of the trade are thinking about it. Mr H. Jenner, president of the two-year-old Federation of Clothing Designers and Production Managers, went to the root of the matter in a speech last Saturday when he said that while

demand for British material is universal, the manufactured product is just not good enough.

This applies equally to men's and women's, and probably children's, clothing. The Federation is preparing to work with the Industrial Design Council to raise the standard of manufactured garments both for the home and export markets. There seem to be few natural obstacles to a great increase in clothing exports. The clothing trades have the advantages of an old-established goodwill for British textiles, and there seems little reason, if styling and production can be equally good, why they should not make more than their proportionate contribution to the export programme.

Still Better Window-Dressing

The clearing banks' window-dressing, in preparation for the end-1944 balance-sheets, broke all previous records in this form of activity. The data required for measuring these efforts became available with the publication of the Bank of England's Statistical Summary for December. This shows that in that month the clearing banks' cash holding (balances at the bank and till money) on the Wednesdays averaged £329 million. The cash shown in the aggregate December 31st balance-sheet was £500 million. Even this disparity does not reflect the whole of the year-end window-dressing, since the figures for the last two Wednesdays of December, which go to make up the "undressed" average for the month, had already been swollen as a result of preparations for the year-end balance-sheets. The balance-sheets showed an aggregate cash ratio of 11 per cent. The true cash for December was 7.7 per cent. The disparity of nearly one-third between the true and the published figure is one which has never before been approached.

This record was no mere end-of-year flash in the pan. It was the culmination of a long-term trend towards more vigorous window-dressing. This trend is well brought out by the following table giving the yearly averages since 1938 of the various items from which the extent of window-dressing can be measured.

Average	Clearing Banks' Cash (in £ million)		Published Ratio %	True Ratio %
	Making-up Days	Wed- nesdays		
1938	241	218	10.6	9.6
1939	244	226	10.9	10.0
1940	268	243	10.7	9.7
1941	311	258	10.5	8.7
1942	345	277	10.5	8.5
1943	386	300	10.5	8.2
1944	437	329	10.5	7.9

Towards the close of 1944 the true cash ratio of the clearing banks dipped on two occasions to 7.5 per cent. There is much to be said for the economy of cash and for other advantages represented by this low ratio, but very little in favour of the elaborate subterfuge which veils this true position beneath the rigidity of an appreciably higher published ratio.

Shopping for Christmas

Last autumn many people began to make plans for the first Christmas of peace, and later for the last Christmas of the war, as the prevailing mood changed. There seemed to be a grim determination to continue preparations and celebrations despite the military disappointments which accompanied the approach to Christmas and the holiday itself. The retail trade report for December last, published in the *Board of Trade Journal* for February 10th, shows how far the Christmas spirit was translated into spending.

The consumer let himself go as he had not done for the past two years, and this was made possible by the rise in spendable incomes that had taken place. Only a small part of the additional turnover can be ascribed to a rise in prices; indeed, in some categories, such as food, for example, the rise was probably negligible. There was undoubtedly some increase in supplies as well as a substantial drain on stocks—of apparel, particularly—to cover the higher volume of purchases; the value of stocks (at cost) of all

commodities, including food, fell by 15.4 per cent during the past year.

The accompanying table brings out the extent of the rise in expenditure, compared with the previous December and the average for the years 1943 and 1944:

AVERAGE VALUE OF DAILY RETAIL SALES
(1942=100)

	Apparel	House- hold Goods	Non-food Mer- chandise	Food	Total
December, 1943	102	105	123	113	117
Average	88	89	93	102	98
December, 1944	125	114	140	119	128
Average	102	87	101	107	105

More money was spent last December than in any month during the previous two years in every one of the categories. It is remarkable that this should apply, too, to apparel, since December was the fifth month of the coupon period. The consequence was, of course, to leave stocks lower than they were a year before. Apparel stocks were only three-quarters the size by value—and therefore proportionately less in quantity—of those in 1942. Unless more labour can be found to make clothing, the shops will find it increasingly difficult to meet demand.

Tilling Prospects

Thomas Tilling's profits for the year ended December 31, 1944, are slightly higher at £698,000 against £692,000, and the ordinary dividend, which is maintained at 10 per cent, is covered by earnings of 16.5 against 15.9 per cent. Tilling's profits are mainly derived from a wide range of motor and omnibus companies, in the majority of which it does not, however, hold a controlling financial interest. This is the reason given by the chairman, Sir Frederick Heaton, for the failure to publish a consolidated balance-sheet, in the absence of which the group's position is hard to assess.

Sir Frederick refers to the effect of the EPT cushion in scooping up most of the improved profits of the associated companies. This fact suggests that a substantial rise in the profits of bus companies may follow the lifting of EPT. The potential demand for bus services is at least as great as before the war, but their expansion will be partly limited by the availability of petrol. In this connection, Sir Frederick states that, although it is no longer compulsory to run a proportion of vehicles on producer gas, research into its possibilities, especially as regards plants of the built-in type, will be continued. Tilling's £1 units of ordinary stock stand at 6½s. 6d., at which the rather low yield of £3 6s. 6d. shows no more than reasonable optimism about the group's considerable prospects.

Woolworth's Turn the Corner

Woolworth's full accounts for the year ended December 31, 1944, show a greater improvement in the com-

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pany's position than was suggested by the preliminary announcement, discussed in *The Economist* on January 27th. It is now revealed that the £300,000 allocation to future taxation made in the previous year has not been used, and that, in accordance with the recommendations of the Institute of Chartered Accountants, it is intended gradually to build up a fund which will cover income-tax liability on the profits of the current year. This fund receives this year a further £450,000, and thus totals £750,000.

The chairman, Mr. Stephenson, states that the 1944 rise in profits, before tax, of £666,000 (or 12.8 per cent), indicates a slight easing in supplies of some essential goods, which he regards as a happy augury for the future. It should be noted that Woolworth's has met the leaner profits of war-time years by reducing its dividends and not its allocations to reserves. The carry forward has actually increased since 1939 by as much as £924,000, and now stands at £7,395,183, which compares with a total issued capital of £12,500,000. In the last five years £1,250,000 has been added to buildings' reserve, which now totals £1,850,000, and substantial sums have been written off leasehold properties and fixtures. Woolworth's thus turns the corner towards recovery in a strong liquid position.

It is pointed out that the present dividend ratio does not take into account the full value of the assets employed in trading which are partly covered by surplus and reserves. The price of the 5s. units of ordinary stock rose on publication of the accounts from 72s. 6d. to 74s. 9d.

Access to Home Markets

Despite Woolworth's strong position, the speed of its recovery will depend very largely on how soon it is allowed to supply the large arrears of demand in the home market. Mr Stephenson urges that to limit sales at home would hamper export trade. The reasons he gives are that mass production for the home market would stimulate export efficiency, and that the first market to be won from foreign competition is the home one. This specious argument reflects the natural desire of many manufacturers for quick access to their safest and easiest market.

It fails to realise the high degree of priority that must be given, in the immediate post-war period, to the production of essential goods and equipment. The only justification for increasing the production of many types of manufactured goods is that they can be exchanged for essential imports, which would not, of course, include articles of a similar type. To let manufacturers decide how much, if anything, they will export would lead to the nation being supplied with semi-luxuries and going short of necessities, or to it satisfying immediate demands at the expense of rebuilding permanent prosperity. To avoid such disasters it may prove necessary both to give prior facilities to manufactures for export and to limit home demand by a modified rationing system.

Canadian Pacific's High Dividend

The Canadian Pacific Railway has declared a final dividend on ordinary stock of 3 per cent, making a total pay-

ment for 1944 of 5 per cent. This compares with 2 per cent for 1943 and no payment at all for the previous decade. This result far exceeds the prospects held out during the year, which were coloured by pessimism over last July's wages award. This award added \$15 million to operating costs, but preliminary results show that 1944 railway profits, after taxation, are only \$6,050,000 lower at \$43,160,000. The decline in railway profits may be partly or even wholly offset by increases in the company's income from dividends, steamships and hotels, and by reductions in its fixed charges, for which items figures are not yet available.

But even if CPR, in spite of the wages award, has done as well in 1944 as in 1943, it remains to be asked why the dividend has been more than doubled. It should be remembered, however, that the 1943 earned for ordinary was 11.3 per cent, and that this year's dividend is certain to be comfortably covered. The Board may have decided that it is time to pass on to equity-holders some of the war-time gains which are represented by the large reduction of funded debt and the increase in surplus revenue from \$141,000,000 in 1939 to \$225,000,000 in 1943. Against this increase of \$84,000,000, 5 per cent dividend costs only \$16,750,000. Last year's payment may have been unduly conservative, due to uncertainty about the size and effect of wages increases. Finally, this year's handsome payment, perhaps half of which will come to United Kingdom stockholders, may reflect the political desirability of making more Canadian dollars available for British purchasers.

Whatever the reason for the increased dividend, it would be highly optimistic to expect any increase in the coming years in CPR's railway profits. Increased cost and wages are at present covered by a high level of trade, which must inevitably slacken with the fall-off in war-time production. Although CPR may perhaps hope to increase passenger travel and the activities of its subsidiary air company, the majority of its revenue depends on goods freights. Everything indicates that this year's dividend payment is exceptional; although it is always possible that the Board's policy will continue to be less conservative.

Savings Stimuli

The Government of India was defeated in the Central Assembly last week on a motion to discuss "the illegal and unfair use of force by Government of India agents to compel the public of Bihar to buy National Savings Certificates." One speaker alleged that if Bihar parents fail to subscribe to National Savings Certificates their children are not allowed to remain at school. Another accused the authorities in rural districts of demanding "by beat of drum" that each person who paid a tax of one rupee should buy Savings Certificates for 20 rupees, and that those who refused were "harassed in all possible ways." A third told a more horrifying tale of a man "being beaten with shoes" because he would not buy savings certificates. Great Britain may have gone much further than India in devising the system of compulsory savings; but in the matter of "voluntary" savings devices the authorities in India appear to have shown a resourcefulness unequalled by Lord Kindersley and his savings committee.

The Finance Member, Sir Jeremy Raisman, denied that the Government had given any instruction for the use of force in making collections for national savings, but admitted that the line between the "high degree of persuasion" recommended by the authorities and actual compulsion, might have been overstepped. Beyond this, he could only emphasise the need for savings, given the present scarcity of things and plethora of money in India.

US Gold Reserve Requirements

Legislation sponsored by the United States Federal Reserve Board proposes to reduce the gold reserve requirements against Federal Reserve notes and reserve deposits. The present minimum reserve against notes is 40 per cent, and against reserve deposits 35 per cent. The proposal is to reduce both to 25 per cent. Federal Reserve Board officials have explained that the legislation has been made necessary by war-time expansion in the monetary circulation.

The currency in circulation in the United States has recently been expanding rapidly. The latest global figure, for February 1st, showed a circulation of \$25,290 million,

which compares with \$20,534 million a year previously. The expansion both in Federal Reserve notes and in reserve deposits has not, however, proceeded to the point at which the reserve position is becoming strained. On the basis of the latest figures, those for February 1st last, the amount of gold immobilised by minimum reserve requirements against Federal Reserve notes and Reserve deposits was \$13,900 million. The gold stock on that day amounted to \$20,550 million. Admittedly the gold stock has fallen by \$1,360 million over the past year, while the credit and currency expansion has been gathering speed. These trends emphasise the need for precautionary legislation such as has now been proposed.

Apart from this consideration of immediate requirements, the Federal Reserve authorities probably have in mind the losses of gold that may occur as a result of the US participation in the Monetary Fund and Reconstruction Bank. The gold reserve requirements, as reduced by the proposed legislation, would free gold to the amount of about \$4,800 million, on the basis of the present position of the Federal Reserve Bank, and would reduce the gold immobilised by reserve requirements to less than half the present holding of the United States. The legislation, therefore, anticipates further encroachments on American gold reserves. It is significant for this reason, and for the expansionist philosophy which appears to underlie it.

Bretton Woods and Congress

The Bretton Woods proposals for a Monetary Fund and an International Bank have been commended to the US Congress in a Presidential message. In the same message President Roosevelt also promises early proposals which will include

the establishment of a food and agriculture organisation by the United Nations, the broadening and strengthening of the Trade Agreement Act of 1934, international agreement for the reduction of trade barriers, control of cartels and the orderly marketing of world surpluses of certain commodities, revision of export and import banking, and the international oil agreement, as well as proposals in the fields of civil aviation, shipping and radio and cable communications and the repeal of the Johnson Act.

No indication has yet become apparent of the reception that the Bretton Woods proposals are likely to receive at the hands of Congress.

Training for Business Administration

The field of retraining ex-Service men and women for civilian employment is being covered piece by piece. Government plans for apprenticeship, industrial training, training of teachers and further education schemes have been formulated, and many industries and firms are making or have made their own plans. The latest step announced by the Ministry of Labour is the setting up of a Committee on Training for Business Administration, under the chairmanship of Sir Frank Newson-Smith.

Many men and women in the Services would by now have achieved good executive positions in business but for the war. The pre-war practice of big business of taking young people fresh from school or university, with a view to their speedy advancement to higher paid posts may prejudice the chances of older entrants. The new committee will examine how far a course of instruction is likely to assist the absorption of promising candidates, and will examine what kind of course will best compensate for lack of experience.

There should be no difficulty in working out a suitable curriculum. A certain amount of business practice was taught at commercial and technical schools, and so was

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, and this may mean a gap of many months before the despatch of copies can be resumed.

salesmanship. At a higher level, the University of London used to run a course in business administration, intended for graduates and higher executives with business experience.

The Committee may find that its third term of reference—to secure general recognition of the recommended courses—the most difficult. The Appointments Board could probably help them there, but perhaps the members of the Committee, of whom about half are directors or representatives of large firms, will know best what tactics to adopt in selling its recommendations.

Shorter Notes

In last week's article on the Banks' Capital the statement that the banks could raise substantial amounts of new capital by calling up unpaid amounts on their partly paid shares should have been qualified by pointing out that much of this unpaid capital is a reserve liability callable only in the event of liquidation. Of the partly paid shares shown in the tables, this applies to the following:

	Number of Shares	Nominal Value	Paid-up	Callable	Reserve Liability
Midland	2,869,079	£12	£2 10s.	£2 10s.	£7
Lloyds "A"	14,372,956	£5	£1	5s.	£3 15s.
National Provincial "A"	600,000	£5	14s.	19s. 4d.	£3 6s. 8d.
Westminster "B"	7,889,416	£5	£1	13s. 4d.	£3 6s. 8d.
Westminster	7,070,990	£4	£1	£1	£2

The British Commercial Gas Association has followed the example of the British Electrical Development Association in exhibiting its ideas on kitchen planning. Gas kitchens have been designed for every type of home. The choice between gas and electricity will be guided in the main by two things—taste and relative cost. The lay-out of a kitchen is not greatly influenced by the type of fuel to be used, but equipment can be more suitably designed as part of the ultimate setting, instead of in isolation, as used to be the case. The interest which manufacturers of both gas and electrical equipment are taking in the proper incorporation of their products into planned kitchens is a large step towards the achievement of a more efficient kitchen in the post-war home.

The laying down of new building regulations under the Factories Act, 1937, was delayed by the war, but a new start has just been made, so that the regulations can be in force during the period of reconstruction. A draft Statutory Rule and Order has just been published for study and discussion before being put into its final form. The regulations are of importance, since they not only consolidate those made in 1926 and 1931, but take account of accident experience since those dates. More important still is that they cover the International Labour Convention and Recommendations of 1937, in the framing of which British representatives played a prominent part, and which the 1937 Act was partly meant to ratify.

The first of the thousand or so factories which the Government will have for disposal has been leased to the Dunlop Rubber Company. The Ministry of Aircraft Production No. 1 factory at Speke, near Liverpool, at present operated by Rootes, Ltd., is the one concerned. Dunlop proposes to "rehabilitate" products not made during the war, in which the acquisition of a modern factory will give them great advantages, which they recognise.

London Trustee Savings Bank deposits last year increased by £3,250,000 to £19,800,000, the largest annual increase recorded in the history of the bank. It was announced at the meeting of the London Trustee Savings Bank, held this week, that since November, 1939, this bank alone had contributed over £12,500,000 to the war finance campaign. The scheme of expansion launched last year will be vigorously pursued during the coming year.

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Issued by the National Savings Committee, London

COMPANY MEETINGS

THE LAW DEBENTURE CORPORATION, LIMITED

VERY STRONG POSITION

The fifty-fifth ordinary general meeting of this company was held, on the 9th instant, in London.

The Rt. Hon. The Viscount Greenwood, P.C. (the chairman) first referred to the loss which the Corporation and other great concerns and indeed the City of London had sustained by the death of their late most respected chairman, Sir Miles Matkinson.

Continuing, he said that the accounts were presented in a form somewhat different from that to which they were accustomed. The change made clearer, if possible, the strong financial liquid position of the Corporation. "Investments" at £947,838, showed an increase of £35,794, partly accounted for by a reduction in cash at bank which this year was £39,658 as compared with £60,814 in 1943, and also by including investments of over £10,000 which at December 31st had been bought for payment at a later date. Those figures disclosed that they were more fully invested than at this time last year. That policy had become more than ever necessary in view of the low rate of interest on deposits and the consequent difficulty of maintaining revenue.

"General Reserve Fund" had increased by £9,463 and had reached £300,000, to which the fund was limited by the Articles of Association. But for that limitation the fund would have been increased by a further £2,064. In the circumstances, that latter amount became available for distribution. The ordinary shareholders' dividend fund investment stood at £102,224, or £2,144 less than in 1943.

APPRECIATION OF INVESTMENTS

As regarded the "Investments," they had an appreciation in value of £211,489, or 22 per cent. above book cost. On "General Reserve" the appreciation amounted to £57,651, or over 19 per cent. and on "Ordinary Shareholders' Dividend Fund" the appreciation was £24,535, or 24 per cent. above book cost. Once again it could be said that the Corporation was in a very strong position. Their total invested funds were distributed over some 400 securities amounting at book cost to £1,350,062, with a market value of £1,643,737, showing, therefore, a surplus of £293,675. Less than 3 per cent. of the book cost were investments not quoted on the London Stock Exchange.

Turning to the profit and loss account the revenue figures were gross as were those for 1943. "Interest and Dividends" were some £700 higher than in 1943. "Commission and Fees" were higher by £2,542, a satisfactory figure, indicating much additional work for a depleted staff. "Profit on Realisation of Securities" amounted to £4,575 against a corresponding loss of £1,222 in 1943. The difference this year arose almost entirely from repayment of investments in some cases at prices much in excess of book cost of securities bought during times of depression. The balance available for distribution in respect of the year 1944 was £34,598.

After payment of 5 per cent. on the preference share capital and 7 per cent. dividend on the ordinary share capital, there remained £19,098 net. That amount was divisible in equal parts between the ordinary shareholders' dividend fund and the founders' shareholders, paying to the latter a dividend of £47 14s. 11d. per £10 share, free of income tax, and the remaining £9,549 was added to the ordinary shareholders' dividend fund. In recommending the payment of an additional ordinary dividend of 7 per cent. out of the ordinary shareholders' dividend fund the directors were following the precedent established in 1934, and continued yearly since then.

The report was adopted.

BARROW, HEPBURN AND GALE, LIMITED

TOTAL TURNOVER MAINTAINED

The twenty-fourth ordinary general meeting of this company will be held, on the 22nd instant, at Winchester House, Old Broad Street, London, E.C.

The following is an extract from the statement of Mr George W. Odey (chairman and managing director), circulated with the report and accounts. The accounts for 1944 now presented show a profit for the year of £52,978 as compared with £55,313 for the previous year. After allowing for interest, etc., and reserving £7,500 for depreciation of buildings, we are left with a profit of £42,787, which after paying the 6 per cent. dividend on our preference and ordinary shares, enables us to increase our carry-forward by £5,287 to £106,442.

The total turnover of all our undertakings for 1944 was maintained. The company's productions are all vital to the war effort in a greater or less degree and are subject to a varying extent to governmental control, both with regard to the quantities produced and to the margin of profit permitted.

SOLE LEATHER PRODUCTION

In the case of our sole leather production, which is an important part of the company's activities, we are subject to a special scheme of government control of profit whereby our profits are regulated by the average profit of the trade. This profit control scheme has a number of undesirable features and is causing considerable dissatisfaction to the industry.

The sole leather tanners have given notice to terminate the present scheme, and it is to be trusted that a new scheme will be devised on a simpler basis.

We are suffering increasingly from the difficulty which is affecting so many industries at the present time of obtaining adequate labour. The whole governmental machinery for dealing with this has become so cumbersome that there appears to be little prospect of any early improvement in the position. It is important to stress this fact because labour is undoubtedly our most pressing problem.

Whilst I have little doubt that, before the position of supply and demand is ultimately adjusted, we shall have to go through a period of high prices, there is no need for the period of adjustment to be unduly prolonged because, as a result of progress made during the war, there are many leather substitutes available and these would all tend to bring the price of hides and leather to a reasonable level.

NO REASON FOR PESSIMISM

In spite of the world-wide dislocation of the tanning industry arising as a result of the war, there is no reason for pessimism on the part of our shareholders with regard to the future of this company. We have striven, and shall continue to strive, to make our leather-production plants as efficient as any in the world, and even if we may have anxieties about the future expansion of the tanning industry in this country, it must be remembered that we have other interests, all of which we are determined to develop as opportunities arise.

We are continuing to press our appeal for a substituted standard, but in connection with the question of an increased dividend it must be borne in mind that our large preference shareholding would participate to a quarter of one per cent. in any further improvement in our ordinary dividend and the problem is not, therefore, simply one of an increase on the ordinary dividend which of itself would absorb a comparatively small amount. We have a large repayment of E.P.T. due to us, which will clearly be of the greatest value in enabling us further to modernise and equip our factories and we can look forward to the future with justifiable confidence.

F. W. WOOLWORTH AND COMPANY, LIMITED

MR W. L. STEPHENSON'S STATEMENT

The thirty-sixth annual general meeting of this company will be held on the 23rd instant in London.

The following is an extract from the statement of the chairman, Mr W. L. Stephenson, circulated with the accounts:

Some recovery was made in 1944 over the results of 1943. The increased profit over the year is £665,991, an improvement of 12.80 per cent. It is an indication that there has been a slight easing in supplies of some essential goods. We can accept this as a happy augury. We should, however, at the same time realise we are a long way from complete recovery, and our present figure of £5,869,645 compared with the first full year of £7,958,159 net profit, provides a true picture, but we can be thankful that we have halted the downward trend.

It is proposed that a final dividend of 1s. 9d. per unit shall be paid, making a total dividend of 2s. 3d. per unit for the year 1944, as against 2s. for the previous year.

As to the future trend of trade, one guess is as good as another. A great deal depends on Government policy. There has been much said recently about the urgency of placing ourselves in a position to export our manufactured goods just as soon as we could turn from war to peace. We shall be a debtor nation and it is vitally necessary that we should build up credits as a basis for our import of produce and materials. I venture the humble opinion that these exports of manufactured articles will not eventuate if our home market is withheld, by restriction, from our manufacturers. We shall all have to work hard and skilfully if we are to face competition, and I cannot see any better way of winning export trade than predicating it on our own home market.

BOOKER BROTHERS, McCONNELL AND COMPANY, LIMITED

FUTURE OF DEMERARA SUGAR

The annual general meeting of Booker Brothers, McConnell and Company, Limited, was held, on the 15th instant, in London.

The following is an extract from the statement of the chairman (Sir Alfred Sherlock): For the year ended June 30, 1944, the company made a profit of £140,206 as against £141,601 in the previous year, a result which has been achieved in spite of the fact that the dividend from our main sugar-producing subsidiary was £10,000 less. A satisfactory feature is that the reserve amalgamated balance-sheet is over £1,000,000.

We now have to look at the foundations on which future accounts must rest—the Sugar Estates. The Colony's 1944 crop fell to about 138,000 tons as compared with 196,502 tons in the year 1938, and the prospects for the future are none too promising.

The Demerara sugar industry is not receiving fair treatment in that it has to sell a tenth of its sugar in the Colony at a price which is now £5 a ton below the cost of production and in addition is called upon to bear a production tax of 4s. 2d. a ton to subsidise the cost of other foodstuffs. This means that in addition to income tax and other general taxes the sugar industry is singled out for a special contribution of about £100,000 a year towards the cost of running the Colony.

Trinidad sugar producers on the other hand are receiving from their Government substantial subsidies. Happily we have some reason to hope that a request the Demerara industry has made for an independent official enquiry into the sugar industry will be granted.

The report was adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corrs. Day 1944	Security Indices		Yield	
			30 Ord. Shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Feb. 8	5,702	5,433	112.7	136.8	3.05	3.80
" 9	5,315	5,303	112.9	136.9	3.01	3.79
" 12	7,477	6,293	113.2	136.9	3.03	3.78
" 13	5,851	5,055	113.4	137.0	3.03	3.77
" 14	5,780	5,366	113.8	137.0	3.03	3.76

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 116.9 (Aug. 9); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

(1926 = 100)

1945	Average	Transactions	1945	Average	Transactions
Feb. 1	131.7	1,559,000	Feb. 5	133.7	1,800,000
" 2	132.6	1,871,000	" 6	133.8	1,598,000
" 3	133.1	1,055,000*	" 7	134.0	1,499,000

1944: High, 131.8 (July 14); Low, 115.8 (Feb. 8). * Two-hour session.

(WEEKLY INDICES) (1935-39 = 100)

	1944		Jan. 24, 1945	Jan. 31, 1945	Feb. 7, 1945
	Low Mar. 15	High July 12			
354 Industrials	95.1 (a)	108.4	108.6	110.6	112.7
20 Rails	88.9 (a)	116.8 (d)	116.1	116.3	121.9
28 Utilities	85.0	93.5 (c)	93.2	93.5	96.1
402 Stocks	93.6 (a)	105.7	106.7	108.3	110.7
Av. yield %†	4.84 (b)	4.43	4.63	4.55	4.48

† 50 Industrial Com. Stocks. (a) Feb. 9. (b) May 3. (c) Oct. 18. (d) Dec. 20.

Capital Issues

Week ending February 17, 1945	Nominal Capital	Conversions	New Money
To Shareholders only	2,760,000	2,725,000	...
Particulars of Government issues appear on page 226			
Year (to date)	149,520,718	126,611,442	...
1944	135,832,971	125,540,315	...

Year† (to date)	Destination*		Nature of Borrowing*		
	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.
1945	126,496,192	Nil	125,250	126,184,946	146,250
1944	125,422,065	118,250	Nil	124,954,565	483,750

* Conversions excluded. † Includes Government issues to Feb. 7, 1945, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—Credit conditions were exceptionally difficult last week-end, when some special assistance had to be given to the market. Since then the position has eased, though at no time has there been any superabundance of credit. Heavy tax transfers have again had to be made this week, while at the same time the Treasury resumed floating debt borrowing. Treasury bill maturities this week equalled the payments for new bills after a four-week period, during which there has been a weekly excess of maturities of £10,000,000. Treasury Deposit Receipt payments of £90,000,000 were equal to nominal maturities, but owing to pre-encashments, involved the finding of some £20,000,000 of new money. By Thursday, though heavy tax payments were being transferred, the position had been eased, a helpful factor being the mid-February dividends on Government debt.

MONEY RATES, LONDON.—The following rates remained unchanged between February 8th and February 15th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposit at call, 1%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained

unchanged between February 8th and February 15th. (Figures in brackets are par of exchange).

United States. \$ (4-8½) 4-02½-03½; mail transfers 4-02½-03½. Canada \$ (4-8½) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22½) 17-30-40. French Empire. Francs 197½-200½. Syria. p. 8-81-85. Sweden. Krona (18-159) T.T. 16-85-95. Dutch West Indies. Florin (12-11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama \$4-02-04; mail transfers 4-02-04½. Brazil. 83-8456½ (buying); 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between February 8th and February 15th. Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½ d. Belgian Congo. Francs 176½-1. China. National \$3-3½. Iran. R.I. 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Feb. 7	Feb. 8	Feb. 9	Feb. 10	Feb. 12	Feb. 13	Feb. 14
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-625	90-625	90-500	90-500	90-500	90-500	90-500
Zurich	23-40	23-40	23-40	23-40	23-40	23-40	23-40
Buenos Aires	24-78*	24-78*	24-78*	24-78*	24-78*	24-78*	24-78*
Rio de Janeiro	5-19	5-19	5-19	5-19	5-19	5-19	5-19
Lisbon	4-07	4-07	4-07	4-07	4-07	4-07	4-07
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official Buying Rate 29-78. † Free Rate. § Bid.

INDUSTRY AND TRADE

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE

	Daily Average Sales Percentage Change			Stocks (at Cost) End Dec.
	1944	1944	1944	
	Oct.	Nov.	Dec.	
(a) By Commodities				
Non-food Merchandise:—				
Piece-goods	+12.7	+22.0	+18.0	-22.1
Women's Wear	+10.9	+22.7	+21.2	-19.4
Men's and Boys' Wear	+19.4	+26.5	+27.1	-29.7
Boots and Shoes	+2.7	+10.6	+8.6	-16.4
Furnishing Departments	-0.6	+13.2	+12.5	-14.3
Hardware	-0.7	+8.3	+2.8	-24.7
Fancy Departments	+4.9	+9.7	+8.2	-3.9
North and Travel	+13.6	+28.9	+15.7	-13.6
Miscellaneous	+4.6	+7.5	+5.0	-21.4
Total	+7.5	+16.3	+13.6	-15.8
Food and Perishables	+2.0	+3.7	+6.0	-11.0
Total	+4.4	+8.7	+9.0	-15.4
(b) Districts				
Scotland	+3.4	+9.2	+11.5	-14.1
North-East	+5.4	+9.2	+12.0	-14.7
North-West	+4.8	+11.3	+10.5	-15.2
Midland and S. Wales	+5.6	+7.8	+9.4	-17.0
South England	+6.7	+11.4	+9.7	-6.6
Central and West-End London	+5.0	+13.5	+5.8	-23.1
Suburban London	+1.8	+1.2	+4.4	-11.8
Unallocated	+3.1	+8.2	+5.0	...

Source: Board of Trade Journal

"The Economist" Sensitive Index.—During the week ended February 13th the crop component of the sensitive index (1935=100), rose from 135.7 on February 8th to 135.8 on February 9th, owing to a rise in the price of Canadian wheat. The raw materials index remained unchanged at 185.5, and the complete index, which stands at 158.7, was not affected.

Cotton Cloth Export Allocations.—The Cotton Board has issued cotton piece goods export allocations for the first period of 1945. Reductions have been made for certain markets, but on the whole the previous pattern has been followed. A new feature is that owing to the shortage of European styles in India a small allocation of about two million square yards has been made available, this market having been excluded from the allocation list for some considerable time. The general restrictions on export production remain virtually unchanged, but there are some exceptions. Applications for all widths of sheetings will now be considered and some drill production will be available. Cloths containing 2/80s Egyptian yarns will not be allowed. The yardage for South Africa again is a ceiling token and sales will have to be made against certificates issued by the High Commissioner's Office in London. Arrangements have been made to revert to normal French West Africa channels of trade. The latest date for applications for production against the current allocations is February 28th, giving longer than usual. It is estimated that total allocations amount to about 70 million square yards, and of this total, 20 per cent will be reserved under the free production scheme. Owing to manufacturers' long order lists some difficulties may be found in placing orders against the allocations. In general, weaving concerns in Lancashire are fully sold for over six months ahead and some of the contracts now being arranged will not be completed until the end of the year.

GOVERNMENT RETURNS

For the week ended Feb. 10, 1945, total ordinary revenue was £100,813,000, against ordinary expenditure of £103,136,000 and issues to sinking funds of £420,000. Thus, including sinking fund allocations £1,808,210, the deficit accrued since April 1st is £2,498,805,000 against £2,419,746,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	April 1 to Feb. 12, 1944	April 1 to Feb. 10, 1945	Week ended Feb. 12, 1944	Week ended Feb. 10, 1945
ORDINARY REVENUE					
Income Tax	1,300,000	926,214	992,173	56,786	62,586
Sur-tax	80,000	57,262	52,003	6,070	6,150
Estate, etc.	100,000	84,187	92,864	2,440	1,948
Duties	19,000	15,140	12,435	...	...
S.T.C.	500,000	27,035	29,034	984	504
E.P.T.	1,000	413,858	420,382	9,415	6,724
Other Ind. Rev.	...	658	432	160	55
Total Ind. Rev.	2,000,000	1,524,354	1,599,323	75,855	77,967
Customs	564,900	477,231	499,726	12,645	14,432
Excise	472,900	420,500	437,100	4,545	6,401
Total Customs & Excise	1,037,800	897,731	936,826	17,190	20,833
Motor Duties	27,000	26,751	27,781	135	481
P.O. (Net Receipts)	4,850	3,940	3,990	...	...
Wireless Licences	800	950	880	...	...
Crown Lands	7,350	6,366	7,079	63	63
Sundry Loans	24,000	67,437	69,175	1,000	1,468
Miscell. Receipts	310,180	252,752	264,505	94,243	100,813
Total Ord. Rev.	3,101,800	2,527,528	2,645,054	94,243	100,813
SELF-BALANCING P.O. & Broadcasting	112,370	97,650	102,050	2,500	3,000
Total	3,214,170	2,625,178	2,747,104	96,743	103,813

Expenditure	Estimate, 1944-45	April 1 to Feb. 12, 1944	April 1 to Feb. 10, 1945	Week ended Feb. 12, 1944	Week ended Feb. 10, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Debt	430,000	307,993	341,216	...	2,067
Payments to N. Ireland	9,000	6,775	7,634	...	594
Other Govt. Fund Services	7,000	6,881	6,966	...	...
Total	436,000	321,649	355,815	...	2,661
Supply Services	550,139	461,383	478,235	110,909	100,475
Total	986,139	783,032	834,050	110,909	103,136
SELF-BALANCING P.O. & Broadcasting	112,370	97,650	102,050	2,500	3,000
Total	1,100,509	880,682	936,100	113,409	106,136

A change has been made in the method of showing the excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £42,339 to £3,372,925, the other operations for the week (no longer shown separately) increased the gross National Debt by £2,695,312 to £22,084 million.

NET RECEIPTS (£ thousands)	
Land Settlement (Facilities) Acts	16
NET ISSUES (£ thousands)	
Overseas Trade Guarantees	10

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1944				
Feb. 12	1170-0	Not available	...	...
Nov. 11	1470-0	...	...	...
" 18	1470-0	...	...	...
" 25	1470-0	...	...	...
Dec. 2	1470-0	...	...	...
" 9	1470-0	...	...	...
" 16	1470-0	...	...	...
" 23	1470-0	...	...	...
" 30	1470-0	...	...	...
1945				
Jan. 6	1470-0	...	...	...
" 13	1470-0	...	...	...
" 20	1460-0	...	...	...
" 27	1450-0	...	...	...
Feb. 3	1440-0	...	...	...
" 10	1430-0	...	...	...

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment	Per Cent. Allotted at Min. Rate
1944					
Feb. 11	90-0	206-5	90-0	20 0-81	22
Nov. 10	110-0	206-1	110-0	20 0-43	35
" 17	110-0	209-7	110-0	20 0-43	36
" 24	110-0	217-5	110-0	20 1-83	30
Dec. 1	110-0	232-4	110-0	20 0-72	21
" 8	110-0	221-7	110-0	20 1-33	32
" 15	110-0	219-1	110-0	20 1-05	28
" 22	110-0	205-4	110-0	20 1-50	27
" 29	110-0	208-0	110-0	20 0-67	17
1945					
Jan. 5	110-0	224-2	110-0	20 1-81	36
" 12	110-0	211-1	110-0	20 1-50	37
" 19	110-0	216-3	110-0	20 1-19	32
" 26	110-0	207-8	110-0	20 0-31	39
Feb. 2	110-0	225-0	110-0	20 0-26	29
" 9	110-0	216-0	110-0	20 0-13	31

On February 9, applications at £99 15s. 1d. for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 31 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 2d. for bills to be paid for on Tuesday were accepted in full. £110 millions of Treasury Bills are being offered for February 16. For the week ended February 17, the banks will be asked for all Treasury deposits to a maximum amount of £90 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
1944				
Dec. 5	4,570	1,708	4,415	8,012
" 12	4,124	1,697	4,352	10,448
" 19	3,926	1,671	3,531	5,191
" 26	2,516	864	3,072	3,158
1945				
Jan. 2	4,768	1,617	5,848	3,351
" 9	4,798	2,385	5,659	8,227
" 16	4,647	2,022	5,923	10,102
" 23	4,950	1,774	5,755	10,398
" 30	4,036	1,548	5,587	11,118
Feb. 6	5,034	1,794	4,178	11,777
" 13	...	...	7,052	11,573
Totals to date	1,313,593*	787,372*	1,857,497†	103,629‡

* 272 weeks. † 215 weeks. ‡ 15 weeks.
 † Including all Series.
 Interest free loans received by the Treasury up to Feb. 13th amounted to a total value of £70,274,513. Up to Jan. 27th principal of Savings Certificates to the amount of £203,070,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold	Silver
1945		
Feb. 8	Rs. 72 10	Rs. 125 10
" 9	72 3	124 6
" 10	72 0	124 13
" 12	72 14	123 2
" 13	72 8	122 6
" 14	72 5	123 8

BANK OF ENGLAND RETURNS

FEBRUARY 14, 1945

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	11,015,100
In Circulation	Other Govt.	12,358,353,038
In Bank, Department	Other Secs.	619,664
	Silver Coin	12,198
	Amt. of Fid.	1250,000,000
	Gold Coin and Bullion (at 168s. per oz. fine)	241,718
		1250,241,718

BANKING DEPARTMENT

Props' Capital	14,553,000	Govt. Secs.	216,892,764
Rest	3,424,779	Other Secs.	10,807,573
Public Deps.	13,246,754	Discounts & Advances	14,124,899
Other Deps.	183,589,374	Securities	24,332,471
Bankers	59,273,589	Notes	31,334,653
Other Accts.	242,862,963	Gold & Silver Coin	1,527,609
	274,087,496		274,087,496

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS (£ millions)

	1944	1945
Issue Dept.		
Notes in circulation	1075-8	1219-6
Notes in banking department	24-5	30-6
Government debt and securities*	1099-4	1249-3
Other securities	0-6	0-7
Silver Coin	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Public	8-7	11-6
Bankers	167-4	176-5
Others	53-8	57-8
Total	229-9	245-9
Banking Dept. Secs.:		
Government	205-5	240-7
Discounts, etc.	2-2	6-6
Other	14-9	23-0
Total	222-6	270-3
Banking depart. res.	25-1	32-1
" Proportion "	10-9	11-2

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS

	Week Ended	Aggregate from Jan. 1 to
	Feb. 12, 1944	Feb. 10, 1945
Working days	6	39
Birmingham	1,597	12,250
Bradford	2,195	12,397
Bristol	666	4,522
Hull	523	3,921
Leeds	977	8,825
Leicester	799	5,593
Liverpool	5,623	33,076
Manchester	3,102	22,714
Newcastle	1,705	11,899
Nottingham	470	2,878
Sheffield	751	7,705
Southampton	133	1,121
12 Towns	18,541	126,899
Dublin	8,105	43,793

* Feb. 5, 1944, and Feb. 3, 1945.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE Million \$'s

12 U.S.F.R. BANKS	Feb. 10, 1944	Jan. 25, 1945	Feb. 1, 1945	Feb. 8, 1945
RESOURCES				
Gold certifs. on hand and due from Treasury	19,417	17,789	17,769	17,748
Total reserves	20,051	18,684	18,665	18,657
Total U.S. Govt. sec.	351	291	293	284
Total loans and sec.	11,169	18,620	19,005	19,062
Total liabilities	11,201	18,765	19,186	19,265
Total resources	32,958	39,774	39,929	39,884
LIABILITIES				
F.R. notes in circ.	17,085	21,647	21,748	21,846
Excess mr. bank res.	1,550	1,200	1,000	900
Mr. bank res. dep.	12,482	14,085	13,884	13,950
Govt. deposits	8	479	648	593
Total deposits	14,197	15,961	16,165	16,186
Total liabilities	32,958	39,774	39,929	39,884
Reserve ratio	64-0%	49-7%	49-2%	49-1%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,836	20,571	20,550	20,548
Treasury & bank currency	4,094	4,129	4,127	4,126
LIABILITIES				
Money in circulation	20,586	25,175	25,290	25,411
Treasury cash and dep.	2,323	2,859	3,018	2,965

BRITISH WHOLESALE PRICES

	Jan. 30, 1945	Feb. 13, 1945
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	50 9	51 0
Eng. Gaz. av. per cwt. (e)	14 3	14 6
Flour per 280 lb.	...	...
Straights d/d London	40 0	40 0
Barley Eng. Gaz. av. per cwt. (e)	25 1	25 1
Oats (e)	18 1	17 6
Maize, Argentine, per ton	10/0/0	10/0/0
MEAT—Beef, per 8 lb.	5 4	5 4
English long sides	6 7	6 7
Imported hinds	6 0	6 0
Mutton, per 8 lb.—English	5 2	5 2
Imported	8 4	8 4
Pork, English, per 8 lb.	5 2	5 2
BACON—(per cwt.)—Wilts, cut side	142 0	142 0
HAMS—(per cwt.)—Green	147 0	147 0

OTHER FOODS

BUTTER (per cwt.)—All Grades, First hand	151 4	151 4
CHEESE (per cwt.)—Home Produced	99 2	99 2
Imported	99 2	99 2
COCOA (per cwt.)—Acra, g.f.	45 0	45 0
Grenada fine	81 0	81 0
EGGS (per 120)—English	14 9	14 9
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—English	5 0	5 0
SUGAR (per cwt.)—Centrifugals, 96%, prpt. shippm.	...	...
c.i.f. U.K./Cont.	...	...
Refined London	...	...
Granulated, 2 cwt. bags	49 10	49 10
Granulated, 2 cwt. bags, domestic consumption	30 11	30 11
West India Crystallised	47 6	47 6
Indian stemmed and unstemmed	1 0	1 0
Rhodesian, stemmed and unstemmed	3 2	3 2
stemmed	3 6	3 6

TEXTILES

COTTON (per lb.)—Raw, Mid-American	12-75	12-75
Giza, F.G.F.	15-05	15-05
Yarns, 36's Ring Beams	24-08	24-08
42's Cop Weft	23-06	23-06
60's Twist (Egyptian)	33-00	33-00
Cloth, per 100 yards—31 in. Printer, 64 x 64	43 3	43 3
36's & 42's	...	...
Cambric Shirting, 32 in. 72 x 60, 24's & 24's	58 5	58 5

METALS

COPPER (per lb.)—Copper, Connecticut	12-00	12-00
tin, N.Y., Straits, spot	52-00	52-00
Lead, N.Y., spot	6-50	6-50
Spelter, East St. Louis, spot	8-25	8-25

(a) & 7s. per ton net paper bags, jute sacks charged 1s. 9d., credited 1s. 6d. on return.
 (c) Price is at buyer's premises.

BANK FOR INTERNATIONAL SETTLEMENTS—Million Swiss gold francs of 0.29 grammes

	July 31, 1943	May 31, 194
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THE OUTLOOK FOR INTERNATIONAL LAW

By J. L. Brierly

6/- net

International Law has come to the forefront of attention during the war, and will play a large part in the ultimate settlement of the peace. This book, by the Chichele Professor of International Law and Diplomacy in the University of Oxford, aims at providing the general reader with the necessary background to his thinking. The author considers the existing system, traces its historical development, and outlines the part which International Law is bound to play during the years ahead.

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By Tibor Barna

(Shortly)

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ISSUED BY THE MINISTRY OF FUEL AND POWER

URGENT CALL

To Cut Consumption of GAS AND ELECTRICITY

Ice-bound coal trains, an unprecedented strain on gas works and power stations—these were the consequences of the recent abnormal weather. It will take time for coal stocks to recover from the effects of these conditions.

All consumers must make a special effort to cut gas and electricity consumption everywhere, at home and in the works, in offices, shops, restaurants and hotels.

FROM INDUSTRY AN ALL-ROUND CUT OF 10% HAS BEEN ASKED. Management must see that these savings are made without harm to essential war production. A good fuel watching system will be found invaluable.

Unless an all-round economy of at least 10% can be secured and maintained by voluntary efforts, the Government will be compelled to issue directions which would necessarily give less latitude to the industrial user.

**THE SITUATION CALLS FOR THE FULLEST
CO-OPERATION FROM EVERYONE WHO USES
GAS AND ELECTRICITY**

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.																							
Prices, Year 1944		Prices, Jan. 1 to Feb. 13, 1945		Name of Security		Price, Feb. 6, 1945		Price, Feb. 13, 1945		Yield, Feb. 13, 1945		Prices, Jan. 1 to Feb. 13, 1945		Last Two Dividends		Name of Security		Price, Feb. 6, 1945		Price, Feb. 13, 1945		Yield, Feb. 13, 1945	
High	Low	High	Low									High	Low	(a)	(b)	(c)							
British Funds																							
82½	78½	83	81½	Consols 2½%	82½	83	3	0	3	55/3	53/-	7	b	4	a	4	Rabcock & Wilcox Ltd.	51/9	53/6	4	2	3	
111½	108½	111	110½	Consols 4% (after 1957)	110½	111	3	12	1	53/-	51/-	3	a	11	b	3	Bolton Colliery Ord.	51/9	51/6	6	2	6	
100½	100½	100½	100½	Conv. 2% 1943-45	100½	100½	1	19	10	29/11	27/3	16	b	13	a	10	Brown (John) Ord.	27/6	27/9	3	12	0	
102½	101½	102½	101½	Conv. 2% 1944-49	100½	101½	2	5	0	100/7	98/-	15	b	5	a	5	Cory (Wm.) Ltd.	98/6	98/3	4	1	0	
103½	102½	103½	102½	Conv. 3% 1948-53	102½	102½	2	1	3	28/-	27/6	8	c	8	c	8	Dorman Long Ord.	27/6	28/-	5	19	0	
106½	103½	107½	106½	Conv. 3½% (after 1961)	106½	107	3	5	5	40/-	37/9	6	b	4	a	4	Guest Keen & Eard. Ord.	37/3	37/9	5	4	0	
109½	106½	109½	106½	Exch. Bds. 1½% 1950	100½	100½	1	14	6	32/7	31/-	7	a	15	b	15	Hadfields Ord.	31/3	31/3	2	12	6	
96½	96½	98½	97½	Funding 2½% 1956-61	98½	98½	2	12	0	53/9	52/6	12	a	14	b	14	Staveley Coal Ord.	52/9	53/6	4	6	0	
101½	100½	101½	100½	Funding 2½% 1952-57	101½	101½	2	12	0	53/4	55/3	12	c	12	c	12	Stewarts and Lloyds	57/6	58/3	4	6	0	
114½	99½	114½	100½	Funding 3½% 1959-69	101½	101½	2	12	0	53/4	55/3	8	b	4	a	4	Swan, Hunter Ord.	42/3	42/6	6	5	0	
111½	112	114½	113½	Funding 4% 1960-70	114½	114½	2	17	6	13/6	12/3	12	c	12	c	12	Thomas and Bald Ord.	25/-	25/9	6	4	0	
102½	100½	102½	101½	Nat. Def. 3% 1954-58	102½	102½	2	15	0	26/9	24/10	2	a	5	b	5	United Steel Ord.	18/6	18/6	5	8	0	
102½	101½	101½	101½	War Bonds 2½% 1945-47	101½	101½	2	9	9	13/1	18/11	6	b	4	a	4	Vickers	18/6	18/6	5	8	0	
102½	100½	102	100½	War Bonds 2½% 1949-51	101½	102	2	9	3	13/1	18/11	6	b	4	a	4							
101	100	101½	100½	War Bonds 2½% 1952-54	100½	100½	2	7	9	15/4	13/6	Nil	c	Nil	c	Nil	Blackburn Association	14/-	14/3	Nil			
101	97½	101½	100½	Savings Bds. 3% 1955-65	101	101½	2	18	0	27/6	24/10	Nil	c	4	c	4	Bradford Dwers Ord.	26/9	27/3	2	18	6	
100	99½	101½	100	Savings Bds. 3% 1960-70	100½	100½	2	19	6	37/11	30/4	Nil	c	15	c	15	British Celanese Ord.	31/3	32/9	4	11	0	
101	100	100½	100	Savings Bds. 3% 1965-75	100½	100½	2	19	6	52/6	49/6	5	b	3	a	3	Coats, J. & P. Ord.	50/9	52/3	3	19	0	
113½	111½	114½	112½	Victory Bonds 4%	112½	113	2	18	0	58/3	54/10	5	b	2	a	2	Courtaulds Ord.	54/6	55/6	3	2	0	
102½	100½	103½	102½	War Loan 3% 1955-59	102½	103½	2	14	0	26/9	24/3	3	c	4	c	4	Fine Cotton Spinners	24/6	25/-	5	4	0	
104½	102½	105½	104½	War Loan 3½% aft. 1952	104½	105	3	6	8	5/2	4/3	2	a	5	b	5	Hoyle (Joshua) 2/-	4/7	4/10	3	2	6	
94½	93½	95½	94½	Local Loans 3%	95½	95½	3	2	10	38/-	35/6	7	a	7	c	7	Lancs. Cotton Corp.	36/6	36/3	4	2	9	
Dom. & Govt. Bonds																							
103½	100½	101½	100½	Australia 5% 1945-75	101½	101½	4	18	0														
105½	101½	102½	102	New Zealand 5% 1946	102½	102½	4	17	7	117/9	114/6	15	b	5	a	5	Callenders Cable & C.	116/-	116/3	3	8	9	
112	109½	110	109½	Nigeria 5% 1950-60	109½	110	2	17	6	34/7	33/11	7	a	15	b	15	Crompton Park 'A' 5/-	34/3	34/6	5	5	0	
Corporation Stocks																							
108½	104½	106½	105	Birmingham 5% 1946-56	105	105½	2	8	0														
94½	93	95½	94½	L.C.C. 3%	95	95	3	0	2	45/9	43/-	3	a	5	a	5	County of London	44/9	45/-	3	11	0	
90½	89	90½	89	Liverpool 3% 1954-64	100	100	3	0	0	23/12	22/3	2	a	2	a	2	Gas Light & Coke Ord.	22/9	22/6	4	8	9	
106½	104	106½	105	Middlesex 3½% 1957-62	105	106	2	18	0	35/9	34/11	4	b	2	a	2	North-East Electric	34/6	35/-	4	0	0	
Foreign Governments																							
82½	81	83½	81½	Argentina 3½% Bds. 1972	83	93½	3	18	0	34/4	29/9	10	c	20	c	20	Scottish Power Ord.	40/6	40/6	4	3	9	
82½	81	83½	81½	Brazil 5% Funding 1914	75½	75½	4	13	1	27/6	25/10	7	c	7	c	7	Austin 'A' Ord. 5/-	32/-	33/-	5	0	0	
28½	26½	28½	26½	Chile 6% (1929)	22½	22½	5	0	0	14/11	14/3	6	b	4	a	4	Birmingham S.A.	26/3	26/6	5	13	3	
57½	44	57½	44	Chinese 5% 1913	51	50	Nil			17/17	17/7	15	a	17	b	15	Bristol Aeroplane 10/-	14/6	14/6	4	1	0	
94½	89½	94½	89½	Portuguese 3%	91½	91½	3	5	7	37/4	36/6	6	c	6	c	6	Ford Motors Ord.	57/-	57/3	3	2	9	
75½	63½	75½	63½	Spanish 4%	68½	68	5	17	8	18/3	17/7	15	a	17	b	15	Hawker Siddeley 5/-	17/9	17/10	3	14	0	
Iron, Coal and Steel																							
										84/3	81/10	2	a	12	b	12	Lucas (Joseph) Ord.	81/3	81/3	5	19	6	
										46/11	42/10	17	b	10	a	10	Morris Motors 5/- Ord.	43/6	44/-	5	17	0	
										111/3	103/9	20	c	20	c	20	Rolls-Royce Ord.	102/6	103/9	5	17	0	
Shipping																							
										24/3	21/9	6	c	2	a	2	Cunard Ord.	23/-	23/-	5	4	0	
										26/11	25/11	6	c	2	a	2	Furness, Withy Ord.	25/9	25/9	4	13	0	
										42/9	41/3	2	a	6	b	6	P & O Def. 1/-	41/7	41/9	4	16	0	
										25/3	24/3	6	c	6	c	6	Royal Mail Lines Ord.	24/7	24/6	4	19	3	
										23/7	23/7	5	c	5	c	5	Union Castle	24/-	23/9	4	4	0	
Tea and Rubber																							
										21/9	19/9	2	c	Nil	c	Nil	Anglo-Dutch of Java	20/3	20/9	Nil			
										41/6	39/6	2	a	7	b	7	Jokai (Assam) Tea	41/3	40/6	4	19	3	
										2/10	2/7	6	b	Nil	c	Nil	London Asiatic Rbr. 2/-	2/9	2/9	Nil			
										25/6	24/-	Nil	c	Nil	c	Nil	Rubber Pltns. Trust	24/3	24/9	Nil			
										37/6	35/9	Nil	c	Nil	c	Nil	United Siam Betong	36/6	37/-	Nil			
Oil																							
										111/4	106/3	15	b	5	a	5	Anglo-Iranian Ord.	110/-	113/11	5	10	6	
										88/11	82/6	10	b	2	a	2	Burmah Oil Ord.	85/-	85/9	1	5	0	
										85/38	81/3	12	b	10	a	10	Shell Transport Ord.	84/4	85/9	5	2	6	
										96/10	89/4	5	a	10	b	10	Trinidad Leaseholds	95/-	96/3	5	2	6	
Miscellaneous																							
										26/12	22/3	10	b	7	a	7	Assoc. Ref. Picture 5/-	22/6	22/3	5	18	6	
										64/-	61/6	10	b	10	a	10	Assoc. P. Cement Ord.	63/-	63/3	5	3	0	
										70/-	70/-	10	c	10	c	10	Barker (John) Ord.	11/-	11/7	2	15	0	
										56/-	53/6	24	c	30	c	30	Barker Bros. Ord.	53/9	55/6	2	14	0	
										46/6	45/3	7	b	3	b	3	British Aluminium	46/-	46/6	4	16	6	
										111/10	110/10	110	c	110	c	110	Brit. Amer. Tobacco	117/6	120/-	1	16	0	
										83/9	83/9	8	b	8	b	8	British Oxygen Ord.	83/9	84/-	3	14	2	
										85/-	83	4	c	4	c	4	Cable & W. Hdr. Sdk.	84/-	85/-	3	19	6	
										153/9	150/-	12	a	17	b	17	Carreras 'A' Ord.	150/-	152/6	4	9	9	
										49/3	45/9	8	c	8	c	8	Dunlop Rubber Ord.	48/-	49/-	2	5	0	
										37/3	33/7	8	c	8	c	8	Elec. & Mus. Ind. 10/-	34/-	35/6	2	18	6	
										22/6	20/-	6	c	6	c	6	Gaumont British 10/-	20/3	20/6	5	3	0	
										39/6	37/9	12	a	12	b	12	Gestetner Ltd. 5/-	38/6	38/3	2	3	0	
										91/3	90/-	2	a	7	b	7	Harrisons & Cros. Def.	91/3	91/9	4	2	9	
										40/-	38/4	5	b	3	a	3	Imperial Chemical Ord.	38/9	38/9	8	2	3	
										84/-	77	17	a	10	b	10	Imperial Tobacco Ord.	77	77	4	15	0	
										37/1	37/1	32	c	32	c	32	International Nickel n.p.	38/4	38/4	2	2	0	
										67/6	65/-	5	c	5	c	5	Lever & Brielner Ord.	66/6	67/3	3	15	0	
										70/3	66/-	10	c	10	c	10	London Brick Ord.	66/3	66/3	3	10	0	
										105/-	100/-	7	a	12	b	12	Mack & Spencer 'A' 5/-	101/3	102/6	2	7	0	
										46/3	40/3	15	c	20	c	20	Murex (I. Ord.)	43/11	42/6	2	7	0	
										38/6	37/6	3	a	10	c	10	Odeon Theatres 5/-	39/-	39/6	3	13	3	
										75/3	73/6	3	a	10	c	10	Pinchin Johnson Ord.	73/9	73/6	3			

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1945	+ or -	1945	+ or -
B.A. and Pacific	32	Feb 10	\$2,430,000		66,301,000	
B.A. Gt. Southern . . .	32	" 10	13,519,000	+ 203,000	102,839,000	+ 8,953,000
B.A. Western	32	" 10	11,093,000	+ 28,000	65,900,000	+ 6,554,000
Canadian Pacific . . .	5	" 7	\$5,517,000	+ 141,000	29,607,000	+ 295,000
Do. Gross	a12	Dec. 31	\$2,592,590	-1,691,000	318,871,000	-21,763,000
Do. Net	a12	" 31	\$4,750,000	-268,000	43,160,000	-6,052,000
Central Argentine . . .	32	Feb 10	\$29,999,000	+ 274,800	91,920,000	+12,526,300
U. Rlys. of Havana . .	32	" 10	63,792	-11,789	1,574,178	+ 17,965

† Receipts in Argentine pesos. (a) Months in Year 1944

NEW YORK PRICES

		Close		Close		Close		Close	
		Feb.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.
1. Railroads.									
Atlantic Coast	55	59						20	21
Can. Pacific	111	111						30	38
Et. Nthn. Pf.	48	48						37	69
N.Y. Central	23	23						69	26
Pennsylvania	35	35						56	58
Southern	37	38						57	104
3. Commercial and Industrial.									
Am. Smelting	43	43						20	21
Am. Viscose	46	46						30	38
Anacorda	31	31						37	69
Beth. Steel	69	70						69	26
Briggs Mfg.	41	40						56	58
Celanese of Amer.	38	42						57	104
Chrysler	98	98						104	27
Distillers-Seag.	39	44						27	27
Eastman Kodak	177	177						58	28
Gen. Electric	39	39						17	17
Gen. Motors	65	66						101	121
Inland Steel	85	85						43	43
Int. Harvester	77	78						120	121
Inter. Nickel	29	30						43	43
Int. Paper								20	21
Liggett Myers								30	38
Nat. Distillers								37	69
Nat. Steel								69	26
Phelps Dodge								56	58
Proct. Gamble								57	104
Sears Roebuck								104	27
Shell Union								27	27
Std. Oil N. J.								58	28
20th Cen. Fox								17	17
United Drug								101	121
U.S. Steel								43	43
West'house E.								120	121
Woolworth								43	43
2. Utilities, etc.									
Amer. Tel.	162	162						27	27
Int. Telephone	24	25						17	17
Pacific Light	49	49						101	121
People's Gas	71	73						43	43
Sth. Cal. Ed.	27	29						120	121
W. Union Tel.	45	46						43	43

CVS-9

BACKGROUND TO ACHIEVEMENT



Flight

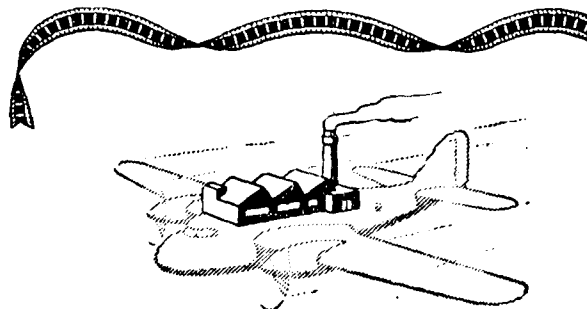
SCARCELY a British plane takes to the air without the assistance of BTH. From the pulsating magneto with its vital spark to the tiny Mazda lamp on the control board, BTH has contributed a generous quota to flying efficiency. Included in this electrical equipment are starters, generators,

air-compressors, engine-speed indicators, under-carriage and flap-operating equipment, petrol pump motors, etc. In war-time BTH research has contributed much to the efficiency of the air-arm in combat and defence, and especially in the development of Air Commodore Whittle's jet engine.

BTH

THE BRITISH THOMSON HOUSTON CO. LTD.

IA 104



Send your factory round the world

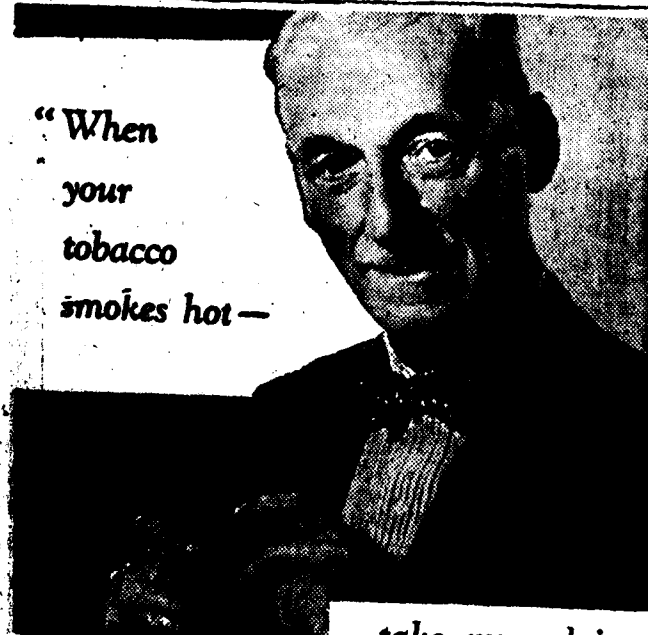
The old method of export selling was arduous and slow. The Sales Director with his samples and specifications tried to interest buyers, and successes were hard won. The modern Sales Director is armed with a new tool. The film can carry overseas, in as many languages as you wish, the whole carefully considered story of your product and organisation, equivalent to a personally conducted tour of your works. It can also provide your representatives with the proper prestige background and help them to make new contacts. It is clear that British salesmen will in future have to compete with others already so equipped. To make such a film you must have the advice of creative people, experienced in the art of successful film propaganda, backed by the best technical resources.

THE FILM PRODUCERS GUILD

PRODUCERS AND DISTRIBUTORS OF DOCUMENTARY
INDUSTRIAL, EDUCATIONAL AND NATIONAL
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"When
your
tobacco
smokes hot—



take my advice
and cool it down with Grand Cut"

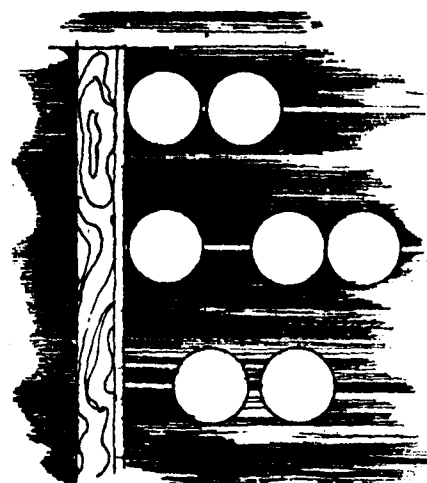
Grand Cut

FLAKE OR READY RUBBED

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone
smokes even cooler and more slowly.

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Who supplied
your Abacus?

You would not (we know) think of equipping your counting house with bead frames, but are you aware of the possibilities of scientifically planned mechanical accounting? Hollerith effects economies in time, money and man-power, and ensures a degree of accuracy undreamed of before its advent. May we talk this over with you?

"HOLLERITH"
ELECTRICAL PUNCHED CARD ACCOUNTING

The British Tabulating Machine Co. Ltd., Victoria House, Southampton Row, London, W.C.1: Hol. 78

ARE YOU OVER
17 YEARS OLD?

UNLESS you are over 17, there have been no Black Magic Chocolates since you were 14; and at that age (if we remember aright) chocolates were chocolates and never mind the name.

But if you are over 17, the words "Black Magic" probably strike a chord in your memory.

Let us help a little.

A very plain box—glossy black, with a few white lines on it.

Twelve different kinds of chocolates, in simple paper cups, without any fripperies.

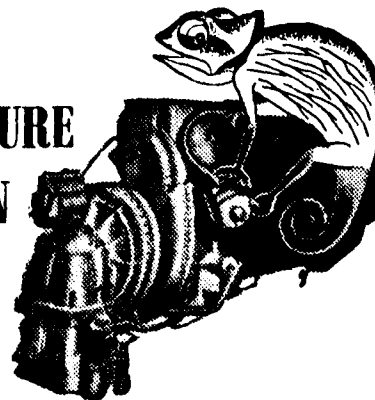
Truffle-and-Nougat, Hazel Cluster, Liquid Cherry, Orange Cream, Strawberry Cup . . . heigh-ho. The girls loved 'em; and the boys took no poor view of them, either.

And now, you say, here it comes—"Come Peace, come Black Magic." But nothing of the sort. There will be a lot of pre-war goods back in the shops before Black Magic; for though we shall move fast, we shall take no short cuts—no half measures, no skimping.

Don't expect to buy Black Magic on Armistice Day; but when you do buy it, it will be as good as ever. We believe it will be better, but that will be for you to say.

Black Magic

BOWNTREE & CO. LTD., YORK

TEMPERATURE
CHAMELEON

YOU know the chameleon will change its colour according to the demands of the surroundings. But did you know that he can also register changes in temperature? How useful he would be for registering temperature changes in an engine under test. The problem of getting this little magician from Madagascar to sit still on a Rolls-Merlin engine would of course present its difficulties. The Ministry of Supply would hate the idea.

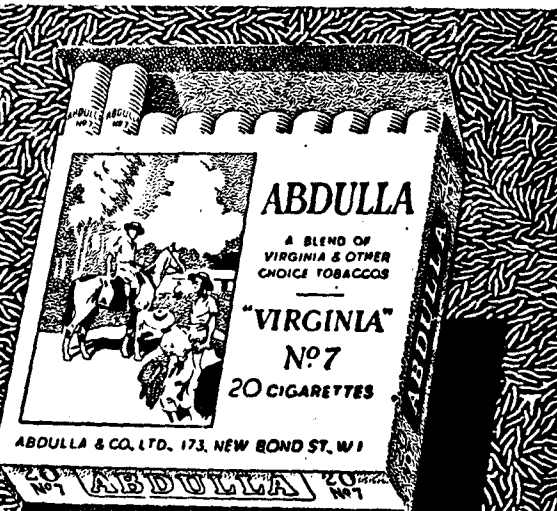
Fortunately, there is something else which will do this job much more effectively—heat-sensitive paints. These paints are on the market but their full commercial development is yet to come.

Some heat-sensitive paints contain iodine, an element which is playing an increasingly important part in our lives. New uses are constantly being found for iodine in medicine, agriculture and industry. Its field of application is so large that in 1938 the IODINE EDUCATIONAL BUREAU was set up in London to collate and distribute the mass of information on iodine which had accumulated in the last 100 years. The services of this bureau are available free to any institution or manufacturer with an iodine problem.



Iodine Educational Bureau

13 STONE HOUSE, BISHOPSGATE, LONDON, E.C.2



At 2/8 for 20, Abdulla No. 7 is a cigarette* of outstanding quality with a charm of its own—a charm which comes from superb tobacco and masterly manufacture. It's larger and firmer than the ordinary cigarette, too.

P.S. In the wardrooms of H.M. Navy, they smoke literally millions of No. 7 every year—and you know what sailors are!

* For Virginia smokers

ABDULLA No. 7

JOHN STUART MILL

On Liberty

"Every function super added to those already exercised by the government causes its influence over hopes and fears to be more widely diffused, and converts, more and more, the active and ambitious part of the public into hangers-on of the government, or of some party which aims at becoming the government. If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities, and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration; if the employes of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name. And the evil would be greater, the more efficiently and scientifically the administrative machinery was constructed—the more skilful the arrangements for obtaining the best qualified hands and heads with which to work it."

Extract from John Stuart Mill's "On Liberty"



The British Omnibus Companies Public Relations Committee.

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA.

(Incorporated by Royal Charter 1853)

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REFUGEE ASSURANCE COMPANY LTD.

Head Office: OXFORD STREET, MANCHESTER, 1**ANNUAL INCOME EXCEEDS - £14,500,000****ASSETS EXCEED - £85,000,000****CLAIMS PAID EXCEED - £155,000,000**

(1943 Accounts)

GOVERNMENT OF SOUTHERN RHODESIA

FOUR AND A HALF PER CENT. INSCRIBED STOCK, 1958/59

CITY OF JOHANNESBURG

FIVE PER CENT. INSCRIBED STOCK, 1950/50

NOTICE is HEREBY GIVEN that in order to prepare the Warrants for interest due 3rd April next the BALANCES of the several Accounts in the above-mentioned Stocks will be STRUCK on the night of the 1st March and that on and after the 2nd March the Stocks will be transferable ex dividend. For Barclays Bank (Dominion, Colonial and Overseas).

C. D. ALCOCK, Manager.

Circus Place, London Wall, E.C.2. 8th February, 1945.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—DIVIDEND NOTICE.—ORDINARY CAPITAL STOCK.—At a meeting of the Board of Directors held to-day a dividend of Three per cent. (seventy-five cents per share) on the Ordinary Capital Stock in respect of and out of earnings for the year 1944 was declared payable in Canadian funds on March 31st, 1945, to shareholders of record at 3 p.m. on March 1st, 1945. By order of the Board, **FREDERICK BRAMLEY**, Secretary, Montreal, 12th February, 1945. This makes a total dividend payment of five per cent. or one dollar and twenty-five cents per share in respect of and out of earnings for the year 1944. The declaration of any future dividend will be dependent upon the then current and prospective conditions.

WORKS MANAGER required in large engineering firm, to take charge of machine-building factory for special purpose precision machines. Essential credentials: Age 35-45 years, engineering qualifications, experience with modern toolroom and machine-building practice, keen interest in estimating and costing methods, organising ability, experience with personnel management, knowledge of and contacts with the machine-building trade. For suitable person permanency of post and excellent prospects assured.—Apply, stating qualifications, experience and salary required, to Box 245, L.P.E., 110 St Martin's Lane, London, W.C.2.

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AGGREGATE ASSETS
at 31st March, 1944,
£71,038,513

Established over 80 years

BANK of

NEW ZEALAND

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Victoria; Sydney, New South Wales;
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Trouble in Tokyo

THESE are black weeks for the leaders and people of Japan. The Philippines are all but lost. American forces are landing on Iwojima, only some six hundred miles from the coasts of Japan. Tokyo and other towns have received the first of what promises to be a continuous series of bombing raids from over a thousand American aircraft. At the same time, the news from Europe—the Crimea Conference and the sweeping Russian advances into Germany—suggests that the Allies may soon be free to concentrate all their resources against Japan.

Nor is the political scene at home very reassuring. When General Koiso succeeded General Tojo some six months ago, one of the reasons given for his appointment was the need for greater drive and efficiency in the direction of the war industry. It does not seem that his handling of the problem has stilled criticism. On January 21, he faced a restrictive Diet. One member complained that "not a single satisfactory solution" had been found for the difficulties of the munitions industry. Another declared that "resolute action is lacking." There was strong feeling that the business world was not fulfilling its task, and the aircraft industry in particular came under fire. Japanese correspondents on Luzon have returned to criticise the quality

of Japanese aircraft. General Koiso himself admitted in the Diet that

It is a fact that there is a shortage in some fields of production which must be made to tide over the present crisis.

It is easy to see that in this situation it would need a great deal of optimism in Japan to-day to feel that there is still any chance of victory. It even needs optimism to hope for a stalemate. These are days when careful people begin to forecast the future with misgiving and begin to count the costs and reckon the possibilities of alternative policies. Other nations have in the course of the war faced the same crisis—the growing conviction of fighting a losing fight. Their reactions to it have varied with their political structure, but, with the one exception of Germany, they have all managed to get out of the war.

Italy is the chief example of a nation that has carried through a total reversal of its policy once defeat seemed certain. The elements which made such a revolution possible were the existence of alternative centres of authority to the ruling dictatorship and its lack of real mass following. In other words, Italy was only very incom-

pletely a totalitarian regime. In Germany, on the contrary, the Nazi Party, symbolised to-day not by Hitler but by Himmler, has proved strong enough not only to crush its potential rivals—the old “conservative” elements of army, big business and the trades unions—but its grip on the German people has so far prevented any catastrophic disintegration of the framework of the state.

It may be that Japanese society resembles the Italian far more closely than the German model; it may be even less totalitarian. Until 1940 there was something of a parliamentary regime. The single party, the Imperial Rule Assistance Association (*Taisei Yokusankai*), which was set up in that year in imitation of the German model was never a mass party. It was simply an association imposed from above to embrace in a single organisation all such groups as local party associations, ARP, youth groups, neighbourhood groups and the like. It was supposed nominally to replace the two traditional parliamentary parties, the Minseito and the Seiyukai, but the party members in the Diet only discarded their labels. They continued to uphold their identity even though nominally they were now a branch—the Imperial Rule Assistance Political Association (*Taisei Yokusan Seijikai*)—of the new single party. In 1942, elections were held nominally under the single party system; but a great many of the old party men were returned and the new Diet, like the old, offered persistent and successful resistance to any attempt at incorporating it bodily in a new regime.

Thus in Japan so far no mass party of support for the rulers exists, not even that semblance of one that existed in Italy under Fascism. Japan also resembles Italy in having maintained some distinct and potentially competing centres of authority. The Emperor is not a complete cipher and he is surrounded by a Court in which statesmen such as Marquis Kido can, at times, take an independent line. In the Diet, the party members still feel some solidarity and the business world—which, on the whole, they represent—is not completely merged either with the bureaucracy or with the army. Even the Services are not unified. A moderate and an extremist wing exist within the Army, and the Navy has not always seen eye to eye with the Generals in the past.

There is thus a certain amount of evidence to support the view that as the prospects of defeat grow more certain, the chance will increase of a change of regime in Japan bringing in the Japanese Badoglio, ready not to negotiate but to accept unconditional surrender. But it would be very rash to dogmatise, and there are other factors and forces to tell a different story. The centre of extremism is the Army and at every decisive turn in Japanese policy since 1931 the military leaders have had most of their own way. It is also true that their own way has hitherto been crowned with quick success. On the other hand, to force Japan to accept a fight to the finish probably needs the backing of a mass party which so far the extremists have failed to create.

There are signs that they are now making an attempt to remedy this weakness. The ringleader is the arch-extremist, Colonel Hashimoto. He was partly responsible for the 1936 rebellion of the Army. In 1937, he sank the American ship, *Panay* in the Yangtse. After periods of retirement for these offences, he reappeared in public life. In 1942 he was one of a number of extremists elected to the Diet. He has been Vice-President of the Youth Corps, which is one of the militarist and militant organisations loosely included in the Imperial Rule Assistance Association. Another leader of this movement is General Tachikawa, a noted extremist of the Hashimoto type, and a former Ambassador to Moscow. These men lead a strong body of critics who demand an enormous increase in the toughness and discipline of the war effort. They want a total war fought on German lines. Hitherto, there have been no shootings in Japan to increase discipline. This they wish to remedy ruthlessly. Hashimoto is, in other words, a would-be Himmler. But, unlike Himmler, he still has no party. However, reports from Tokyo in recent weeks suggest that the

extremists are now attempting to use the Youth Corps—Comrades' League as it is now to be called—as the basis of a new totalitarian party which will swallow the Assistance Association, purge the Court, set up a fully dictatorial government and prepare Japan for war to the bitter end. If they could build up a strong nucleus from the different Youth Associations, the Secret Societies and the officers' corps, their plan would be presumably to swallow the Imperial Rule Assistance Association and set up a Government based on a single totalitarian party. An essential step in such a programme would be to repeat—this time successfully—the 1936 revolt, when officer assassins murdered a number of the chief moderate politicians and troops marched on the Royal Palace to secure the support of the Emperor. Such a purge of the “moderates” in the present Government, Mr. Shigemitsu for instance, and of the Court officials, might be attempted. With the Mikado as figurehead, the extremists might be able to develop the strong loyalty and traditional obedience of the Japanese people into a fanaticism strong enough to carry a totalitarian party. On such a base, they could, perhaps, emulate the Nazis and build a regime tough enough and brutal enough to fight to the bitter end.

Such a crisis is not likely to arise immediately. In spite of air-raids and amphibious operations, the Allies are still some distance away. It seems, too, that the Government is aware of these stirrings in extremist circles and distrusts them. In January General Koiso appears to have made an abortive attempt to take over the Youth Corps himself, and Colonel Hashimoto was made to resign some if not all of the offices he holds in the Corps. It is one thing to dream of a mass totalitarian party, another to build one up at the eleventh hour. The “moderates” still seem to hold most of the cards and it is possible that external events, not internal strength, may decide the success or failure of the extremists' policy. Any party in Japan which seeks to end the war by capitulation must presumably feel some assurance that the settlement they would secure would be less onerous and fatal than an actual fight to the death. The Allied formula of “unconditional surrender” gives no firm lead on this point. The Japanese know that they are to lose their colonies, old as well as new. They do not know whether they are to be allowed to avoid mass starvation. They can live without their colonies if they can trade, not otherwise. So far no Allied pronouncement has demanded the destruction of their economic system. But silence is not in itself a lead. There is thus, underlying the choice between capitulation or final resistance, the question whether in fact annihilation does not lie at the end of either course.

The Allies may, therefore, have more power than they know to revolutionise the Japanese situation. There are, of course, dangers and obstacles to the formulation of any terms. It can be argued that if a Japanese Badoglio is encouraged by promising the Japanese some sort of economic future, such a policy would involve the Allies in dealing with the business leaders who condoned and made possible Japanese aggression. The same arguments can be used against an attempt to come to terms with the Emperor or any of his advisers.

On the other hand, it seems certain that a fight to the finish on the soil of Japan itself would be incredibly costly. And some might argue that the total destruction of the Japanese economy would leave such destitution in Japan and indeed among some of its neighbours that the resulting disequilibrium would be in itself a cause of future war.

Whatever line Allied policy follows, it will clearly have a decisive influence upon developments inside Japan. There the situation is fluid. A struggle for power is developing and the chances of the extremists may well be decided by the hopelessness or the promise of the external situation. To state this fact is not to suggest a peace of compromise or a “negotiated” settlement. It is simply to point out that if the Allies are following a policy of extermination, the way will be long and bitter; and if they are not, some military and political advantages may be gained by saying so.

Post-War Arithmetic

REMEMBER, O Stranger, Arithmetic is the first of the Sciences and the Mother of Safety.”

Unless very great care is taken, the Mother of Safety is going to land the British economy in the ditch. To a certain extent, a nation can, in wartime, get more than a pint out of a pint pot. It can consume—or otherwise use for current purposes—more than it produces, by borrowing, by raising credit or by receiving lend-lease assistance. But sooner or later the pint and the pint pot have to come together again, and when two and two again add up to no more than four, the laws of arithmetic will once again have to be deferred to. The estimates of future national income made by Mr Kaldor in the Appendix to Sir William Beveridge's recent report on Full Employment may serve as a thread on which to hang a few simple exercises in post-war arithmetic.

The gross national income of the United Kingdom (at factor cost) in 1938, and the disposition of it among the three great categories of expenditure, were as follows*:

	(£ million)
Consumption expenditure	3,510
Government expenditure on goods and services	800
Expenditure on the maintenance, replacement and increase of capital, at home and overseas	705
Gross National Income	5,015

Mr Kaldor has attempted to make an estimate of the probable national income in 1948—a year standing symbolically (and perhaps over-optimistically) for a time when demobilisation will have been completed and physical shortages overcome. On a carefully stated set of assumptions, he estimates that the net national income in 1948 would be about 20 per cent higher than in 1938. Put on a gross basis, and expressed in money of 1938 value, the total comes out at £5,940 million. None of Mr Kaldor's assumptions is immoderate. Nevertheless, their cumulative effect is to make his estimate an optimistic one. It is quite easy, without any undue pessimism, to imagine a combination of circumstances somewhat less favourable. Suppose, for instance, that, instead of assuming with Mr Kaldor that the average hours of work after the war are the same as in 1938, we assume that the TUC's announced claim for a 40-hour week leads to some reduction in the actual hours worked. Mr Kaldor assumes an unemployment ratio of 3 per cent, and this, though it is Sir William Beveridge's aim, is, by all past experience, a very low figure; in 1938 it would have meant an unemployment

* These are Mr Kaldor's figures, which differ slightly, but not significantly, from those in the Budget White Paper. They are given gross—that is, they include expenditure on the maintenance and replacement of existing capital equipment—in order that, for clarity's sake, they may cover the whole flow of national output.

total of only 450,000. It is by no means inconceivable that the actual rate in 1948 will be 5 per cent. Or again, it may be that wartime experience—on which Mr Kaldor bases his assumption of a 13 per cent increase in average productivity per man-hour—is a deceptive guide to what will be recorded when normal times return, especially if foreign trade difficulties lead to the necessity for employing labour in industries in which Britain is at a comparative disadvantage. Let us suppose that the overall increase is only 10 per cent—surely not a poor showing for such a dislocated decade. Mr Kaldor assumes that the terms of international trade (that is, the volume of British goods that exchange for a given volume of foreign goods) will be unchanged; but the terms of trade turned sharply against Britain when the pound sterling depreciated in 1940, and perhaps some of this disadvantage may remain.

This alternative combination of assumptions is at least as probable as Mr Kaldor's. Their combined effect might well be that the gross national income would increase from £5,015 million in 1938 to only about £5,500 million in 1948, instead of to his figure of £5,940 million—all still in terms of 1938 prices. Indeed, even this involves some optimism; it is quite possible to imagine circumstances in which there would be no increase at all. But let us not run the risk of being accused of the crime of pessimism. Let us pursue the exercise in arithmetic, on two alternative figures, Mr Kaldor's and a more cautious, but still sanguine, one.

The next step is to split up the total post-war income among the three constituents. Here, again, Mr Kaldor makes estimates that are not wholly unreasonable, but have a consistently optimistic bias. Thus, he assumes that the expenditure of the Government and local authorities goes up only from £800 million to £845 million (at constant prices). This seems a very small increase to allow for, even when it is remembered that the service of the National Debt and the cost of social security plans are excluded, being “transfer payments” and not expenditure on goods and services. Mr Kaldor further attempts to estimate how much the public, having received a larger income and paid its taxes, would freely elect to spend on consumption (provided, as is assumed, that supplies of consumption goods were available) and how much it would save. His answer is that about the same proportion of total expenditure would be spent on consumption in 1948 as in 1938. But here again this surely assumes a remarkably high degree of continence. The war will have effected a re-distribution of income in favour of the smaller incomes, which do less saving. An expanded system of social insurance will also tend to increase, as well as to stabilise,

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consumption expenditure. Six years of enforced austerity, and the savings that have accumulated as a result, will have an effect in stimulating consumption that will last for many years and perhaps indefinitely.

Thus the revised and more cautious estimate must allow not merely for a smaller national income than Mr Kaldor does, but also for proportionately larger slices of the cake for the Government and for "spontaneous" consumption. The contrasted pictures can be set out as follows:—

	1938 Actual	Kaldor Estimate (£millions)	Revised Estimate
Consumption expenditure...	3,510	4,170	3,950
Government expenditure on goods and services	800	895	1,000
Expenditure on the main- tenance, replacement and increase of capital, at home and overseas	705	875	550
Gross National Income ...	5,015	5,940	5,500

The third column, it should be remembered, is by no means pessimistic, but merely cautious in its optimism.

The substantial point that emerges is that the provision for capital, being the residuary legatee, may well be left far too small. By what is now virtually unanimous consent, the rate of capital formation in pre-war Britain was at much too slow a rate. Depreciation of plant was spread over too long a period, and the amounts devoted to new productive equipment were so inadequate that British industry (with a few shining exceptions) was gradually falling behind in the race for productive efficiency. The post-war need for capital expenditures will clearly be much larger than the pre-war. There will be six years of deferred maintenance to be done—and though the financial funds for these expenditures may have been accumulating in depreciation accounts, the real resources of manpower and materials will have to come out of the output of the year in which they are spent. There are the additional expenditures needed not merely for getting British industry back to where it was, but for speeding up the process of modernisation. There is the re-stocking of industry and commerce. There is all the building work to be done, not only in houses, but in hospitals, schools and office accommodation. If £705 million was spent on gross capital formation in 1938—not a good year in this respect—a sum of £1,200 million (at the same level of prices) might be no more than enough to meet the most urgent needs of a post-war year. This is all the more true if large sums of capital are to be spent on things that, however necessary and desirable, are not productive in the sense of raising national income. The housing programme alone, for example, may well require £200 millions, and this, together with the bare maintenance, at pre-war rates, of existing plant could easily absorb £550 millions.

This can be seen very clearly from a comparison of gross capital expenditures before the war with the allocation that Mr Kaldor suggests for his £875 million:

	1938 Actual	1948 Kaldor Estimate
Public utilities	140	140
Buildings	350	405
Plant and machinery	120	145
Other fixed capital	65	85
Working capital and stocks	25	40
Costs incurred in capital formation	60	60
Net additions to (+) or drafts on (—) overseas capital	—55	0
	705	875

It takes only a moment's thought to see how utterly inadequate these figures are. How can the public utilities (which include transport as well as power) be expected, after six years of neglect, to get along with only the same gross capital expenditure as in 1938? How can it be supposed that an increase of less than 20 per cent for plant and machinery, or a total sum of £145 million—to cover replacements as well as new plant—will be enough for the needs of industry, when the needs of coal, steel and cotton alone run into many hundreds of millions?

Furthermore—and this is what is really frightening—the total of £875 million is credible only if all Mr Kaldor's hopes come true. So long as the provision of capital is the residuary legatee from the national dividend, it may very well turn out to be no larger at all than before the war, or even smaller. No doubt a time will come again when the major difficulty of economic policy will be to find employment for all the savings potentially available. But that time is not likely to come soon, and until it does the great anxiety will be to find capital to supply all the clamant demands for it. There is a curious paradox in the comparison between British economics, as they seem to be developing, and Russian economics under the First Five-Year Plan. Soviet Russia, which claimed to be anti-capitalist and interested in the workers' welfare, gave capital formation a first charge on the national income and left consumption as the residuary legatee—with the result that there were two years of famine. Britain, which is a capitalist country and believes in freedom of enterprise, gives a priority (after taxation) to consumption, with the effect that the supply of capital may well prove inadequate to sustain a capitalist economy.

The conclusion for practical policy would seem to be that capital formation must not be allowed to be the neglected residuary legatee. All those who believe in any form of purposive direction of the national economic policies, however general and overall in character, should see the necessity of a Plan for Capital—and those who have the largest interest in the survival of the capitalist system ought, in this case, to be the chief shouters for Planning. But this is where the laws of arithmetic come in. If more is to be found for capital formation, then one of three things, or some combination of all three, must happen. Either the total national income must be made larger; or Government expenditure must be reduced; or consumption expenditure must be compressed below what it would spontaneously be. An increase in the national income would, of course, be the ideal remedy. But, apart from the familiar requirements of hard work and a ban on restrictive practices of all kinds, the chief prescription for a rising national income is the rapid investment of productive capital—which takes the argument back to where it began. Governmental economy is always to be desired; but there is not much prospect of achieving a great deal without fundamental changes in policy at home and abroad, which would be neither possible nor desirable. The conclusion is inescapable: if there is to be more for capital, on which the future progress of the community depends, there must be less for consumption in the present (that is, in the immediate post-war years). But this, in its turn, is easier to say than to accomplish. One way of limiting consumption would be to retain the rationing and other controls after the physical shortages disappear. Another would be to mop up purchasing power by a continued high-pressure National Savings campaign and by taxation higher than is necessary to balance the budget. A third method—the classical method of a free economy—would be to issue unlimited credit to those who want to undertake capital expenditures and let it exert an inflationary effect on prices. None of these, it will be seen, is both politically practical and desirable. But the choice before the country may well be between some combination of these evils and a famine of capital.

A famine of capital could hardly help but be disastrous. Its immediate effect would be to limit the pace of reconstruction and to hobble most plans of social development. Its more distant effect would be to slow down a rate of internal progress which badly needs speeding up. There are lessons for both Left and Right to learn before economic policy can be put on a sound footing. The Left will have to learn the lesson that Stalin taught—that the best way to increase consumption in the future may sometimes be to limit it in the present. The Right will have to learn that those who will the end of an abundant supply of capital will have to will the means of an apparatus of economic direction and control. And both will have to re-learn the relationship between a pint and a pint pot.

Counties and County Boroughs

LAST Thursday's debate on local government areas was disappointing. The Commons gave general approval to the Government's intention to maintain the present framework of local government, but to appoint a Boundary Commission with powers to change the areas and status of all local authorities. The delegation to a judicial tribunal of what seems a politically insoluble problem has much to recommend it. But the Commission will only touch the fringe of the real problem, unless Parliament gives it a clear mandate to proceed boldly and is willing to uphold the major decisions (those concerning counties and county boroughs) which require Parliamentary approval. Mr Willink stated, however, that the "general directions" to the Commission would be issued by himself, after consulting with the local authorities, and not by Parliament; and Parliament accepted this decision with hardly a murmur. There seemed to be little intention or wish to make the Commission a serious instrument of reform.

What is the essence of this problem of the local government areas? The major authorities—that is, the top layer under the Central Government—are the counties and the county boroughs. The county boroughs embrace all functions in themselves, but in the counties some functions are devolved on the subordinate areas, which comprise municipal boroughs and urban and rural districts. In the 55 years which have passed since county boroughs were created by the Local Government Act of 1888, the steady creation of new county boroughs—each one involving the abstraction of some functions from a county—has had the effect of increasing the number, and thereby reducing the average size, of major authorities. The trouble is that the needs of efficiency have called for progressively larger units. Instead, the same number of county councils as in 1888 now administer a much smaller area, and have been further stripped since that date of over 3,000,000 population. The size of most county boroughs is no more satisfactory. Over half of them contain under 125,000 people, the minimum that the Minister of Health now considers desirable for the creation of a new county borough; and more than three-quarters of them contain under 200,000, which, judged by modern needs, is a small administrative unit for many major services.

The result is a land hunger among major authorities, unpleasantly reminiscent of Balkan conditions, which finds its simplest expression in the conflict between counties and county boroughs. Many of the latter no longer embrace cities so much as the central nuclei of cities, which are not only growing in population, but, noticeably, are spreading the same population over a much wider area.

County council opposition succeeded in 1926 in halting the process of extending county borough boundaries; further changes were made dependent on private Acts of Parliament. But the case for further and considerable extensions has now become much stronger, and has, in effect, been accepted by the Government. It is not simply that the need to replace urban sprawl by controlled and co-ordinated development calls for a single authority. Adequate replanning and decongestion of the present areas of some county boroughs involves large reductions of their population. As things are, such county boroughs must undertake extensive housing schemes outside their boundaries, and be left themselves to meet a top-heavy burden of debt and public services out of reduced rates.

This is the almost unanswerable case for county borough extensions, which was pleaded by the "blitzed" cities during amendments to the Town and County Planning Act last autumn. It raises the paradox that the better and bolder such cities plan, the worse off they will be. But the case of the counties, though less related to practical needs, is hardly less cogent if the present system of areas is to be maintained. The counties, which no longer administer any

major town, draw much of their revenue and some of their personnel from the suburbs of large cities. To reduce them still further in size and to strip them of their richest areas would be to risk making them administratively and financially unworkable.

The conflict between counties and county boroughs can only be resolved by putting the process of the last half-century into reverse and reducing the number of major authorities. Theoretically, this task could be carried out by the Boundary Commission, which has power to amalgamate counties, to expand county boroughs, and to re-incorporate county boroughs in counties. Although it can create no new type of authority, it can—theoretically again—weed the ground very thoroughly. In practice, it will do nothing of the sort, as Mr Morrison indicated in the very act of admitting that the Commission would have technical powers to effect the amalgamation of Tyneside local authorities, which a pre-war Royal Commission urged in vain. Experience has shown that the vested interests involved in the present multiplicity of counties and county boroughs could only be uprooted by direct command of Parliament, which has not only given no such instructions to the Commission, but has also reserved the right to veto its major decisions. The Commission may perhaps venture to amalgamate such ludicrously small counties as Rutland, the Soke of Peterborough and the Isle of Ely and some of the Welsh counties. It may possibly join East with West Suffolk, and conceivably East with West Sussex. It may even reduce the status of a few of the 20 county boroughs with less than 70,000 population. But that is about as much as it would be reasonable to expect.

The Commission is much more likely to be successful in regrouping county districts, where opposition is much less powerful and where substantial strides have already been taken towards reducing the number of urban and rural districts. It is here that Mr Willink suggested the experiment of uniting some small boroughs with the rural area around them, as a means to integrating town and country. But it is at the higher level that this integration is most needed, and could be undertaken, for example, by joining together a mainly rural county and the county borough which is its natural centre and focus; or by giving a "green belt" to a large county borough.

The inadequate size of many or most counties and county boroughs is all the more serious because, as Mr Willink himself pointed out, the administration of all main services is progressively passing to these bodies. This difficulty does not, as Mr Morrison maintained, concern chiefly the "engineers' services" of transport, gas, electricity, water, and drainage, some of which can in fact be adjusted to most sizes of unit, while in others efficiency depends on geographical factors which take no account of local boundaries. It affects as much or more the "human services" of education, health, housing, and town planning, in which the local electorate naturally feel most interest. A system of joint committees and of inter-authority contracting can, it is true, get over some of the difficulties—but only in a limping and inadequate way. Hybrid bodies devoid both of taxing powers and of direct election are inevitably a very second-best solution. Further, numerous joint committees, covering in each case a different area, both increase the present multiplicity of authorities and decrease the public's interest and understanding of local administration.

Another common fallacy is that to get active local interest requires much smaller units than to get efficient administration. This is certainly sometimes so. But there are few practices so destructive of municipal loyalties as the now common one of working in the area of one authority and sleeping in that of another. If the old dictum that the local government area should equal the ambit of daily travel can no longer be strictly applied, it is at any rate true that the suburban resident often feels an interest in the affairs of his city as a whole—in its shape and size, its buildings and parks, and its future growth—which is at

present frustrated. Again, a wide range of social classes within an authority's area facilitates the selection of able and energetic councillors. Many county councils suffer from being too narrowly based on the land-owning class, and many county borough councils were suffering before the war from the loss of their better-educated citizens to neighbouring suburbs, where they often took scant interest in any local authority.

Finance has not been mentioned in this article—and was hardly mentioned in the debate. It is, in practice, the point at which a breakdown in the present system of local government is most likely to come. But its relevance to the present argument is limited by the fact that no regrouping of major authorities, however carried out, would by itself solve their financial problems. Larger units would facilitate financial adjustments within a region, such as those needed to make possible the replanning of the "blitzed" cities. But no adjustment of areas could make

Trade Union International

THE world trade union conference, which came to an end last Saturday, achieved a measure of success far beyond the expectations of its sponsors. At one moment on the verge of shipwreck, and all the time running into troubled waters and navigating dangerous cross-currents, the conference yet managed to reach its destination without mishap. This was largely due to the delegates' readiness to compromise in order to reach agreement on the broad issues which they had come to discuss. It had been the original intention of the British Trades Union Congress, who convened it, that the conference should merely be exploratory and advisory, but the more realistic view, that it would be unthinkable to leave London after a fortnight's talk "with empty hands," prevailed and enabled the conference to record concrete decisions.

By far the most important of these was the decision in principle to set up a new world trade union federation, and to appoint a committee from the conference to work out the details, and to frame a constitution for the new organisation. The constitution will be presented to the various organisations for their consideration, and will be submitted to the recalled world conference before the end of this year. This committee consists of 40 members, 22 more than the original committee proposed by Sir Walter Citrine. The British, United States, Russian, French and Latin-American unions have three members each, the International Federation of Trade Unions and the International Trade Secretariats two each, and 18 other countries, including Finland, Bulgaria, Italy and Rumania, one member each. The inclusion of representatives of ex-enemy countries represents a gain for the Russians, who pressed for their admission to the conference in the first week, though most of them arrived too late to take advantage of the invitation. The fact that the French Confédération Générale de Travail has been given three seats, and the choice of Paris as the headquarters of the new organisation, are intended to be a gesture of recognition of France's claim to equality with the Big Three. Though committees are often apt to be a device for delay, it seems likely, to judge from the composition of the conference committee, which closely reflects the alignment of forces at the conference, that it will act with energy and expedition. Indeed, after a few days' deliberation, it has already reached agreement on important points of administration, and has sensibly decided to set up a small executive body. It is obvious that a committee of forty is unnecessarily cumbersome and might tend to develop into a second conference.

It would be foolish to assume, from the unexpected success of the conference, that the next stages in the proceedings will be smooth sailing, or that the new International will come into existence without prolonged birth pangs. The difference in constitution, methods and pur-

pose between the trade unions of western countries and those of Russia are too deep to be slurred over by the repetition of expressions of "international solidarity," however sincerely they may be meant. The fact remains that in Great Britain, the United States, the Dominions and most European countries, trade unions are essentially an instrument for collective bargaining with employers to improve their members' remuneration and working conditions, and although in wartime there is an inevitable tendency, carried furthest in Britain, for the unions to acquire some share in responsibility for the Government's labour policy, this is a temporary condition which is likely to disappear. In the Soviet Union, on the other hand, the trade unions are, and always have been, a limb of the State. Their membership is 100 per cent of the working population, and not, as in Britain, less than 50 per cent. There is no collective bargaining with employers, for the State is the only employer, and the unions undertake a great many social insurance and welfare functions which would normally be performed by the Government in other countries. The divergence between the two types of trade unionism was never more clearly shown than in the Conference's discussions on the International Labour Office. The British pointed out that the ILO was the most effective (indeed the only effective) international platform for labour. The Russians objected, because they do not belong to the ILO, whose tripartite constitution makes their position very difficult. This particular snag, like so many others in the conference, was solved by a verbal compromise—the adoption of a formula which satisfied all parties. It was typical of the kind of adaptability which was in evidence throughout the meeting.

Unfortunately the financial solution, which will in any case have to be found, may leave unchecked the growth of administrative inefficiency and local apathy. Things left undone do not compel attention in the same way as things not paid for. But it will be a national disaster of the first order if elected local government falls into discredit, or is gradually replaced by *ad hoc* bodies, through trying to match modern needs and modern loyalties with outdated, and actually shrinking, units—through pouring very new wine into very old bottles. Parliament has still time to turn the Boundary Commission into a more effective instrument of reform, by explicitly requiring it to take steps to secure fewer, larger, and better-balanced major authorities.

The conflict is not a new one. Its roots are a quarter of a century old. After the last war, as to-day, Labour was faced with the urgent problem of reconstructing its international organisation. The IFTU, as at present constituted, was formed at Amsterdam in 1919, but the Russians refused to join because it was dominated by British and German "reformist" influences. They started their own international at Moscow in opposition to the "Amsterdam" International. This body, known as the Profintern, never made much headway in the West, where social-democratic traditions were deep-rooted, but the Russian-dictated attempts to revolutionise western trade unions were a constant source of irritation to the Labour movements in Britain and Germany. The Profintern was allowed to lapse when Russia abandoned its policy of isolation in the 1930s and sought collective security. But although the League of Nations admitted and welcomed Russian participation, the western trade unions, suspicious of Soviet motives and remembering the past, were far more reluctant to allow the Russians into their fold. As recently as 1939, at the Zurich conference of the

IFTU, an attempt, sponsored by the British, to invite the Russians into the Federation was defeated, largely because of the opposition of the powerful American Federation of Labour, supported by certain smaller European countries, though not by France.

The 1945 conference has completely turned the tables on the AFL, which refused to attend it because the Russians and its own domestic rival, the Congress of Industrial Organisations, had been invited. Under no circumstances, it seems, is it prepared to co-operate with these organisations. Precisely the same situation was encountered when the British TUC wanted to set up a tripartite committee with the AFL and the Russians earlier in the war; it had to abandon the project and form separate committees with each organisation. The British hoped at this conference that it would be possible to reconstruct and broaden the existing IFTU, and Sir Walter Citrine appealed to the delegates for patience and caution and not to say too hastily, "Off with the old love and on with the new." The trouble was that nobody else seemed to love the IFTU, which came in for particularly bitter criticism not only from the Russians, the CIO and the Latin-Americans, all of which were outside it, but from its French and other European members, who charged it with inactivity during the years of Nazi occupation. The great majority of delegates were in favour of a completely new organisation rather than a resurrection of a body which had become a skeleton of its former self. The British TUC, finding itself virtually isolated, conformed with the view of the majority and suggested the compromise which was finally adopted. The discussion on this issue provided an example of the leftward swing in the European trade union movements and their tendency to follow the Russian rather than the British lead. Just how representative the delegates were of unions which had been for so long suppressed it is difficult to judge, but it seems more likely than not that, if and when union elections are held in Europe, this trend will be confirmed.

The American Federation of Labour is thus the only large organisation outside the new international. Its isolation looks like being complete unless Mr Green can decide to swallow his dislike of the Russians and the CIO. There is no inherent reason, visible to the outsider, why the AFL and the Russians should not sit side by side in the new organisation, nor why two organisations from one country should not be represented, as happens in other cases. Mr Sidney Hillman, of the CIO, held out an olive branch. He said that there would be a place for the AFL on the Executive of the new organisation which is designed

to unite in one world federation the trade union bodies of freedom-loving nations, irrespective of considerations of race or creed or of political, religious or philosophical differences.

But the fear that the new body would be dominated by Russian and Russian-influenced unions, and the absence of identity of interests, will make the AFL very chary of co-operation, while there is also the suspicion that the CIO intend to use it as a lever against the federation in American union affairs.

The complex of inter-union relationships and rivalries, operating within the framework of the international organisation, will obviously require the most careful handling. If the new federation is to hold together it will have to concentrate its activities on issues about which there is a wide measure of agreement. It will have to exclude national politics completely, and it is probably realistic to assume that the present unanimity on international politics will soon disappear. As Sir Walter Citrine emphasised

We are trade unions and not political bodies. We combine to raise the standards of the worker, to reduce his hours of work, and to give him an enlarging measure of control over his work. Here we have common ground.

The differences between craft and industrial unionism and between the Russian and western brands are not the only difficulties which will be encountered. There are racial

and religious conflicts, such as those between Arab and Jewish workers, and between the Indian TUC and the Indian Federation of Labour, which emerged during the conference. The various movements are at different stages of development and influence. Indeed, perhaps the most significant feature of the conference was the representation of the young movements from the colonies and backward countries, where trade unionism is of recent origin. Delegates from British Colonies where trade unionism is officially encouraged (they have this much in common with the Russians) and from India were at pains to remind the world that they, too, had a war on, their war of independence, and that to them "Imperialism" was as much the enemy as Nazism. The Latin American Confederation of Labour, ably led by Señor Lombardo Toledano, has made giant strides since it was formed in 1938, but it has very different characteristics and problems from those of either the West African or British movements.

Having agreed to get together under one enormous umbrella, which will cover 60 million workers instead of the 17 million of the IFTU, the great question is, what will the new International do? This was not answered by the conference, except in the most general terms, and presumably it will be left to the conference committee to work out any plan or programme. It is certainly clear from the mere fact that such a conference was held at all and met with such enthusiastic response that the unions themselves set great store by having an effective and united international organisation. One of the first endeavours of the conference committee will be to secure union representation at the San Francisco conference. No one would deny that the unions have played a vital, perhaps a decisive, part in the war, and they are equally determined to have a voice in the peace settlement and in the establishment of a world security system. The programme for the post-war treatment of Germany, which preceded the Yalta declaration by a few days, is identical in many respects with the Governments' policy, and the unions seek assurances that they will be consulted in carrying it out. To set up the Labour International as the equal of Governments would be ridiculous, but such questions as the future of German industry and the standards under which reparation labour shall be employed clearly concern world labour, and it is reasonable that they should be consulted.

Quite apart from the immediate issues of the war and the peace, the conference adopted a far-reaching and high-sounding resolution on social and economic reconstruction, calling, among other things, for the 40-hour week throughout industry; equal pay for equal work; and a fortnight's paid holiday for all workers. These are all, of course, matters that require a great deal of argument before they can be accepted by Governments and employers as glibly as they can be incorporated into the resolutions of labour conferences. It might also be argued that they are properly the province of the ILO and not of the world trade union federation. But the two cannot be separated, since the effectiveness of the ILO depends largely on the pressure which organised labour can bring to bear in its counsels, nationally and internationally. An effective international movement might be of value in exercising pressure to bring about world-wide improvements in wages and standards of living, which, from every point of view, would be to the advantage of those who have high standards already. As well as acting as a centre for the collection and publication of trade union information, it should be able to assist them in developing their trade union organisation in backward countries. The setting up of regional sections might be a logical and practical corollary to these developments. The world trade union movement will undoubtedly have to turn its attention to the problem of reconstructing free trade unionism and democratic institutions in enemy countries once they have been purged of Fascist influences.

Trade unionism had from the start consistently fostered an international outlook. Though the practical worth of the new federation may be limited by the very real political and constitutional difficulties which have been indicated, the nearer the unions can approach to speaking with a united voice the greater is likely to be their effect in the post-war world.

NOTES OF THE WEEK

Arabian Nights

The British Government has effectively answered the criticism that it is giving no lead in Middle Eastern affairs. On his journey back from Yalta, Mr Churchill gave a lead in the grand manner. Emperors hurried from the south, kings from the east, presidents and prime ministers arrived by aeroplane and warship, and drove, convoyed in cars, across the desert. Fabulous figures from the Arab world walked and talked in scarlet and gold. Gifts were exchanged—swords and silks for mimosa and jasmine and amber musk. There was, it is true, no magic carpet. Nor did djinns enliven the feasts. But Haroun al Raschid may well have looked down a little enviously from his nightingale enchanted paradise.

It is obvious that the Egyptian meetings were very enjoyable. It is more difficult to say whether they were really decisive. The desperate secretiveness of secret diplomacy these days makes any estimate hazardous, but the timing of the meeting—immediately after the Crimea Conference—is probably significant. Russia has a more direct territorial interest in the Middle East than the United States. At the same time, the Big Three were careful at Yalta to exclude the French from nothing to which they have a legitimate claim. It is therefore perhaps safe to guess that at Yalta the Big Three recognised the common interest of themselves and of France in the security, independence and "democratic" development of the Middle East as a whole. This may well have been the conformity of interest and approach which the President and Mr Churchill could announce to the Middle Eastern leaders. It is, however, less certain that any machinery was developed to express this common concern. And without such machinery, the concern is likely to remain largely ineffective.

What do the independence and free development of the Middle East entail? Were decisions on this point taken at Yalta? It is possible to say that since the President and the Prime Minister have seen the King of Egypt, the King of Arabia and the President of Syria and expressed their regret at not seeing the Regent of Iraq, they are now thinking of the Middle East as a whole and are attempting to draw the various states together. The project of a Greater Syria, including Syria, Transjordan and part of Palestine, has appeared among the floods of rumours. Such a scheme could be fitted into a wider Arab federation, including Iraq, Egypt and Saudi Arabia. The rest of Palestine would be an independent Jewish state and Lebanon would preserve complete independence as a Christian state. Both might, however, adhere to the larger, looser federation.

There is much to be said for such a scheme. It gives some promise of unity and joint economic development. It has a chance at least of ending the rivalries and frictions which have kept the Middle East in ferment for twenty years. But it involves as a precondition a solution of French difficulties in Syria and Lebanon and British difficulties in Palestine. Were decisions taken on these vital points? Were procedures proposed and goals accepted? It is impossible to say and the impression is left that, however excellent the Great Powers' intentions may be, a good deal of concrete work remains to be done before Middle East unity and Great Power responsibility are more than an aspiration.

Achilles in His Tent

General de Gaulle's refusal to see President Roosevelt at Algiers was unfortunate; it is difficult to see what advantages it gained for France, and the attitude it expressed is not likely to heighten the cordiality of France's partners. The motives behind the General's refusal are certainly easy to understand. President Roosevelt's administration was responsible for the very long delay in recognising the French National Committee as the Provisional Government of France, and this delay in its turn long excluded the French from exercising an effective influence in international affairs. More recently the general must have been tempted to pin on the Americans the chief responsibility for France's absence from Yalta. The British appear to have

supported the invitation and the Russians not actively to have opposed it.

Yet to understand General de Gaulle's attitude is not necessarily to think it judicious. The Yalta agreements gave France the promise of attaining Great Power status in the near future, and it was foolish to plead ignorance of the Yalta settlement as an argument for refusing the President's invitation when it was precisely the details of that settlement that Mr Roosevelt wished to communicate to General de Gaulle.

The General's aim in refusing the invitation was presumably to underline France's strength and independence. But his gesture gives the impression of weakness and uncertainty. It can do no country good to acquire among its friends the reputation of angularity and non-cooperation. France's status should certainly be raised and all its vital interests fully safeguarded. But Great Power status is not won by playing to the gallery. The General has done his people a real disservice.

The Location of Industry

The text of the Government's Bill to implement the promised policy on the location of industry was issued too late in the week for detailed comment to be possible. Nor is it easy in a complicated matter of this sort to be sure from the wording of a Bill what the policy will amount to. The Bill grants powers—both powers of attraction to the Development Areas and powers of repulsion from the congested areas—but it is the spirit in which the powers will be administered that will matter. Moreover, circumstances change. Purely persuasive powers may be very effective in inducing industry to go to South Wales, when the persuading department can reinforce its persuasions by the grant or withholding of priorities for labour, materials or building. The same powers may be wholly ineffective when the period of scarcity comes to an end.

The emphasis of the Bill is more on the attraction of industry to the Development (ex-Special, ex-Depressed) Areas than on exclusion from London. Its parentage, that is to say, is to be found more in the Special Area Acts of the pre-war decade than in the Barlow Report. The negative provisions, in fact, are of the mildest. Any intention to build a factory (other than an extension of an existing factory) will, it is proposed, have to be notified to the Board of Trade, which will, therefore, have an opportunity of pointing out the superior attractions of the Development Areas. But the building of factories can be prohibited only in areas to be scheduled and, in each case, approved by affirmative resolution of Parliament. In practice, this probably means that London will alone be scheduled, for in all other cases local opinion will certainly be adverse.

On the positive side, however, the Bill embodies some far-reaching provisions for making the Development Areas attractive. The trading estate technique is to be developed and factory space to let in these Areas may be very attractive indeed if, for some years to come, it is almost the only factory space available anywhere in the country. There is power to provide adequate public utility services in these areas, and even the thin end of the subsidy wedge in a proposal to assist the raising of private capital for approved purposes.

If these powers are energetically administered in the years immediately after the war, when their leverage on the fulcrum of scarcity will be very great, they may largely solve the problem of the existing Depressed Areas. But the Bill will contribute little to the relief of congested areas and, in the longer run, its powers both of attraction and repulsion would seem to be too weak to constitute a really effective location policy.

Inflation in Italy

As the war drags on in Italy the economic situation goes from bad to worse. The most disturbing aspect of the economic collapse is undoubtedly the grave threat of serious inflation. The budget deficit at the end of 1944 was something in the neighbourhood of 150 milliard lire.

Money in circulation has increased from 260 milliard lire to 300 milliard in the last months; in 1935, before Italy's two wars, the circulation amounted to only about 12 milliards. The value of money is falling more and more rapidly, and the Italian Government obviously fears that on a not too distant day public confidence in the currency may finally collapse.

This is principally a problem of scarcity, destruction and unemployment. There is nothing to buy. But it is also a question of confidence, and on this issue the Italian Government has appealed to the Allied Control Commission to assist them in two ways: by backing all the AMG lire they issue—to troops, to Italian workers and so forth—with equivalent amounts of sterling and dollars; and by giving a similar backing to all the orders they place in Italian factories, with Italian contractors or with the Italian authorities. In this way the Government feels that a measure of confidence in the currency would be restored and that meanwhile something would be accumulating in the Exchequer for the formidable tasks of post-war reconstruction.

This request appears reasonable. The Italian Government carries the full cost of the Allied occupation under Article 33 of the Armistice. Since the signing of the Armistice, however, the Italians have been declared "co-belligerent" and have fought with the Allies to free their territory. The work of the partisans, in particular, has been frequently praised by Allied commanders. It would therefore seem the course of reason and goodwill to remit, in recognition of these services, the more onerous economic terms of the Armistice. The Italian Government is taking steps at home to fight inflation—the measures are discussed in a Note on page 256. Their readiness for self-help is another argument in favour of more generous treatment from the Allies.

Back to Business

Mr Bevin last week announced the Government's plans to assist ex-Servicemen and women to restart in business or work on their own account after the war. The grants made will vary according to the nature of the business and the capital resources—including war gratuities and post-war credits—of the applicants, but will normally have an upper limit of £150. Disabled persons who have received appropriate training will be eligible for grants enabling them to start in business for the first time; and in certain cases help will be provided for persons anxious to resume on their own account in the professions.

Clearly it will not always be wise or practicable to insist that the businesses restored should be precisely those abandoned at the time of enlistment. Prospects and possibilities in many lines of business activity have been radically affected by the inventions, substitutes and changed habits of the war years. If it is essential, in the interests of the applicants themselves, and of the national economy, that the control of business licences should, for a time, be carefully and firmly administered, it is equally necessary that the qualifications of applicants for grants should not be considered from too rigid an angle. An advisory service, to deal with these problems, is to be set up throughout the country.

Although the scope of the assistance will be small, it will do something to remove the disadvantage which many servicemen will face on their return to civilian life. But for those who are assisted there will, in all probability, be many more disappointed. After the war the country will not be able to afford, and should not tolerate, the waste and hardship involved in the overcrowding of certain trades by an excessive number of small and uneconomic units.

The Women's Land Army

Business resettlement grants will be available to members of the Forces, the Merchant Navy and the Civil Defence Services, but not to the Women's Land Army. This distinction has led to the resignation of Lady Denman from her post as honorary director of the WLA.

The problem is a difficult one. National Service in all its branches ranges from full-time combatant duty to part-time participation in industry; and it would be both impolitic and unjust to treat every branch as equally deserving of resettlement assistance. But wherever the line between beneficiaries and non-beneficiaries is drawn there will inevitably be marginal cases who feel themselves to be unfairly treated. In the circumstances the Government's decision does not

appear unwise. By its nature—its recruits are mainly young people—the WLA can comprise very few women who were in business on their own account before the war; and fewer who have been disabled by war service. If the grants were extended to the WLA it would be difficult to withhold similar treatment from women in other branches of war-time service—in transport, for example. This does not mean that the WLA should be excluded from all plans for reinstatement. Its problems, as Mr Bevin has said, "will be dealt with in another way"—by the Ministry of Agriculture.

Relieve and Rehabilitate UNRRA

Discontent over the inactivity of UNRRA has again been voiced, this time from within UNRRA itself. At a recent session of the European Committee of UNRRA all its members agreed on the urgent need to galvanise the prematurely paralysed organisation. Similarly, at a recent session of the Far Eastern Committee the Australian Foreign Secretary, Dr Evatt, described in strong terms "the crisis in UNRRA affairs and functions" and the resulting "signs of frustration and disillusionment."

Among the weaknesses of UNRRA Dr Evatt mentioned administrative "over-centralisation" which is a euphemistic description for UNRRA's heavy and costly bureaucratic apparatus. Before it can effectively give relief to others, UNRRA itself apparently needs to be relieved from the excessive tutelage of its central headquarters. UNRRA also seems to need relief from the national susceptibilities of the Governments of liberated countries, some of whom seem to be undecided whether to make the rehabilitation of national prestige or of the empty stomachs of their citizens the first charge on their energies.

But the most important handicap on UNRRA has been the desperate shortage of the means of relief, in particular of transport. The greatest efficiency in the administration of UNRRA and the greatest willingness on the part of the Governments to simplify matters of procedure would be of no avail as long as UNRRA as a claimant on ships and supplies were not promoted to a much higher priority than hitherto. It is perhaps too easy to blame UNRRA for its failure. All the efforts of an official national French delegation have persuaded the Combined Boards to release only twenty-six ships for the next three months. How can UNRRA do better? The time really seems to have come to form a special organisation for the relief and rehabilitation of UNRRA.

Pressure on the Swiss

Negotiations on the demand for the stoppage of German-Swiss trade are still being conducted by the Allied Economic Missions in Berne and the Swiss Government. The Swiss point out that their trade with Germany has been reduced to a minimum and that they have placed an embargo on all exports of arms and military equipment to Germany. However, the export of important precision tools still continues. The Swiss claim that they are unable to stop it as long as they are dependent on the import of German coal and iron. Another topic under discussion is the transit traffic from Germany to Northern Italy across Switzerland. The Swiss Government refers to the commercial treaty with Germany under which Switzerland is

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obliged to allow the transit of goods, especially as the Germans do not send any directly military cargoes through Switzerland. Finally the Allied Economic Missions are reported to have asked the Swiss to confiscate all assets held in their country by Nazis. This last demand has met with a great deal of approval from the Swiss Left. A case can, of course, be made against this demand because, if the Nazi funds in Switzerland were to be confiscated, the German Government might very well apply measures of retaliation against Swiss subjects and property in Germany. The confiscation of assets belonging to the Nazis ought to be treated as part of the general problem of punishment for war criminals. It is asking rather much to expect this traditionally neutral country to initiate so new and radical and unneutral a step, especially as it would make no difference to the Allied war effort.

Teachers' Salaries

Tuesday's debate in the House of Commons on teachers' salaries made it abundantly clear that the Burnham Committee's proposed new scales do not please everybody. The main proposals have been widely welcomed. They provide for substantial increases in salary for many thousands of teachers and they remove the financial distinctions between primary and secondary and urban and rural schools.

This levelling-up process meets with strongest criticism in its treatment of graduate teachers. For them the new proposals seem to involve some levelling down. Allowing for changes in the cost of living, assistant masters and mistresses in secondary schools will be worse off (when in receipt of maximum salary) under the new scales than they were before the war. Graduates (assistants) will not recover the salary lost—in comparison with non-graduates—by later entry into the profession until they have completed sixteen years of service. Moreover, in many existing secondary schools the scales to be paid to headmasters and headmistresses appointed in the future will be lower than the scales now in operation. Many people fear that these and other weaknesses in the new scales will adversely affect the recruitment of graduates to the profession—a development that would ruin all hopes and prospects raised by the Education Act.

If the object of attracting men and women of high academic and administrative attainments and abilities to the profession is to be realised it would seem that the remuneration offered to graduates should be on a more generous scale, and that there should be greater recognition of exceptional qualities, qualifications and responsibilities. In the circumstances—the new scales are due to come into force on April 1st—Mr Butler's attitude is reasonable and reassuring. The scheme will be tried out during the next three years, but should it prove unsatisfactory in the meantime it will be referred to the Burnham Committee for reconsideration.

The fears of the local authorities that the new salary scales would prove a heavy burden on local rates have been relieved by the Government's announcement of adjustment in the grant formula attached to the Education Act. Instead of a gradual increase, over four years, in the rate of Exchequer grant, as originally proposed, the rate of grant will be raised immediately from 49.36 to 55 per cent. The Exchequer will thus bear the bulk of the cost of reforms under the Act during the next four years.

Forestry Commission

Sir John Anderson's announcement last week on the revised status of the Forestry Commission is a necessary preliminary to the formulation of post-war policy. The Commission is to exchange its semi-independent position under the Treasury for one subordinate to the Minister of Agriculture. Between the wars the present machinery worked well enough. But once again a major war has made inroads on British forests, and re-afforestation becomes a vital if small part of post-war reconstruction. New machinery is felt to be necessary for new and greater tasks.

In a Bill soon to be introduced the Government will propose that the Forestry Commission should become a single, expert advisory body to the Ministry of Agriculture and the Secretary of State for Scotland, who will be jointly responsible for the executive functions which it will retain. If the change is approved by Parliament, political parties in the House can no longer be represented on the Commission and the four MP Commissioners will have to be replaced. Following the Bill—or possibly partially included in it—is to come a statement of Government forestry

policy for the future. What scale of reafforestation, in private woodlands and state forests the Government will adopt it is not possible to guess. But even if it follows only the second-best policy put forward by the Commission in their White Paper (Cmd. 6447) on the subject, the cost to the Exchequer for the initial decade is likely to be well over £30,000,000. That such a policy, minimum though it is, is felt to be necessary and that its cost (considering the small numbers who will feel any direct benefit from the outlay) is not inconsiderable, make very good reasons why the Commission should be brought under closer Parliamentary control. There may, however, be some disagreement over the nature of that control.

In their own statement, the Forestry Commission were strongly opposed to subordination to the Ministry of Agriculture, on the grounds that the enthusiasts of silviculture would be overborne by agriculturalists and good forest land would be used for poor farming. Instead of the Minister, the Commissioners suggested the Lord President of the Council. Against this contention there is the obvious reply that land policy, for the purposes both of use and pleasure, must be co-ordinated. A measure of consultation and collaboration with the Ministry of Agriculture is naturally unavoidable. The very fact of ministerial responsibility for forestry can be used as a safeguard that the need for new and improved woods and forests will not be neglected.

Albania Under Fire

The only liberated country in Europe in which no constitutional crisis seems to have arisen so far is Albania. The country is being ruled by M. Enver Hoxha, a young Communist teacher, who at the head of the Albanian National Liberation Army marched into Tirana and Durazzo three months ago. King Ahmed Zogu, who left the country when the Italians invaded it in April, 1939, has apparently not expressed any desire to return to his kingdom. The attraction of the Albanian throne is clearly not very powerful.

Even so, an Albanian crisis may soon break into the headlines. The old frontier feud between Greeks and Albanians is flaring up. The Greeks want to annex the Northern Epirus—the districts of Argyrokastró and Koritza where they fought so valiantly against the Italians in 1940. These districts have a large Greek and Christian minority which has suffered persecution at the hands of the Albanians. A Northern Epirus Committee, headed by the former bishop of Argyrokastró, is very active in Athens, demanding the immediate transfer of southern Albania to the Greeks; and since Mr Churchill's latest visit to Athens, Greek sources have hinted that the claim has met with British approval. In reply, Radio Tirana has appealed to the "democratic conscience" of the world; and from its appeals and protests it appears that the Atlantic Charter has its most faithful European adherents in Enver Hoxha's Army and Committee of Liberation.

Albania owed its independent existence (as well as its downfall) to Italy. Italian influence no longer counts. But nature and geopolitics know no vacuum; and the country is already being engulfed in something like a Greek-Yugoslav rivalry. The new ruler of Tirana looks with admiration to his older brother—Marshal Tito; and he presumably dreams about federation with Yugoslavia. If southern Albania goes to General Plastiras, northern Albania will certainly throw itself into Marshal Tito's arms. Meanwhile, the first Greek-Albanian "incidents" have been reported from the Adriatic sea, where Albanian ships with food cargoes have allegedly been seized by Greek "imperialists" from the island of Corfu.

Himmler's Special Courts

During the retreat of the German army and civilians from Western Poland and Eastern Germany, regional Gauleiters and SS commanders, under direct orders from Himmler, summarily tried civil servants who had panicked or left their posts. Some of them, like Spielhagen, second Burgomaster of Breslau, or the Burgomaster of Bydgoszcz, were executed at once. Others were sentenced to long terms of imprisonment.

This rough and ready method of dealing with defeatists, political opponents and faint-hearted civil servants has always been a characteristic feature of the Nazi regime. During periods of great emergency these methods were as a rule legalised by special decrees. Since more German provinces in the east and in the west will soon come

under the direct threat of invasion, a special decree issued by Himmler has set up "Military Courts of Summary Justice" in the threatened zones. The judges of the courts will be assisted by an official of the Nazi party and an officer of the Wehrmacht. They will be appointed by the regional Defence Commissar, that is to say, by the Gauleiter. The courts will have to try all crimes by which Germany's fighting strength or will to fight are endangered. As a rule the trial will end in a death sentence. Minor offences will be transferred to ordinary courts and each decision of the new courts requires confirmation by the Gauleiter. The decree stipulates no points of special procedure. In fact, it can be said that the new special courts are a combination of the methods of the People's Courts and courts set up under martial law.

The composition of the courts shows that Nazi party and Wehrmacht are treated as equals. It shows at the same time that in the immediately threatened zone, the Gauleiter, in his capacity of Regional Defence Commissar, has become the sole arbiter in all cases where soldiers or civilians have been found wanting in determination to continue the fight. Although executions on the spot have now been legalised according to totalitarian rules, the procedure to be used by the courts is left purposely vague. The local officials are to be free to decide which offences merit the application of totalitarian "justice."

Psychology and the Civil Service

As part of its recruitment plan, the Civil Service is proposing to introduce a scheme for the psychological selection of candidates, on the lines of the War Office scheme for selecting men for commissions. Men and women who reach a certain level in the qualifying examination for the administrative grades to be held in the "reconstruction" period will be invited to spend a few days in a country house as the guests of the Civil Service Commission. Their behaviour as individuals and as members of a group, at work and at play, will be closely observed by trained psychologists; they will probably do physical exercises and be set conditions as near as possible to those which they might encounter in the service. Candidates will not, it seems, be told the identity of the psychologists among them. The qualities which will count are those which are regarded as making a good civil servant—intelligence, personality and being a "good mixer." The house will accommodate about 48 to 64 people a week, so that some 3,000 candidates might be received in the course of a year. The number of vacancies in the Home Civil Service is put at 400 to 500, at 200 in the Foreign Service, and at about 1,000 in the special administrative grades.

The War Office Selection Board has worked well in the Army, and it is true that far too much attention was paid in the past to the results of the written Civil Service examination, while the oral examination, in so far as it was not purely formal, laid too much emphasis on the social stigmata of a correct education. Within the prescribed limits set by the Government's recruitment schemes, a psychological approach will undoubtedly be valuable. Nevertheless, it is open to doubt whether the qualities of a good administrator—which are a matter of the intellect quite as much as of the character—will reveal themselves by this means nearly as easily as the qualities of a good subaltern officer. The reference to physical exercise is a little ominous; and it is doubtful how far a country house-party with parlour games and brains trusts will, in fact, reveal character.

Moreover, the addition of psychological tests does nothing to widen the main cramping influence on the recruitment of the Civil Service—the fact that its higher grades will continue to be filled straight from the universities (except for the period which ex-service entrants will have spent in the Forces). The condition attached, that a candidate coming from the Forces must spend at least one year at the university, if he has only had one year there before enlisting, may mean that some older men, with families to support and without private incomes, though admirably qualified in other respects, could not afford to spend a whole year at the university with the risk of being rejected in the personality tests.

The Magistrates Reply

The juvenile court magistrates concerned in the inquiry into the London County Council's remand homes issued a public statement in reply to the committee's report (dis-

cussed in *The Economist* last week, page 209). The statement is largely concerned with the committee's criticisms of their original remarks. But it also re-emphasises the main point at issue—the question of segregation. The committee agreed with the magistrates to the extent of recommending that children under eight should be sent to a different institution and that children and young persons who have been committed to approved schools and are awaiting transfer should be separated from those on remand.

But there is an unresolved difference between the committee and the magistrates on the segregation of the different classes of children and adolescents on remand. The magistrates—not only those originally concerned but six others together with twelve women probation officers and two psychiatrists—urged very strongly that "gravely immoral" girls should not be allowed to associate with the "innocent," innocence being defined in this context not in terms of law but of sexual experience. The committee rejected this view, chiefly for practical reasons—it is difficult to know where to draw a line which is not drawn in approved schools, and particularly difficult to draw it during a girl's short stay at a remand home. But there is the further, more idealistic view, which inspired the Children and Young Persons Act of 1933. The argument behind the Act runs somewhat as follows: all these children that come before the Courts are maladjusted to society; any offence they may have committed is merely symptomatic of their maladjustment; let us, therefore, treat the disease instead of concentrating on the symptoms; and let us not draw invidious distinctions between fellow-unfortunates. It is an attractive ideal, which in the long run may well be the only effective means of dealing with juvenile delinquency. But in the short run is there not a danger that the symptoms may be catching?

A possible solution to the dilemma is that contamination should be prevented, not by complete segregation, but by very careful supervision in decent, well-equipped surroundings. Magistrates and committee are at one in finding the Marlesford Lodge home, where the child whose case gave rise to the inquiry was sent, badly understaffed and badly equipped. The former also urge that the LCC does not obtain the right sort of staff, because, relying on their sense of vocation, it underpays them. If the authorities are convinced that the policy embodied in the 1933 Act is the right

MILK · CHOCOLATE & the Nation's Milk Supply

THE contribution of the Milk Chocolate Industry in ensuring Britain's milk supply during these critical war years is not generally realised.

Before the war this industry was using 40 million gallons of milk a year. Cadburys took more than half of this vast quantity. It came from the counties of Hereford, Gloucester, Salop, Stafford, Flint and Denbigh where Cadburys have consistently encouraged dairy farming over a number of years. In these areas they have established four Milk Factories which have greatly assisted in developing milk production. Today these four factories alone collect and distribute sufficient fresh milk for well over a million people.

Cadbury means Quality

one, they should realise that it will succeed only if it is administered in the best possible conditions.

Family Allowances

The Bill providing family allowances follows so closely the outline given in the White Paper on Social Insurance that discussion of it is hardly likely to cover any new ground. The best that can be said for it is that though it may be a small beginning, it is at least a beginning. Once the principle of family allowances is accepted and embodied in a statute, succeeding Parliaments will always be able to press for an amending measure to increase the amount.

The Government's reply to cries for more at the present time will be that £13 a year for the second and each subsequent eligible child is not the only provision being made for children. The supply of meals and milk to school-children, when it is fully developed, will cost £60 million a year, which is equal to about £12 a child. In addition, there will be the as yet unestimated cost of provision that may be made for children under school age. With the amount of £57 million estimated for the cash payments, the total will exceed the Beveridge figure of £110 million.

But it is not clear whether the Government's estimate for the cash payments is a gross or a net figure—in other words whether they will be subject to income tax. Replying to a Parliamentary question on this point on December 5th, the Financial Secretary to the Treasury stated that the broad principle which the Government had in mind was that contributions made under the national insurance scheme should be deducted and benefits included when the taxpayer's taxable income was being computed. This sounds ominous, but since family allowances are not an insurance benefit but are to come out of general taxation, the principle hardly seems to apply in their case. If it does, the taxpayer will find himself paying money out of one pocket, receiving it back in another and paying it out again from a third, and his net gain in respect of each of his eligible children will be—depending upon his taxable income—3s. 4d. or half-a-crown.

Commonwealth Quarrel

By the assertion of its authority over the Natal Provincial Council the South African Government has taken a firm step towards easing its strained relations with India. The Union Government has now announced that the ordinances passed by the Provincial Council controlling Indian ownership of houses in European residential districts in Natal go beyond its constitutional powers. This action follows the mounting resentment, in India itself as well as in the Indian colony of Natal, which culminated earlier this month in a vote of censure by the Legislative Assembly on the failure of the Indian Government to apply sanctions against South Africa.

The disputants are now back where they started after the Pegging Act. This Act, passed in 1943 by General Smuts' Government under pressure of European opinion, expressed the white South African desire for racial segregation. It added still further to the onerous disabilities, legal and economic, of the Indians settled in Natal. Since then, Indian protests were partially met by an inter-Commonwealth agreement, known as the Pretoria Agreement, designed to limit the interpretation of the Pegging Act. It was this Agreement which the Natal Provincial Council contravened by passing the Residential Property Regulation Ordinance in June last year.

From this summary of the development of events, it is clear that the Indians' uneasiness over the treatment accorded to members of the Natal colony by the Union Government will not even now be wholly quieted. It has also been made clear, in the Indian press and in the debates of the Legislative Assembly, that there is a tendency to blame Great Britain, as the focus and guardian of Commonwealth relations, for anti-Indian actions in South Africa. However unreasonable, this tendency underlines the concern which should be felt in this country over any coolness or tension existing between members of the Commonwealth. It should not therefore be thought that this perennial hatchet has been finally buried. Indians will not cease to claim the full benefits—as yet untasted—of the more sympathetic Cape Town Agreement of 1927; the great majority of white South Africans will not cease to resent the Indian incursion and commercial competition; and Great Britain will not cease to be blamed by one side or the other, either for intervention or for non-intervention.

The Civil Estimates

Reconstruction and reform are well illustrated in the civil estimates for 1945-46 summarised in a Vote on Account presented to Parliament this week. Largely because of the introduction of supplementary pensions in 1940, the cost of which is now more than double the saving on unemployment assistance since the war began, civil expenditure had been rising steadily, and the final estimate for 1944-45 (excluding broadcasting and the revenue departments) was £481,815,000, compared with appropriations of £416,012,000 for 1939-40. But whereas this means an increase of £66,000,000 in five years, the increase shown by next year's estimate of £549,905,000 is £68,000,000 over the current year alone.

The biggest single rise in next year's estimates is shown by the Ministry of Education. The effect of the Education Act will be to raise expenditure under this item from an estimate of £64,898,000 in 1944-45 to £84,503,000. Also in this class, the estimate for grants to universities has gone up from £2,149,000 to £5,900,000. The establishment of the Ministry of National Insurance has so far merely transferred expenditure from the Ministries of Health and Labour. Health and pensions insurance and unemployment insurance will be administered by the new Ministry from April 1. But it is interesting to note that next year's estimate for the remaining expenditure of the Ministry of Labour is as much as £24,040,000, whereas the comparable estimate in the current year is only £11,682,100. This increase is possibly due to plans for demobilisation and resettlement.

Other increases are, as usual, for supplementary pensions, which rise by £5,000,000 to £61,920,000 and old age pensions, which will cost £57,750,000, compared with £56,000,000. The estimate for the Ministry of Fuel and Power rises from £390,000 to £3,100,000. There is also a big rise in the estimate for "miscellaneous works services" from £399,835 to £8,767,000. It is also interesting to note that the vote for development and welfare in the colonies—£4,937,000—almost reaches the annual maximum allowed under the 1940 Act.

Shorter Notes

The Royal Commission on Equal Pay is hoping to complete its report by the end of the summer. It has been held up by delay on the part of various important organisations in preparing their evidence. So far, some 120 statements have been submitted to the Commission, which has now started to hear oral evidence. The following individual economists have been invited to give evidence: Sir William Beveridge, Sir Hubert Henderson, Professor J. R. Hicks, Mr R. F. Harrod, Professor D. H. Macgregor, Mrs. Barbara Wootton, Professor Sargent Florence, Professor Pigou, Mr G. R. Shove and Professor Hamilton Whyte. The Commission is limited by its terms of reference to an examination of the relationship between men's and women's wages and of the economic complications of applying the principle of equal pay. It will not, it appears, be required to make recommendations to the Government, so it is all the more important that there should be the minimum delay in the presentation of its fact-finding report.

One of the Chancellor of the Exchequer's amendments to the Requisitioned Land and War Works Bill gives local authorities and recognised amenity societies a right of appeal to the War Works Commission where public amenity is affected. Another amendment enables Parliament to overrule by resolution any Ministerial decision to acquire land made in face of an adverse report by the Commission. A third amendment excludes "depreciated" land from the Bill, except where the purpose is to restore it to its proper condition.

The Minister of Health and the Secretary of State for Scotland have appointed a committee under the chairmanship of Sir Will Spens to consider what should be the range of total professional income of a medical practitioner in a publicly organised service of general medical practice.

There are many men and women in the Services who would welcome a chance of reading this publication. If you would hand it in, unwrapped, unstamped, and unaddressed at any Post Office, it will go to them.

AMERICAN SURVEY

Lewis versus Labour

The American Federation of Labour's latest rebuff to Mr John L. Lewis and his United Mine Workers recalls Mr Lewis' answer to the Federation last year when his first request for readmission, made early in 1943, was rejected.

Mr Lewis then accused the AFL of "sinking to the status of a political company union in its servility to the New Deal." He apparently has reconsidered his views, but the core of his difference with Mr Green's AFL remains hard and quite the same as it was. The AFL insists that the United Mine Workers Union shall restrict itself to the same ground as when it left the Federation in 1935, while Mr Lewis says jurisdictional problems can be solved after his readmission.

There is a serious challenge to the craft principles on which the AFL rests in Mr Lewis' all-inclusive "District 50," a subsidiary of the UMW, through which he has extended his influence far beyond the limits of mining, embracing such varied groups as building and construction workers, clerical workers, dairy farmers and chemical workers.

The prospects of a working unity between the Congress of Industrial Organisations and the AFL can actually be said to be brightened by the AFL's refusal to readmit Mr Lewis. With enormous funds at his disposal and a constitutional inability to be anything but chief, Mr Lewis would have thrown his considerable weight into widening the breach between the CIO and the AFL. He would have drawn the Federation toward isolationism both in political and in trade union matters; his stand against Government interference and price controls would have become, if anything, noisier and more intransigent. And at a time when the war effort demands increases in war production, he would have tried to gain strength for his inflexible, bitter attitude that this is not labour's war.

The leaders of the CIO clearly see the advantages to be gained now and in the post-war period from a united labour front. They gathered the AFL into the forces of the Political Action Committee; they have offered Mr Green a seat for the AFL on the committee set up by the recent World Conference to draft the constitution of a new international federation of trade unions. The CIO has also appealed to AFL leaders to co-operate on a post-war programme which would provide for protection to workers during reconversion, repeal of anti-labour laws, legislation to assure social security and 60 million jobs at fair wages. So far the Federation has been adamant. But if it and the CIO are now to be under common attack by Mr Lewis, their mutual hostility might soften.

Rescuing the Colleges

To help the colleges and universities in facing the critical situation brought about by war dislocations, an advisory committee appointed by the House of Representatives has recommended that Federal aid should be extended to them. The war has left the institutions of higher education half-empty and hungry. About three-quarters of the male students are in military service and the attractions of war work have contributed to a decline in enrolment which last autumn was one-third below the 1,400,000 of 1939. By the end of this year it is estimated that Army and Navy programmes in the colleges—which provided some alternative use for their facilities—will have diminished to less than thirty per cent of their peak in 1943-44.

The Committee recommended that students and faculty members specialising in fields essential to the national welfare be given special priority in discharge from the Army and Navy; that gifts and grants be stimulated by additional tax exemptions; that educational institutions be included in programmes of public works; and that a committee representing the educational institutions and the armed services work out a plan for using the institutions of higher learning in future national emergencies.

Many educators in the United States see their salvation in the so-called "GI Bill of Rights," which will draw to

the colleges perhaps as many as 650,000 ex-service men. Tuition fees for these men, up to \$500, will be paid directly to the institution and they will receive living allowances of \$50 a month if single, \$75 if married.

The chief spokesman for the opposing faction has been President Robert M. Hutchins, of the University of Chicago, who has called the bill "an open invitation to any entrepreneur to buy up the charters of half a dozen bankrupt institutions and make his fortune." Mr Hutchins fears the possibility of education being utilised as a substitute for a dole or national works programme and he foresees a rush to the colleges by thousands of unqualified, uninterested ex-servicemen "because they cannot get jobs."

And so the battle lines are drawn. It is not an argument over what the ex-soldiers deserve to receive. It is fundamentally a battle over whether the provision of education for ex-soldiers can be made to introduce into America a new era of more widely spread learning or whether the institutions will use the veterans as a fat source of easy income, cynically adopting state control along with a billion dollars of Federal money.

The George Bill

Adversity makes strange bed-fellows and stranger politics. Three weeks ago it would have seemed inconceivable that the forces of the Administration and the New Deal should fight tooth and nail to assure the passage of Senator George's Bill divorcing the financial agencies from the Department of Commerce. But, ironically enough, the George Bill, devised originally as an anti-Wallace measure, has become the means of assuring Mr Wallace's appointment as Secretary of Commerce.

Two main issues were at stake in the complicated Congressional manoeuvres of the past fortnight. The anti-Wallace contingent made every effort, first, to shelve the George Bill until after Mr Wallace's confirmation was considered, in the expectation that favourable action on the appointment would not be secured in the Senate as long as the post carried with it control over the Reconstruction Finance Corporation and its subsidiaries; and second, to add to the bill amendments sponsored by the Republicans which would have made the Export-Import Bank completely independent of the Secretary of Commerce, and would have forbidden the President to transfer any additional powers to the Secretary of Commerce. This last amendment was designed to prevent the transfer of other financial agencies not at present associated with the Department.

At a number of points the Administration very narrowly escaped defeat, with votes of 202-192, and 204-196, although the final vote in the House on the George Bill was 399-2. The measure goes to the President in the form which he indicated would be acceptable; and the chances are all in favour of Mr Wallace's confirmation in his reduced powers. His job now will approximate to those functions of persuasion and publicity which Mr Lippmann outlined some weeks ago. The bitterness of the Congressional debate and the closeness of the votes, which in essence were on Mr Wallace, rather than on the George Bill, do not, however, hold out much prospect of easy conversion on Capitol Hill.

Dodging the Draft

The big guns which are being rolled up in an attempt to save the May-Bailey manpower Bill suggest that it is very nearly a lost cause. Last week Mr Stimson, the Secretary of War, broadcast an urgent appeal to the "American conscience" in which he accused the enemies of the Bill of boasting that they had killed it. Mr Stimson insisted that "deadly shortages" are imminent; Mr Krug of the War Production Board has asserted that immediate passage is necessary "because we are running short of manpower"; and Mr Roosevelt, in a brief message to the Senate, reinforced their appeal for action.

Apparently unmoved, the Senate has shelved the Bill, which would have used compulsion to move men from

18 to 45 into essential war work. The substitute bill which it is now considering, proposed by Senators Kilgore, Wagner, and O'Mahoney, contains none of the compulsory features of the May-Bailey Bill. Workers would have to have permission to change their jobs, and employers who hired more men than they were entitled to would be penalised only to the extent that they would not be compensated for their wages in government contracts, or might have these wages disallowed for tax purposes. Of new or effective sanctions there is no mention.

The bill, which is sponsored by the Congressional friends of labour, seeks to control the employer, rather than the individual worker. It is concerned with the budgeting of manpower, the establishment of manpower ceilings for individual plants, and "channeling workers."

These are all devices which have been tried in the past; and, although no doubt there is scope for improvement in their application, they cannot equal the effectiveness of a bill which provides specifically for the direction of individual workers and establishes drastic penalties for disobedience. These are precisely the features of the May-Bailey Bill to which organised labour—with the exception of the extreme left-wing unions—objects. It may be, indeed, that at this date the creation of an administrative machine to direct workers would prove extremely difficult; and its chance of success would not have been improved by steady hostility from the labour unions. It does not look, however, as though it would ever be put to the test.

The Forty-Fivers

What would have happened if President Wilson had taken Elihu Root and William Howard Taft with him to the Versailles Peace Conference? This is one of the great ifs of history, debated for twenty-five years. The American delegation to the San Francisco Conference bears all the marks of Mr Roosevelt's determination to avoid a repetition of that historic blunder. In addition to Mr Hull and Mr Stettinius, the delegates include Senator Connally (Dem) chairman of the Senate Foreign Relations Committee, Mr Bloom (Dem), Chairman of the comparable House Committee; and on the Republican side, Senator Vandenberg, Representative Eaton, and Commander Stassen, former Governor of Minnesota. There is also one woman, Dean Gildersleeve of Barnard College.

The selection is remarkable for its careful party balance and its inclusion of influential members of both Senate and House. It is no less remarkable for its omission of Governor Dewey, titular leader of the Republican party, and his adviser, Mr John Foster Dulles, who was so prominent during the election campaign and who has a strong church following. The choice of Commander Stassen,

instead, recognised the service of the young internationalist Republican group; it also lays Mr Roosevelt open to the charge, not merely of playing party politics, but of playing Republican party politics.

What remains to be seen is whether, in fact, the inclusion of representatives of the opposition this time will do as much to assure Republican support of the peace settlement as Mr Wilson's critics have always assumed. No individual Republican can, of course, bind his party. Nor is the parallel with 1919 exact. Senator Vandenberg's recent speeches transformed him almost overnight into a force to be reckoned with in internationalist circles, and he is one of the most powerful Republicans in the Senate. But with Mr Wilkie's death there are no Republicans of a stature, sustained conviction, and influence comparable to that of Root, Hughes, and Taft, in 1919. Nor does Senator Vandenberg promise to be altogether a docile collaborator. As yet he has not accepted the appointment, and his appearance at San Francisco is conditional upon his remaining a free agent. The issue on which he is most likely to be sensitive is that of Poland. To offend Polish-American opinion might cost him his Senate seat next year, for there are nearly 500,000 Polish-American voters in Michigan.

None of these considerations detracts, of course, from the adroitness and good sense with which the Administration has sought to associate both parties in Congress with the work of the conference. The fullness and candour of Mr Byrnes' account of the Yalta decisions, combined with the choice of delegates, have done as much as is humanly possible to assure in advance that the settlement will receive a favourable reception.

Shorter Notes

The educational community is split on the question of post-war compulsory military training. The heads of twelve universities recently requested the President to delay consideration of "this highly controversial question" until after the defeat of Germany. Last week fourteen prominent educators, representing many of the outstanding men's colleges, requested immediate action by Congress, on the ground that public opinion is sounder on this issue during the war than it will be after the war. According to a Gallup poll taken in December, 70 per cent of those questioned favoured a year's service in the army and navy for every able-bodied young man after the war.

The Alabama poll tax may follow that of Georgia into the discard. Alabama's poll tax is the most restrictive of all; it is fixed at \$1.50 a year, but being cumulative, a new voter may have to pay up to a maximum of \$36 for the privilege. At best less than one-fifth of Alabama's potential voters go to the polls.

THE WORLD OVERSEAS

Latin America and the Peace

PEACE, though indivisible, is a house of many mansions. This week, with the Crimea Conference behind them and San Francisco ahead, the Foreign Ministers of nineteen American nations are meeting in Mexico City to discuss the contribution of the Americas towards winning the war and establishing a peace based on collective security. At the last Pan-American Conference, at Rio de Janeiro in January, 1942, the war had already reached the Americas. Nine Central American and Caribbean republics had followed the United States to war. Mexico, the tenth, had broken with the Axis. The rest of Latin America, comprising the ten South American republics, were left to implement the Conference's unanimous recommendation to do likewise.

It was here that a cloud appeared on the Pan-American scene. Before the Conference, Argentina had attempted to induce its neighbours to continue a policy of neutrality and to form a "southern neutrality bloc" under Argentine leadership. This attempt failed. Paraguay and Uruguay broke off relations. But Argentina managed at the Rio Conference to water down an otherwise unanimous resolve to break

with the Axis to a mere recommendation to do so. In fact, it was not until a year after Chile's breach that, in January, 1944, Argentina broke off relations with the Axis. By then all the other Latin American states except Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela had declared war. Last week, on the eve of the present Conference, and no doubt mindful of it, five of these six announced that they were at war, while in Uruguay parliamentary sanction was awaited to sign the United Nations Declaration. Argentina remains entrenched in solitary isolationism.

Such is the surface pattern of Pan-American politics. It overlays a deeper and more intricate pattern of inter-American relations. In the last three years Argentina's isolation has deepened; Brazil and Mexico, in their effective support of the war effort, have gained a new stature in the American community; and smaller republics have realised that, economically as well as diplomatically, Brazil bids strongly to regain the South American leadership it lost to Argentina half a century ago. President Vargas has already made it clear to his neighbours in various speeches that he claims for

Brazil the right to speak for South America at the peace table. It is likely that, with their support, Brazil will press at this week's Conference for a permanent seat on the Security Council proposed at Dumbarton Oaks.

Brazil's friendship with the United States is traditional; the stability of Mexico's is of more recent date; since the war Argentina's has been strained as never before. These three nations are the protagonists in the Latin American scene. Under a stable Government, Mexico's understanding with the United States gives it an influence farther south. Its vigorous leadership of Latin American Labour (whose voice was heard in London last week) is undoubtedly a factor in this influence. But it is the relationship between Argentina and Brazil that is likely to play the principal part in determining the shape of the peace for the South American republics.

Helped by Lend-Lease and by very big American credits, Brazil has in the course of the war developed its vast hinterland in the Amazon basin, and along the frontiers of Bolivia and Paraguay—the river system of the Plate. Hitherto these areas have been served exclusively by the Amazon and the River Parana (which flows into the River Plate); Brazil has roots in both, and the development of the two areas is advantageous not only for Brazilian economy, but also for neighbouring states. In Amazonia, President Vargas has developed communications, and with them the friendship of the border states from Bolivia to Venezuela, with vigour and promise. The Brazilian Government played a leading rôle in settling the recent boundary dispute between Peru and Ecuador; and Bolivian irredentism shows signs of having been at least assuaged by the approach of Brazil's railways, which will offer its eastern lowlands a chance of development.

Bolivia and Paraguay are suspended between the Argentine and Brazilian orbits. But while Argentina has sought to maintain for these land-locked (and potentially oil-producing) states the attractions of its River Plate outlet, Brazil is offering both countries the prospect of an entrepot trade through Santos and a link with Sao Paulo, the industrial hub of Brazil. Its new railway system connects Santos and Sao Paulo with Corumbá, and other branches are to stretch into Bolivia. Paraguay has long been classed as a colonial dependency of Argentina. Brazil's interest in it, backed by treaties, technical aid and a loan, will undoubtedly grow if the United States oil company recently permitted to explore the Paraguayan Chaco should strike oil. The weakening of Argentina's economic monopoly in Paraguay is so far largely potential. But Paraguay's eleventh-hour decision to declare war against the Axis appears to be designed not only to secure a firmer voice at Mexico City, but, nearer home, to reinforce Brazil's friendship.

These are designs in the deeper pattern of Latin American relations. American aid during the war has emphasised and hastened them, largely through instruments such as Lend-Lease, the Export-Import Bank of Washington, and the whole machinery of mutual help—and self-help—developed to exploit Latin America's resources on the basis of the Good Neighbour policy. Since Argentina has in practice rejected this policy, it is excluded from the economic advantages it entails. Here are, therefore, grounds for friction and misunderstanding between Argentina and Brazil.

The deepest pattern of all, and the most obscure, is that of Latin American politics, where revolution is still regarded as an inalienable right of peoples professing democracy. It is easy to over-simplify the forces at work in Argentina that have led it to stand alone in the Pan-American scene, recognised only by Bolivia, Chile, Ecuador and Paraguay, and outside the Mexico City Conference. An essential feature of this process of self-exclusion has been the parallel growth of diplomatic isolation (though trade with neighbours has increased) and extreme nationalism. This is the real basis of General Farrell's authoritarian regime. It would be misleading to discount the potency of such forces in other republics; reactionary nationalism is very near the surface in Latin American politics. Although it failed to create a neutrality bloc, the Argentine Government still seeks sympathy among the forces of reaction and nationalism elsewhere.

The authoritarianism of Brazil carries, in President Vargas's own statements, the promise of a democratic regime when the war ends. So far, then, Brazil has shown signs of proceeding towards democratic forms, while Argentina, the traditionally democratic republic, has put on totalitarian trappings. In this relationship there are those who see a coming clash of interest between an expanding Brazil and an Argentine oligarchy determined to enlist the forces of nationalism against any South American hegemony except its own. But there are others, dubious of President Vargas's promise of post-war elections (or dubious of their effect),

who profess to see in a Brazilian rapprochement with the present reactionary Argentine government a likely bulwark of the authoritarian Vargas régime against internal opposition.

These deeper issues, which cut across the central problem of Pan-American unity, may not be discussed at Mexico City, or at least they are likely to be discussed only by implication. No one need underestimate the centrifugal forces which attempt to pull the American Republics apart. When Bolivar, over a hundred years ago, sought this unity, he complained that he had been ploughing the sea. There is at least evidence that to-day, too, the ground is as difficult and unfertile. Nevertheless, the achievements of Pan-American unity are real, and they enjoy now, and will enjoy in the future, the fullest possible backing of the United States. As Mr Nelson Rockefeller said last week:

The unity of the American Hemisphere will always be our first line of defence.

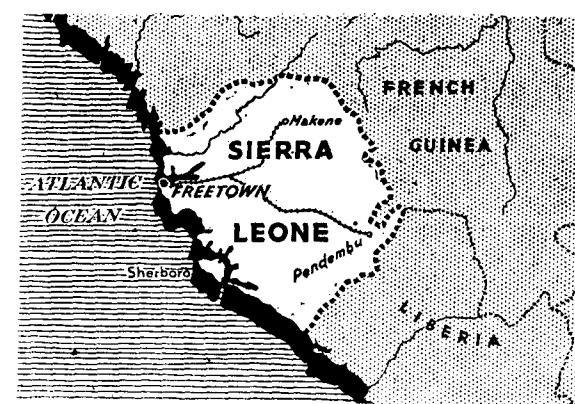
The United States delegation, headed by Mr Stettinius, and including in an advisory capacity a strong body of Congressional committee men and the President of the Export-Import Bank at Washington, is a very strong team, and it reflects the importance which the United States attaches to the success of the Conference. It is not without potent weapons of persuasion. The continued economic development of backward areas in South America must continue for some time to depend on American help. There will be thus strong inducements to the republics to keep in line; indeed, economic isolation may finally prove to be the threat that brings Argentina back into the Pan-American community.

The Belgian Deflation

[BY A CORRESPONDENT]

SUFFICIENT time has elapsed since the launching of the Belgian deflationary scheme last October to review some of its results. The mechanism of the operation worked comparatively smoothly. As the Belgian Government experienced some difficulty in importing the required quantity of new notes, which had been printed in England, and in

No. 6 — SIERRA LEONE



SIERRA LEONE is the oldest of the British West African Colonies and has an area, including the Protectorate, of 28,000 square miles with a population of nearly 2,000,000.

European interest in this coast began with the voyages of the early navigators in the XVth Century. There was much rivalry between Portuguese, Dutch and British. It was not until 1792 that any settlement was made at Freetown which possesses one of the finest natural harbours in the world. A great port of call for the convoys of to-day it is interesting to remember that Sir Francis Drake who visited Sierra Leone in 1579, found that "here also we had oysters and plenty of lemons which gave us good refreshing."

The Bank has a branch at Freetown, which is now the capital of the territory. The average annual value of external trade 1935/39 was about £3,500,000, the chief exports being diamonds, gold, iron ore, palm kernels, palm oil, ginger and piassava. Those concerned with trade in Africa, the Mediterranean or the West Indies, are invited to communicate with:—



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distributing them throughout the country, a start could not be made until the beginning of October, almost a month after the liberation of Belgium, and in the interval a not inconsiderable flight from the franc took place. Again, the decree provided for a maximum of 2,000 francs in old notes to be exchanged by or on behalf of each person; the fact that 14,363,000,000 francs were so exchanged by a population of not more than 8,250,000, certain districts being excluded, indicates that a certain amount of exchange took place "by arrangement." And although loopholes in the law were stopped as soon as they became apparent, there was undoubtedly some leakage. But, on the whole, the scheme worked as well as could reasonably be expected.

Yet none of the outward phenomena of a deflation was apparent. The cost of living—a cost which must be calculated on the black market price of necessities if it is to have any meaning at all—showed virtually no change, while at least one factor—rent—began a slightly upward trend. Prices of luxury articles, which had been rising steadily ever since the arrival of Allied troops in the country, continued to rise, and in general the purchasing power of the franc, inside Belgium, seemed unchanged. This lack of change was apparent rather than real. That the "arrêts financiers de M. Guiz" were markedly deflationary can very soon be seen by considering the value of the Belgian franc vis-à-vis other currencies on the black Bourse. The price of the gold sovereign fell from approximately 6,500 francs to something in the region of 1,800 francs, and that of the pound note in even greater proportion. Trading in *valuta*, though illegal, is conducted quite openly, and these rates indicate financial trends as adequately as any official quotations would do. Table I shows the prices of the gold and paper pound respectively in early September, in mid-October (immediately after the scheme came into force) and in mid-December (after a further 13,000,000,000 francs were unblocked). It will be seen that the rates of exchange are not strictly proportional and also that the gold pound is valued at anything from 12 to 16 paper pounds.

TABLE I—VALUE OF THE GOLD AND PAPER POUNDS ON THE BRUSSELS BLACK BOURSE

	Official Rate	Value in Unblocked Francs		
		Early Sept., 1944	Mid Oct., 1944	Mid Dec., 1944
£1 gold	176.6	6,500	1,800	2,450
£1 paper		420	160	200

The reason why prices did not fall in Belgium as a result of financial measures which, other things being equal, should have had that effect, was that other things were not equal. First is the presence of many hundreds of thousands of Allied soldiers who, however well provided with rations, have been a serious drain on local resources. The Belgian currency supplied to them has been the main element in the re-expansion of the currency since the deflation decrees. Their expenditure has directly and indirectly provided the principal stimulus to the black market. Secondly, the supply position during the first two months following the liberation of Belgium was probably worse than it had been at any time during the occupation. The large stocks of merchandise which Belgian traders habitually carry, and the private hoards which a great many people, profiting from the lesson of 1914, had accumulated during the first few months of the war, had alike been eaten away; the Dutch frontier was closed; trade with the other food-producing countries of Europe, which had worked comparatively smoothly under the German occupation, was impossible; and the Allied armies could grant very little in the way of facilities either for their Civil Affairs staff and UNRRA or for the Belgian Government itself to bring in supplies from the western hemisphere. But the dominating factor was, as it still is, the virtual freezing of transport. Such few railways as continued to operate were required by the armies to supplement their 300-mile long lines of communication, and the retreating Germans had carried off with them everything on wheels they could persuade to move. The strain on the remaining transport facilities was too great and the highly organised black market provisioning system broke down.

The Black Market

It is necessary to take a liberal view of the Belgian black market. The Belgians threw themselves with joy into the

organisation of a black market which had as its aims, morally, the defeat of German wishes and, materially, the provision of supplies for those who could afford to pay for them and a livelihood for those who trafficked. The official ration provided only two-thirds of the calories normally considered sufficient to sustain life, but even this figure was meaningless as the full official ration was never obtainable. Thus there was never any feeling of shame in the existence of a black market, and it was able to become highly organised at all levels. The Belgian bought his meat from his butcher, his butter from his dairy, his bread from his baker and his coal from his coalman as though they were his normal ration, except that he could buy as much as he chose to pay for and that, instead of paying 36 francs a kilo for meat and 40 francs a kilo for butter, he paid 250 francs and 350 francs respectively. He still does, though thanks to the reopening of Antwerp the ration for increasingly more commodities is becoming available and black market prices are tending to drop. The black market in bread and farinaceous products, for example, has virtually disappeared; on the other hand, the price of coal is rising steadily, and is now about 8,000 or 9,000 francs a ton—about £50.

All this organisation, which depended on the existence of a large volume of transport in the hands of the organisers, was seriously shaken during the first month or two after liberation, while the dissolution by the Government of the Nazi-sponsored system for marketing agricultural produce, the CNAA—a patriotic gesture which would possibly have been more effective had an adequate substitute been provided—made the official rationing position worse. It is a mild cause of complaint among those Belgians who are able to buy on the black market that whereas, before the liberation, they had to pay high prices but could at least obtain the goods, now they have to pay equally high prices for goods and cannot always get them.

It seems clear, therefore, that the deflationary measures, sharp and crude though they had to be, did in fact prevent what might easily have become an extremely serious inflationary spiral. That the operation had to be performed on the note issue and bank deposits rather than on the volume of commercial credit was unfortunate, since it produced anomalies, but unavoidable, since the volume of commercial credit was ridiculously low. Indeed, the Belgian Government hoped that one of the by-products of its scheme would eventually be the regeneration of commercial credits. The traditional depressing effects of a deflation on industry have been avoided, largely because industry was in any case virtually at a standstill, since it lacked means of transport and carried no stocks of materials. Applied in an economic vacuum of this kind, deflation does not hurt.

It can no longer be doubted that while the physical condition of Belgium, like that of the rest of Europe, leaves a good deal to be desired, the financial situation, with the franc firmly pegged to the pound, is healthy. An indication of this is given in Table II.

TABLE II—VALUES OF THE POUND, FRENCH FRANC AND DUTCH GUILDER ON THE BRUSSELS BLACK BOURSE (Mid-December, 1944)

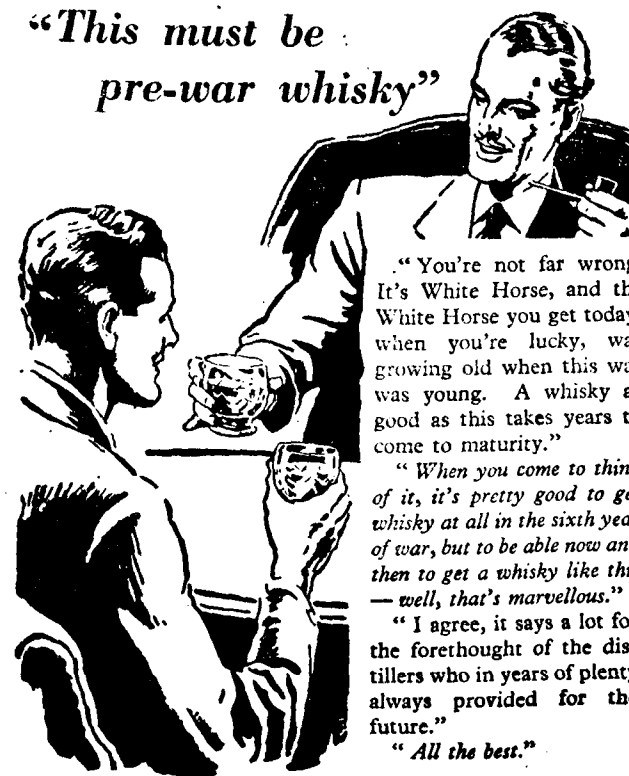
	Official Rate	Black Bourse Rate	
		In Francs	As Per cent. of Official Rate
£1 sterling	176.6	200	114
French franc	0.88	0.50	53
Dutch guilder	16.36	7.25	44

It shows the black Bourse prices of the French franc and Dutch guilder, compared with the official exchange rates, with the pound used as a yardstick. It should be remembered that these values are for notes of small denomination; large notes have a considerably lower rate of exchange.

Books Received

- The Control of Germany and Japan.* By Harold G. Moulton and Louis Marlio. Faber and Faber. Pp. 116. 10s.
China Looks Forward. By Sun Fo. Allen and Unwin. Pp. 260. 12s. 6d.
Race Suicide? By G. F. McCleary. Allen and Unwin. Pp. 126. 6s.
I See a New China. By George Hogg. Gollancz. Pp. 163. 6s.

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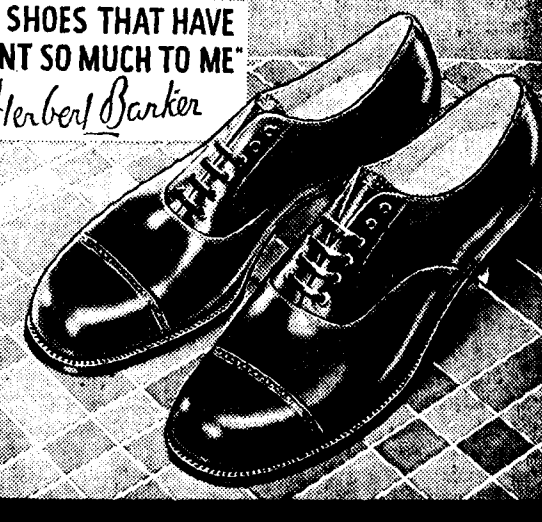
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THE BUSINESS WORLD

The Anatomy of British Industry

THE Paper on "The Structure of British Industry," read by Mr H Leak and Mr A Maizels of the Board of Trade before the Royal Statistical Society on February 20th, fills an important and irritating gap in the knowledge about the degree of concentration of ownership and control in British industry. Their analysis of the anatomy of British industry relates to the position in 1935 and is based on the results of the census of production of that year. It has three disadvantages. First, since it describes the position in a single year, it is not possible to ascertain the trend, that is changes, in the degree of concentration over a period of years; secondly, the information given is now ten years old; thirdly, it takes no account of the monopolistic practices of trade associations and of other types of arrangement among financially independent business concerns. The first two deficiencies will be removed by the next census of production; the facts about the third can only be ascertained by a special investigation. But these lacunae do not detract from the merits of the Paper; it is one of the most interesting that has been read before the Royal Statistical Society in recent years.

The massive statistical tables cannot be conveniently summarised; they deserve careful study in the original (this might with advantage have been published as a White Paper) by all who are interested in the anatomy of British industry. As an appetiser, three specific points may be selected for brief comment.

First, the statistical evidence marshalled by Mr Leak and Mr Maizels settles once and for all the argument whether or no British industry is still predominantly in the hands of small concerns. They draw the line between small and large business units*—arbitrarily but with some justification—at 500 employees—that is, units employing between 11 and 499 persons are small ones, and units employing 500 persons or more are large ones. By this definition there were, in 1935, some 1,959 large business units employing together 3,970,000 persons, equivalent to 55 per cent of the total of 7,203,000 persons employed by all establishments with a personnel of more than 10 persons. (Establishments employing less than 10 persons were responsible for less than

* A large "business unit," as defined by the authors of the Paper, may be a single firm employing 500 persons or more and engaged in one or more trades; it may also be an aggregate of firms, employing jointly 500 persons or more, owned or controlled by a single company—a firm is regarded as being controlled if the parent company owns more than half of its capital or voting power.

† Gross output is equivalent to total selling value; net output is the value added by manufacture; that is, it is equivalent to the total selling value, less the cost of materials and work given out.

a tenth of total output.) The same number of business units were responsible, in 1935, for £2,025 million, or 57 per cent of the total value of the gross output† of all establishments, amounting to £3,533 million, and for £931 million, or 58 per cent of the value of their net output of £1,603 million.

If the dividing line between small and large units were drawn at 1,000 employees, the large ones would still have accounted for nearly half the total output and employment, that is for 48 per cent of the gross output, 49 per cent of the net output, and 45 per cent of the total number of persons employed. It can thus reasonably be said that British industry is no longer predominantly small in scale.

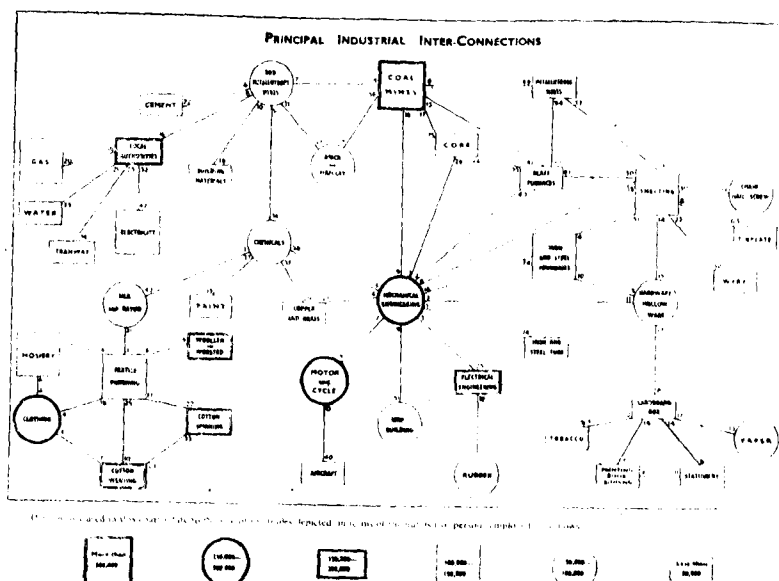
Even within the category of large business units (those employing 500 or more persons), there is a marked concentration of output in favour of very large units. This tendency is reflected in Table IV. Some 2.6 per cent of the total number of large business units were responsible for nearly a third of the total net output of all large units; 6.9 per cent produced nearly half and 13.1 per cent three-fifths.

The difference in the average value of net output per head between small firms and large ones (employing 500 persons or more) is surprisingly small; it was £208 in the one group and £234 in the other. But this evidence does not justify any conclusions. Numbers employed are no guide to the degree of mechanisation; for example, a company employing several thousand persons may

use old-fashioned methods. Again, in some trades, modern methods of production can be used by individual firms with a personnel of less than 500.

Secondly, the preponderance of the large business unit in industry as a whole is matched, in many industries, by the concentration of ownership or control in the hands of a few units. The degree of concentration in the main trade groups (measured by the proportion of the total number of persons in each group employed by the three largest business units) is shown, in descending order, in Table II.

But the degree of concentration in a group of trades provides little evidence of that in individual trades. In individual trades and sub-divisions of trades the degree of concentration is much higher than has been generally suspected. This is clearly revealed in a table in which Mr Leak and Mr Maizels have set out, for 302 individual trades or divisions, the proportion of total gross output, net output and employment that is concentrated in the hands of the three largest business units. The table is far too long for reproduction *in extenso*. There are 33 trades, or sub-divisions of trades, in which the degree of concentration—that is, the proportion of the total number of persons em-



The figures on the diagram indicate the percentage of the total employment in each of two trades accounted for by the large units (that is, units employing 500 persons or more) engaged in both. For example, the large units producing both coal and iron ore employ 8 per cent of the total number of persons in coal mines and 49 per cent of those in metalliferous mines. As the figures involve a substantial amount of duplication, they cannot be added, for example, nearly all the large units operating blast furnaces and ironstone mines also operate coal mines, so that for blast furnaces, the 72 per cent shown for the former connection is essentially duplicated in the 81 per cent shown for the latter.

Authors' corrections.—Printing, bookbinding: this industry should have a double instead of a single square, indicating that it employed between 150,000 and 250,000 persons. The following percentages should be corrected: blast furnaces to coal mines, 84 instead of 81; blast furnaces to smelting, 65 instead of 61; hardware, etc., to smelting, 5 instead of 15; coke to coal mines, 84 instead of 75; tramways to local authorities, 71 instead of 74; water to local authorities, 32 instead of 33.

ployed by the three largest units—is at least 70 per cent; these trades are set out in Table I in order of the degree of concentration of employment. (Of the 33 trades, or sub-divisions of trades, no less than 8 are in the Chemical and

Allied Trades group.) Even the figures for a trade as a whole may conceal the fact that concentration is still higher in certain of its products; the proportion of the total output of individual commodities produced by the three

I—TRADES OR SUB-DIVISIONS IN WHICH THE THREE LARGEST UNITS ACCOUNTED FOR 70 PER CENT OR MORE OF EMPLOYMENT

Trade or Sub-Division	Three Largest Units		Product	Value of Output	
	Average No. of Persons Employed	Proportion of Total		Value of Output	Proportion of Total
Manufactured fuel	788	95	Manufactured fuel	1,000	95
Condensed milk	3,103	94	Condensed milk, sweetened, whole	2,541	96
Sewing machines and boot- and shoe-making machinery	10,706	93	Complete sewing machines		93
Wallpaper	5,516	90	Paper hangings, other than raised materials	2,779	91
Match	3,549	89	Safety matches	931	97
Nickel and nickel alloys	2,190	88	Unwrought nickel and nickel alloys		100
Bicycles and tricycles	12,496	86	Complete bicycles and tricycles	3,638	55
Zinc (smelting, rolling, etc.)	2,024	86	Crude zinc	981	100
Cast iron and steel pipes, other than soil-pipes, drain-pipes, etc.	7,888	84	Pipes over 6 in. diameter	1,711	92
Sugar and glucose: firms not mainly engaged in beet-sugar production	9,538	83	Refined sugar, over 980 polarization†	26,610	82
Railway companies	174,429	83	Locomotives and parts	4,630	58
Dyes and dyestuffs	6,634	82	Dye intermediates	1,225	88
Petroleum	3,424	82	Motor spirit	3,866	88
Explosives and fireworks	7,965	81	High explosives, other than blasting powder		100
Gramophones and phonographs, etc.	3,814	81	Gramophone records	1,046	99
Rayon manufacturers	27,764	80	Rayon singles, yarn and straw		81
			Of staple fibre, etc.	487	81
			Other yarn	7,759	76
Seed-crushing	9,155	79	Refined cotton-seed oil	2,022	80
Primary batteries and accumulators	8,872	78	Primary batteries	2,778	79
Candles, nightlights and tapers (including wax-c)	1,664	77	Accumulators for vehicles	1,058	76
Rubber tyres and tubes	21,325	76	Candles and nightlights	701	60
Cast-iron stoves, etc., for gas, electricity and liquid fuel	11,049	74	Pneumatic outer covers for motor-car and aeroplane tyres	8,477	79
Telegraph and telephone apparatus	16,051	74	Cast-iron domestic gas stoves	4,859	76
Spirit distilling	2,388	74	Telephone apparatus	3,543	64
Polishes	4,698	74	Plain spirits	2,658	78
Refrigerating machinery	3,401	72	Leather polishes	1,207	85
Sugar and glucose: firms mainly engaged in beet-sugar production	3,656	72	Complete refrigerators	1,729	56
Margarine	1,958	72	Refined sugar over 980 polarization†	26,610	82
Incandescent mantles	916	72	Margarine	4,949	80
Wrought iron and steel tube	20,038	71	Mantles for incandescent lighting, etc.	293	72
Gold and silver refining	1,674	71	Welded tubes	4,646	73
Weighing machinery	3,495	70	Weldless tubes	6,190	78
Soap boilers	12,472	70	Gold bars	1	100
			Complete weighing machinery	1,014	69
			Soap for household purposes		
			Harvested soap	4,780	73
			Powder and dry soap	2,981	87
			Plates and films	2,221	98
Photographic apparatus and appliances	4,919	70			

* Owing to possible disclosure of the output of individual firms, these figures have been omitted.

† Firms not mainly engaged on beet-sugar production produced 80 per cent of the total value of the output of this commodity.

‡ Concentration percentage based on Total Make.

II—CONCENTRATION OF EMPLOYMENT BY TRADE GROUPS.

Trade group	Total employment	Selected trades and sub-divisions			Degree of concentration
		No. of trades	Employment	Aggregate employment in three largest units	
Chemicals	194.0	16	184.5	89.0	48
Miscellaneous	182.6	16	123.5	57.6	47
Public utilities	698.1	7	565.2	251.3	44
Engineering and vehicles	1,104.4	36	793.1	337.0	42
Iron and steel	530.3	32	416.8	164.4	39
Food, drink and tobacco	520.7	27	474.6	151.6	32
Non-ferrous metals	122.1	10	117.0	30.4	26
Textiles	1,054.9	41	981.6	222.6	23
Paper, printing, etc.	409.0	15	362.6	79.0	22
Clay and building materials	249.4	12	211.8	47.5	22
Leather	50.5	5	47.4	7.0	15
Clothing	535.9	15	474.3	60.9	13
Mines and quarries	845.1	5	845.1	84.2	10
Timber	194.9	8	150.9	14.4	10
Building and contracting	502.3	4	418.7	17.5	4
Total	7,203.2	249	6,167.0	1,614.4	26

III—SOME COMMODITIES OUTPUT OF WHICH WAS CONCENTRATED IN ONE OR TWO FIRMS

Commodity	Value of Output	Proportion of Total	Commodity	Value of Output	Proportion of Total
Sewing Cotton			Borax		
Rayon staple fibre			Calcium carbide		
Pile fabrics, wholly of silk			Carbon bisulphide		
Rayon piece-goods, printed			Cellulose acetate		
Umbrella frames			Chlorine liquefied		
Ferro-silicon			Acetylene		
Railway spikes			Oxygen		
Ingots of stainless steel			Magnesium chloride		
Armour plates not under 1/4 in. thick			Methyl alcohol*		
Universal plates			Phosphorus		
Tinned sheets			Rubber accelerators		
Enamelled hollow-ware of cast iron for industrial purposes			Cream of tartar		
Transmission chain for vehicles			Tin oxide		
Springs for ordnance			Zinc sulphate		
Insulated staples			Sodium carbonate		
Gas containers			Caustic soda		
Woven wire fencing			Sodium cyanide		
Circular saws, segmented			Gum		
Hair clippers			Fishmeal		
Military rifles			Castor oil, unrefined*		
Automatic guns			Rape-seed cake and meal*		
Guns, howitzers and mortars			Wheat oil, unrefined		
Cash registers			Loaded military small-arms ammunition		
Electric accounting, calculating, etc., machines			Safety fuse		
Typesetting machinery			Cordite		
Cream separators			Blasting powder		
Domestic sewing-machines			Farina		
Furnace carbons			Safety matches, in containers of not more than 20		
Carbon electrodes (for welding or for other purposes)			Tennis balls, uncovered		
Time switches			Aeroplane tyres		
Wireless transmitting sets			Measuring tapes		
Bulbs for flashlamps			Photographic plates		
Lighting and starting sets for motor vehicles			Cinematograph film, blank		
Cycle lamps			Synthetic resins in blocks, sheets, rods, and tubes (laminated)		
Chassis for taxicabs			Celluloid, xylonite and the like		
Electric commercial vehicles			Low-temperature carbonization fuel*		
Parachutes			Manufactured fuel of which coal or coke is the chief constituent		
Rail carriages of iron and steel complete*			Oilcloth other than for floor covering		
Copper shapes and angles			Strings for musical instruments		
Tungsten			Gramophones, mechanically driven		
Nickel, unwrought			Gramophone motors		
Clocks for motor-cars			Metal constructional toys		
Chronometers			Oil stones		
Water ices			Rubbing blocks		
Mustard			Strawboard		
Lump sugar			Wallboards and comps boards exceeding 1/2 in. thick		
Solid caramel			Tea chests, metal lined		
Phenacetin			Plumbago crucibles		
Dyestuffs for lake-making*			Other crucibles		
Indigo			Plain sheet window-glass		
Acetone			Plate glass, polished, not further worked		
Nitric acid*			Optical glass		
A number of other acids			Spectacle glass		
Aluminium oxide			Vacuum flasks		
Anhydrous ammonia			Synphon vases		
Ammonium chloride			Pavement kerbs		
			Whetstones		
			Lithographic stones		
			Grindstones		

* Permission to publish particulars of output was given for these commodities.

IV—DISTRIBUTION OF PRODUCTION IN BUSINESS UNITS EMPLOYING MORE THAN 500 PERSONS

Average No. Employed	No. of Units	Percentage of Total	Net Output (£'000,000)	Percentage of Total
3,000 and over	257	13.1	558	60
5,000 and over	135	6.9	446	48
10,000 and over	52	2.6	295	32
All Units	1,959	100.0	931	100

V—COAL MINES

(Total Employment in Coal Mines=764,175)

Connected trade	No. of units	Employment in these units			Employment in connected trade as proportion of the whole trade
		Total	In Coal Mines	In connected trade	
Blast furnaces	22	Thous. 251.4	Thous. 102.8	Thous. 13.3	84
Coke and by-products	67	435.0	284.3	11.8	84
Iron and steel (smelting and rolling)	21	248.0	97.1	69.1	51
Metalliferous mines and quarries	13	178.0	64.3	5.4	49
Chain, nail, screw, etc.	6	90.7	26.8	9.2	16
Brick and fireclay	117	604.9	431.1	14.1	15
Iron and steel foundries	21	277.3	91.7	14.0	13
Railway carriage and wagon	10	149.2	80.7	2.0	10
Non-metalliferous mines & quarries	27	233.2	134.2	3.9	7
Mechanical engineering	21	268.9	119.4	25.2	6
Hardware, hollow-ware, etc.	5	100.5	8.7	1.0	3
Building materials	7	111.3	59.7	1.2	4
Chemicals, dyestuffs and drugs	13	168.9	61.0	1.2	2
Timber (saw-milling, etc.)	5	62.7	17.6	0.8	1

largest units is therefore printed on the right-hand side of the table, alongside the figures showing the degree of concentration in the trade—or its sub-division—as a whole. Table III is self-explanatory; it shows that there is a long list of commodities that are produced by one or two firms. There is, in fact, strong evidence of monopoly.

At the other end of the scale, there are a number of trades in which the degree of concentration of employment is still low. In building and contracting it is only 2 per cent; in the timber trade it is 3 per cent., and in cotton weaving 4 per cent. It is between 4 and 10 per cent in these trades:

Woollen and worsted; tailoring; dressmaking; millinery, etc.; bread, cakes, etc.; furniture and upholstery; leather (tanning and dressing); printing, bookbinding, etc.; local authorities; mechanical engineering; boot and shoe; hat and cap; finished brass; china and earthenware; and coal mines.

Thirdly, and finally, the statistics assembled in the Paper reveal that the extent of vertical integration in some of the principal industries is perhaps more marked than was widely supposed. The most important industrial inter-connections are shown in the accompanying chart. It gives, for each of the more important industries, an approximate indication of its total employment; it shows, secondly, the other industries with which the industry is connected; and

it reveals, thirdly, the proportion of the total number of persons employed in each of two trades by large business units (employing 500 persons or more) operating in both.

The chart, however, is no more than a broad guide to the importance of vertical integration. Full statistical details of the ramifications of a number of important industries are given in the Paper. How far-flung these ramifications are is indicated, by way of example, in Table V, relating to the coal-mining industry. The third line in that table shows that there were, in 1935, 21 business units in the coal-mining industry, which were also engaged in the smelting and rolling section of the iron and steel industry. The total number of persons employed by the 21 units was 248,000, and of this total 97,100—well over a third—were employed in coal-mining and 69,100 in iron and steel smelting and rolling; the numbers employed in iron and steel smelting and rolling—the connected trade—represented 51 per cent of the total number of persons employed in that trade. The degree of connection between coal-mining and other trades—that is, the numbers employed by business units engaged in coal-mining in each of the connected trades expressed as a proportion of total employment in the connected trades—is shown in descending order in the last column of the table; vertical integration gradually shades into mere connections. The pattern is similar in other trades.

Business Notes

Directionless Markets

The stock markets at the moment give an impression of waiting to keep an appointment with events which are late at the rendezvous. The volume of business has tended to contract rather than expand, but, even so, it has been sufficient to take up the stock available, and even to bring about a modest rise in the index of ordinary share prices calculated by *The Financial News*.

Buying, however, has been of the "news headline" kind, following increased dividends (as with store shares after the increased Woolworth distribution), or outside developments like the strength of American demand for diamonds at the present series of London "sights," which had favourable repercussions on diamond share prices. Demand of this kind is one of the surest of indicators of a market which is firm enough, but can find no major stimulus to set a general advance in motion. It seems increasingly clear that when the stimulus comes it will be a military one, and this week, as it happened, the news from both the Eastern and Western fronts in Germany lacked both immediate dramatic appeal and obvious near-term implication.

The one really unexpected market feature was the weakness of short-dated gilt-edged stocks, particularly National War Bonds, 1945-47, which fell by as much as $\frac{1}{2}$ on Tuesday. The most obvious—and probably the correct—explanation was that the banks were large sellers, at a time when they had substantial tax transfers to effect, and were possibly rather bare of cash on the approach of the monthly "making-up." A more ingenuous suggestion was that the authorities, seeing that the end of the war might not be unduly far away, might call in the issue this year instead of waiting till 1947. Such a course would leave them three clear years before the next compulsory maturity—that is, that of National War Bonds, 1946-48—in which to concentrate on maintaining their cheap money policy during the critical reconstruction phase, without being worried by conversion operations. The suggestion, though it met with little credence, was at least interesting as an unsolicited testimonial to the respect in which the market holds both the conception of cheap money and the Treasury's ability to maintain it. In the market as a whole, however, both immediate purposiveness and a sense of direction are still absent. Professional investors await a sign which so far has not been vouchsafed them.

Capital Issue Control

Unlike street-lighting, official regulation of new capital issues is not among the controls which the authorities are inclined to relax in the final phase of the war. Outwardly, the Chancellor's reply to a question by Mr Kendall, the Independent Member for Grantham in the House of Commons last Tuesday, on the future of restrictions on

capital issues, was stern and uncompromising. The necessity for the policy, Sir John Anderson declared, "clearly continues." It is not proposed to change the practice by which essential non-Government issues which have been approved by the Capital Issues Committee are raised not by public issues but by placing with investment institutions. Indeed, control is to be tightened, for no re-sale will be permitted for six months, and thereafter applicants for permission to deal in such issues on the Stock Exchange must first apply to the Capital Issues Committee for permission to apply to the Stock Exchange authorities.

So far as concerns the "grey market"—that is, the regulation of dealings in existing unquoted securities—conditions are unchanged. Institutions which have honoured the official request not to deal in such securities without Treasury approval will continue to honour the "gentlemen's agreement," and those which have not been so disposed will, presumably, after their own fashion, "continue the procedures which they have followed hitherto." Treasury approval will continue to honour the "gentle-which accord with Government policy or are justified by special circumstances like payment of death duties.

Behind this firm façade some not unimportant modifications in the present system may be in mind, or even in train. It is understood that the Stock Exchange has been in touch with the Bank of England on the question of possible arrangements to ensure technical co-operation in policy as applied to placings, which will be reasonably agreeable to both parties and will obviate a repetition of recent "incidents" where the lack of such co-operation was only too obvious. Conceivably, the placing of a proportion of issues with Stock Exchange firms for distribution among institutional clients—or even, in comparatively rare cases, private clients subject, of course, to the six months rule—may form part of the normal procedure which the Treasury will view favourably. But so far, willing agreement has been to seek; at best, Stock Exchange co-operation will probably be more obedient than enthusiastic, so long as the framework of the administration of the capital regulations remains what it is.

In fact, all the parties concerned are aware that the end of the war in Europe is probably not far off. The Chancellor himself expressly recognised that the transition from war to peace will involve the opening of the market to a larger flow of issues and that modifications of policy and procedure are under consideration. Everything turns on the nature of these modifications, for there is no possibility whatever that control to "regulate the flow in an orderly manner" will be discontinued. As an indispensable cur-ain-raiser, the Government might well take the City into its confidence, and state clearly what objectives it considers that capital issue control ought to serve, in war and peace, and exactly how the various

procedures it has imposed, or has in mind, contribute to those objectives.

Under neither heading are the answers readily apparent from a study of the control's actions so far. Even the apparently categorical phraseology of the Chancellor's statement this week conceals important ambiguities. If, for example, it is probable that the General Electric Company's application to issue new preference shares to existing holders might not have been refused if the company had proposed a "rights" issue instead of a "pink form" issue, what is the present position of "rights" issues to shareholders? Are they among the "public offers" which are banned, or are they, by official logic, to be classed with "placings with investment institutions," which are permissible? And does "borrowing essential in the national interest" include the raising of capital for industrial transitional needs, as a clause in the public announcement relating to an approved capital issue by Franco Signs, Ltd., seems to suggest? It seems essential that all doubts should be cleared up before, with the war's ending, the present trickle of applications to raise new capital becomes a torrent.

The Bretton Woods Bill

The "Bretton Woods Agreement Bill" drawn up by the Senate and House Banking and Currency Committees has been brought before Congress. Congressional debate of this measure had been expected to centre on the appropriation of the United States contribution of \$2,750 million for the proposed monetary fund and of \$3,175 million for the Bank. These expectations have, however, been neatly turned by the device of transferring towards these contributions \$1,800 million of the never-used US Stabilisation Fund and making up the balance by the creation of non-interest bearing Treasury notes, which will be replaced by cash only as and when the resources in question are needed. The Bill includes a clause for the repeal of the Johnson Act, which forbids private loans to countries in default on their 1914-18 war debts, but limits the repeal to countries that become members of the proposed fund and bank. It reserves to Congress the right to change the value of the dollar in terms of gold, a concession which should go some way to meeting the objections of some of the more strident gold standardists now so vocal in the United States. Congress is also given the right to decide on any additional contribution to the Fund from the United States, either by way of loans or of increased contribution.

The case for Bretton Woods in the United States is fortified by two authoritative articles in the current issue of *Foreign Affairs*. The first is a general review of the spirit of the Bretton Woods proposals by Mr Morgenthau, the second is a more detailed defence of the Monetary Fund by Dr Harry White. Both are directed essentially to an American audience, and set out to stress the importance to the United States of the restoration of a system of free multilateral convertibility of currencies. Mr Morgenthau argues that

it is necessary only to recall the use of exchange controls, competitive currency depreciation, multiple currency practices, blocked balances, bilateral clearing arrangements and the host of other restrictive and discriminating devices to find the causes for inadequate recovery in international trade in the decade before the war.

If Mr Morgenthau had added to his list the American tariff increases of the 1920's and early 1930's he would have made it more comprehensive and realistic. If he had further mentioned the effect on world trade of the instability of the American economic system in those crucial years he would have gone a long way toward prescribing the conditions under which his ideal of a freely and multilaterally trading world could function. Dr. Harry White's article on the Fund is mainly intended to answer American criticisms from the bankers of Wall Street. It is a fairly easy task and is accomplished with great skill.

Tax Relief for Industry

The Government's post-war policy of industrial taxation, outlined by Sir John Anderson in his Budget Speech on April 25, 1944, has now been defined in the Income Tax Bill published this week. The proposals, inevitably, are technical and detailed. These are the main features:

1. There is to be an initial allowance of 10 per cent of the cost of new buildings and an annual allowance of 2 per cent

to write off the balance of the cost; the annual allowance will be granted in respect of old as well as new buildings, provided they were erected less than 50 years before the date on which the allowance becomes effective. In the main, the allowances are to be confined to industrial buildings; dwellings, retail shops, hotels, showrooms and offices are specifically excluded. The combined effect of the initial allowance of 10 per cent and of the annual allowance of 2 per cent is to write off the cost over a period of 45 years; if the building is scrapped sooner, an allowance will be given in the year of scrapping equivalent to the amount of expenditure still unallowed.

2. There is to be an initial allowance of 20 per cent on capital expenditure incurred on plant and machinery—second-hand as well as new. If the plant is scrapped before the whole of the cost has been allowed, a balancing allowance is to be given as on buildings. When the plant is sold and the proceeds of sale are less than the expenditure still unallowed, there will also be a balancing allowance; if the proceeds of sale exceed the still unallowed expenditure, there is to be a balancing charge. The addition to ordinary wear and tear allowances is to be one-quarter in place of the existing one-fifth.

3. Extractive industries are to be given an initial allowance of 10 per cent on the expenditure incurred in the construction of works. Further, there is to be an annual allowance in respect of expenditure on the construction of works and on exploration and development; the allowance is to be computed for each year of assessment by reference to the relation of the output of the basis period to the remaining reserves of the deposits. (In view of the difficulty of accurately assessing reserves, this may give rise to complications.) As in plant and machinery, there is to be a balancing allowance or charge if the assets are sold.

4. In agriculture, there is to be an allowance on the basis of a ten-year forward spread in respect of capital expenditure incurred on agricultural buildings and works which does not qualify for relief under the existing law. Where the maintenance expenditure as computed for the purposes of the existing maintenance claim is greater than the income from the property, the balance, upon which no relief is due under the existing law, may be set off against other, primarily agricultural, income.

5. There is to be an annual allowance in respect of capital spent on the purchase of patent rights; it is to be given on the basis of spreading the expenditure over 17 years or the life of the rights acquired, if shorter. A corresponding

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charge, on the basis of a six-year spread, is to be made on the vendor. There is the usual provision for a balancing allowance or a balancing charge in the event of sale.

6. The existing allowance for expenditure on scientific research is to be extended to payments made after April 6, 1944. An allowance will also be made for capital expenditure on buildings, plant and machinery for research after January 1, 1937.

7. The existing exceptional depreciation allowances (these are special war-time allowances) are to be extended to buildings, plant and machinery not scrapped but retained in the business, if they are worth less than their cost.

Scope of Relief

The scope of the proposals is wide, perhaps even wider than could be inferred from the statements made by Sir John Anderson in his Budget speech last year and during the subsequent debate. Only detailed study of the Bill can reveal its full implications; but it is a great step forward in the overdue reform of the system of industrial taxation.

But reform has been guided exclusively by accounting principles. The Bill does not take into account the fact that replacement of existing plant by new and better plant often involves expenditure greater than that incurred in the purchase of the original plant. If modernisation is to be encouraged, the problem is one of permitting traders to accumulate tax-free funds sufficient, not merely to recover the cost of the old plant, but to buy a better one.

Secondly, the Bill does not provide for the contingency that, during a period of rising prices, the cost of new machinery, though identical in type with the old plant, will be more than was that of the old plant. Both these problems will have to be faced as one means to the end of accelerating the rate of replacement and of the modernisation of British industry.

More French Notes

The latest Bank of France return, covering the week to February 1, is chiefly of interest for its revelation of the sharp increase in the note circulation from Frs. 562,500

million to Frs. 570,000 million. This increase is, apparently, due in the main to the completion of the exchange of currency from reichsmark to francs in the Moselle department. The conversion was made at the rate of 15 francs to the mark, which gave the mark a sterling cross rate of 13.33 to the £, against the official rate of 40 marks to the £ fixed by the Allied military authorities. In other words, the French authorities offered conversion terms which were extremely favourable to the holders of the German currency. The Bank of France has financed this new currency for the liberated department through an advance to the state. This is not the end of this particular influence on the Bank of France circulation, for the conversion of currency in Alsace has yet to be booked in the returns, though the actual process of providing franc currency in the two departments concerned has already begun.

British Railways in 1944

The announcements of the four main line British railways and the London Passenger Transport Board, relating to revenue and dividends for 1944, have been singularly bare of surprises. All the undertakings are repeating their dividends of 1943 except London Transport, which is paying only 3 per cent against 3½ per cent which was expressly declared, a year ago, to have resulted from an exceptional payment to the Board arising from a pool adjustment in respect of 1940. As the accompanying table shows, net revenue has closely followed the lines of 1943, except that the LNER has obtained an increase of nearly £98,000, which is offset by the bringing in of approximately £100,000 less of profit on realisation of investments.

	Share in Pool	Year's Net Revenue	Change in Year	Other Revenue	Total Change in Year	To Reserves	Carry Forward
GWR	£000	£000	£000	£000	£000	£000	£000
LMS	6,871	6,940	+ 6.9	...	+ 0.1	400	18.5
LNER	14,750	15,679	+ 6.4	...	+ 6.4	400	14.4
Southern	10,136	10,753	+ 97.8	35.1	2.5	200	1.4
	6,607	7,000	+ 0.9	...	+ 0.9	...	3.5
Total	38,165	40,372	+ 92.4	35.1	7.9	600	2.0
LPTB	4,636	4,657	+ 0.9	5.6	53.8*	...	9.7
Total	42,821	45,029	+ 91.5	40.7	60.7	600	7.7

* Offset by saving £64,200 through reducing "C" stock dividend.

Clearly, the day has passed when home rail market forecasters could speculate, more or less profitably, on the possibility of changes of one-eighth or one-quarter per cent in dividends on this or that marginal stock, resulting from variations in extra-pool revenue. The market's prime concern now is with events after the war, about which one man's guess is as good as another's. The fact, however, that the marginal junior stocks of all the main line companies are still priced to yield anything from 7 to 9 per cent suggests that the market's approach to post-war possibilities remains definitely pessimistic.

Presumably, there will be some reference to the future in the chairmen's coming speeches, but it can hardly be very definite, in the absence of any evidence that the Government has made up its own mind—or perhaps is in too great a hurry to do so in what may well be a General Election year. Last year stockholders' organised representatives successfully pressed the railway chairmen to take up again with the Government the question of amending the existing agreement with the railways. Though these attempts were abortive, it has been stated that those who have persistently pressed for such a change have "other approaches" in mind.

Argentine Rail Accounts

Interest in 1943-44 accounts of Argentine railways is rather out-dated by more recent events. The accounts of the Buenos Ayres Great Southern and the Buenos Ayres Western railways for the year ended June 30, 1944, do, however, confirm the impression that costs have been rising more steeply than receipts.

The former company is much larger, owning over 5,000 miles of line, extending southwards to Bahia Blanca and Zapala. Its gross receipts, at £13,365,000, are up by £1,223,000, or over 10 per cent; but its working expenses, at £11,470,970, have risen still more—by £1,676,000, or over 14 per cent. The working expense ratio has thus

risen from 80.7 to 85.8 per cent, and net receipts are some £450,000 lower. The same picture, on a smaller scale, of rising receipts and costs is given in the accounts of Buenos Ayres Western, with the difference that a smaller rise in working expenses and a saving of £31,000 over maintenance of rolling stock enable the company to show a slight rise in net receipts of £46,000.

The higher receipts are attributed more to Argentina's continued internal prosperity than to increases in tariffs. The Buenos Ayres Great Southern accounts show that the greatest increases, both in volume and receipts, took place in goods and livestock traffic, these items accounting for nearly two-thirds of gross receipts. The rise in costs is due almost exclusively to the phenomenal increase in fuel costs, which by itself outpaced the rise in receipts in the case of both companies.

The wages agreement negotiated by Sir Montague Eddy with the Argentine Government last autumn aimed roughly to cancel out the cost of wage increases by permitting a 10 per cent increase in goods tariffs. The exchange concessions announced later are of limited assistance in increasing actual receipts and temporary in character. Any hope, therefore, of an improvement in Argentine rail earnings must depend largely upon reducing working costs—which means, notably, the cost of fuel.

Plans for Coal

Mr Robert Foot, Chairman of the Mining Association, claims that 95 per cent of the industry, measured in terms of output, supports his "plan for coal." Two large Scottish undertakings (whose names have not been divulged) have rejected the scheme, but the opposition is said to represent less than 2 per cent of the total number of undertakings. The industry's acceptance of the plan, Mr Foot states, is

neither perfunctory nor half-hearted, but, on the contrary, the coal owners endorse to the full . . . the fundamental conception of the future organisation of the industry on the basis of national service.

On Thursday, the plan was formally accepted by the Mining Association's central committee, which decided to draw up a constitution for the proposed central coal board of mine-owner representatives.

Mr Foot strongly resents criticisms that the industry itself may not be able to find enough capital to effect the necessary modernisation and re-equipment of the mines. He repeats his conviction that

given an assurance of reasonable stability under private ownership, the necessary finances will be forthcoming through the usual channels without recourse to the Government.

But he still has not advanced any evidence to support this assertion, which, to judge by past experience, would seem somewhat over-optimistic.

It is not surprising that the owners should accept a plan which meets their desire for independence and gives them *carte blanche* to run their own industry. As Sir Francis Joseph wrote in a letter to *The Times* (February 3rd), "The owners have their chance—maybe their last chance." But it is surely necessary for owners, as well as miners and the public, to be realistic about the coal question. The future of the Ministry of Fuel and Power is now under consideration by Parliament; it seems unthinkable that Government control over this essential and difficult industry should be lifted. In the meantime, the miners have prepared their reply to Mr Foot and will present their detailed case for nationalisation to the Minister some time this spring. Both sides are now waiting for the report of the Minister's committee of technical experts, upon which the Government's long-term production plans will probably be based. The future of the coal industry is thus very much in the melting-pot, and Parliament will, within the next few weeks, be called upon to examine the agglomeration of plans that are hatched or hatching.

Coal Statistics

The coal production figures for the last quarter of 1944, given in detail on page 260, show a decline in output of nearly 1½ million tons compared with the corresponding period of 1943, though there was an increase of nearly 3 million tons over the third quarter of last year. Output per manshift at the coalface is slightly higher than it was in the third quarter of 1944, though it is 5 cwt below that in the fourth quarter of 1943. Judged by the figures for the

third quarter of 1943, the performance is not so unsatisfactory, but that period was perhaps exceptionally bad, and it would be foolish to look for any long-term improvement from the slightly upward trend of production. Absenteeism has remained about the same, and it is satisfactory to note that the death rate from accidents has not increased, though the rise in minor accidents, especially from falls of ground and haulage, needs to be carefully watched.

But the most disturbing thing about the latest figures is the growing seriousness of the manpower position. Although the total numbers employed have been maintained at about 713,500, this has been done only by "abnormal recruitment," chiefly Bevin boys, a source of supply which Mr Bevin hinted last week will dry up when the fighting in Europe stops. What the Ministry of Fuel and Power calls the net natural wastage, that is, the excess of those leaving the industry over the number of boys entering it, totalled over 11,000 in the last quarter of 1944, suggesting an annual rate in the neighbourhood of 44,000. Nor is this all. The Ministry has for some time distinguished between the numbers nominally on colliery books and those effectively employed at any one time, and the gap between these two figures seems to be growing; the number of non-effectives was some 6,000 higher in the last quarter of 1944 than in the same period of 1943, giving a real net wastage of the order of 50,000 in the year, compared with less than half that rate two years ago.

The Catering Industry

The prospect of an acute shortage of accommodation for holiday-makers in the coming holiday season has led the Government to issue an appeal to industry to arrange for the staggering of holidays. The regional boards of the Ministry of Production have been charged with supervision of the task. The shortage of holiday accommodation is thrown into relief by the publication a week ago of *The Rehabilitation of the Catering Industry* (HMSO, 9d.), a report made to the Ministry of Labour by the Catering Wages Commission.

It would appear that unless immediate steps are taken to implement some of the Commission's recommendations towards speeding up the reopening of hotels in former defence areas, and possibly to supplement them by the provision of other holiday accommodation, the chaotic conditions of the last holiday season are likely to be repeated on an even greater scale. The railways, too, will be faced with larger numbers of would-be travellers.

One part of the report, taking a longer-term view, throws out a suggestion for a national catering corporation, with wide functions ranging from the rehabilitation of the industry to the organisation of the tourist trade, and financed partly by the catering trades, partly by other interests concerned, and partly by the Government. Probably the Commission have already discussed this idea with some of the bodies they have consulted, but they themselves are not sufficiently confident to put the idea forward as a definite recommendation. They hope to receive the views of all the interests concerned, and to make a further report to the Government at a later date.

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Shipowners Look Ahead

The annual report of the Chamber of Shipping and the address of its president are usually a reflection of a large body of British shipping opinion. This year's statements are no exception.

The report contains a useful record of past events. In looking ahead, there is the usual insistence, both in the report and in the presidential address by Mr H. T. Schierwater, on Britain's dependence on overseas trade and on the need for maintaining an adequate merchant navy, prospering within a regime of private enterprise. There is, in fact, much preoccupation in the shipping industry with the problem of replacement at costs substantially in excess of pre-war costs; it arises largely, but not wholly, from the disparity between war risks insurance recoveries and the cost of building.

On another subject, the participation of shipping companies in international air transport, the report—not surprisingly—voices the industry's sense of frustration and disappointment in its relations with the Government. The industry was told, in fact, that shipowners were free to fly, if they sought no subsidy and if they could get aircraft.

Australian Banking Control

The Australian Government's proposals for the permanent control of banking in the Commonwealth were discussed this week at a pre-session meeting of the Parliamentary Labour Party. The extremists' demand for complete nationalisation of the banking system was decisively rejected in favour of the Government's scheme put forward in the form of a memorandum by Mr Chifley, the Commonwealth Treasurer.

The proposed legislation follows closely the lines indicated in *The Economist* of November 11, 1944. The Commonwealth Bank board is to be abolished, and the Governor is, in future, to be responsible solely to the Treasurer. The Commonwealth Bank's trading functions are to be extended. As regards the trading banks, it is proposed to make permanent the war-time control achieved through the National Security Regulations of November, 1941. This means the virtual stabilisation of bank profits at their pre-war level, Commonwealth Bank control over all investment operations of the trading banks, and the compulsory deposit with the Commonwealth Bank of the trading banks' "surplus" funds, defining the "surplus" as the excess of assets over those held in August, 1939. The maximum rate of interest on these deposits is to be $\frac{1}{2}$ per cent. At present there is no stipulated ceiling on this rate, but the banks are actually getting $\frac{1}{2}$ per cent. The other provisions of the proposed legislation refer to the closer supervision of the establishment and operation of commercial banks. It is laid down that each bank must maintain in Australia tangible assets equalling its deposit liabilities.

There is no concealing the animus against the trading banks which inspires this legislation. If it is enacted, the trading banks will be prevented from taking further part in the expansion of active banking business in the Commonwealth. Loans and investments will perforce be kept within the strait jacket of their August, 1939, dimensions. Additional resources will have to be placed at the disposal of the Commonwealth Bank which, for its part, will be afforded

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added opportunity of competing for commercial business with the trading banks. The rigid restriction of trading bank profits must limit the opening of new branches and other forms of expansion involving capital outlay. The proposed political domination of the Commonwealth Bank is another retrograde step, and one which is in no way justified by the recent policy of the bank. But the main objection to the legislation is its attempt to remove from the trading banks of a new and undeveloped country every real incentive to get new business.

Saving the Lira

The financial situation in liberated Italy has recently been drifting dangerously. Prices have been rocketing; on the black market the value of the lira has depreciated sharply, both in terms of other currencies and against gold, and the turnover in the unofficial markets has been steadily expanding. In the face of the mounting danger to the currency, the Italian Government has this week introduced a series of drastic measures. Most of them are intended to reduce the budget deficit, which is the main gap through which inflation is seeping into the economic system. The main economy item is the abolition of the bread subsidy, which will mean raising the price from 5 lire to 15 lire per kilo. This alone will save the Government the equivalent of £30 million, or about one-fifth of the estimated budget deficit for the current year. One immediate result of this move must appear paradoxical in any anti-inflationary context, namely, an increase in all basic rates of wages and salaries. Other fiscal measures include the seizure of property of high Fascist Party officials, higher direct taxation, increased taxes on wines, foods and spirits, and higher death duties.

More direct attacks on the rise in prices and on the black market in foodstuffs will be made by abolishing the right of provincial governments to interfere with exports of foodstuffs from their own areas and by the compulsory closing of all restaurants, the main buyers and retailers of black market produce. Moreover, the Government has launched a new loan or "National Fund," to which Italian citizens are invited to subscribe in order to help the financial situation. Finally, and definitely an anti-climax, the Government has banned the publication of unofficial lira exchange rates. There are in these many and diverse items the makings of an effective financial policy, but the recent flabbiness of the Italian Government and unresponsiveness of the population do not suggest that such a policy will necessarily be implemented.

Scottish Hydro-Electric Scheme

The North of Scotland Hydro-Electric Board, which was set up in 1943, prepared last year a development scheme for its generating area, which covers the whole of the Highlands and Islands. This scheme envisaged the eventual development of over 100 projects, which would yield a total estimated annual output of over 6,000 million units. Many of these projects will be small, especially those in the remote areas of the western mainland and the Islands, to which the Board has a statutory duty to supply electricity at cheap rates. Elsewhere in its area, the Board cannot supply electricity direct to consumers, but must make available bulk supplies for the use of existing supply authorities. An exception to this rule is that the Board can supply electricity direct, on favourable terms, to new industries, which it is hoped to attract by these means to the Highlands.

The Board's supply of cheap electricity to the remote areas of Scotland, which will inevitably be carried out at a loss, is intended to be paid for by its export of electricity southwards for the general use of the Central Electricity Board. This principle is well implemented in the first two constructional schemes to be prepared by the Board, in each of which a major project which will supply electricity for export to the grid is balanced by small local projects for the remote areas.

Scotland's Electricity Needs

The first constructional scheme has now been approved by the Secretary of State for Scotland, after an inquiry had been held by Mr John Cameron to consider objections

to it.* The main project in this scheme is the damming of the waters of Loch Sloy in order to supply a generating station to be established on Loch Lomond. This project should yield a considerable profit to the Board to finance its schemes in the remote areas, since the bulk of the estimated annual output of 100 million units will be sold to the Central Electricity Board. At the inquiry the CEB stated that this supply was urgently needed in order to meet the requirements of central and southern Scotland, and even indicated that a delay in implementing the project might compel a curtailment of supplies to consumers.

The statement underlines the fact that the Board's activities are needed not only or mainly to bring electricity to the Highlands but to increase the electric supply of the country as a whole. In face of these urgent needs, the rather vague and unsubstantiated claim of the Dumbarton County Council that it needed Loch Sloy for the development of its water supplies was rightly rejected. The Board's second constructional scheme, recently published, proposes a still larger project in Perthshire, which will yield nearly 300 million units per annum, much of which will be supplied to the Grampian Company and other existing undertakers in the region. The two constructional schemes together are expected to cost about £11,000,000.

Exports in 1944

With commendable speed, the Board of Trade has published details of British exports during 1944. Details of imports are still withheld. An analysis of the course of exports by industrial groups from 1938 to 1944, together with indices of the average price and volume, is given in a table on page 261.

The total value of exports rose by £25 million, from £234 million in 1943 to £258 million in 1944. The increase was due mainly to heavier shipments of machinery. Exports of iron and steel, vehicles, cotton and rayon goods were also substantially higher. The value of coal shipments declined still further, from £6.2 million in 1943 to £4.5 million in 1944. The principal changes in the distribution of exports are, first, an increase of £21 million in shipments to British countries, secondly, one of £14 million in those to Russia, and, thirdly, a fall of £11 million in the value of goods consigned to South America.

There was a further rise of 4 per cent in the average price of exports, in line with the general upward trend of costs. The volume—as distinct from the value—of exports showed a slight rise last year; it was then 31 per cent of its volume in 1938, against 29 per cent in 1943.

Clearing Banks in January

The contraction of bank credit which normally occurs in January, following the end-year inflation, has this year been greater than usual. Deposits, as shown in the January statements, have fallen by £82,750,000, compared with the December 31st totals. Of this decline, no less than £50,470,000 is accounted for by a fall of cheques in course of collection and other items in transit and is, to that extent, entirely fictitious. The balance is more than accounted by the fall of £40,236,000 in the banks' cash holding. This reduction compares with a corresponding movement of only £6,361,000 a year previously and provides further evidence of the magnitude of the window-dressing which preceded the end of 1944 balance-sheets. The main earning assets show very small changes. The most important is a rise of £12,684,000 in bills discounted which is offset to the extent of £4,000,000 by a fall in Treasury Deposit Receipts. The cash ratio which had been

* North of Scotland Hydro-Electric Board, Constructional Scheme No. 1. H.M.S.O. 1945, 3d.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, and this may mean a gap of many months before the despatch of copies can be resumed.

worked up to 11 per cent. for the end of 1944, had declined to 10.3 per cent in the January statements.

Racketeers

There were disturbing delayed action explosions in the House of Commons last week when members ruminated upon their Christmas dinners and attacked the Ministry of Food's Poultry (Maximum Price) Order. It was argued that the Order is unenforceable; that it encourages the black marketeer and brings the law into contempt. The criticism seemed to include even the poor birds themselves. Some members wanted them "canalised" and used such disparaging terms as "all stuff and nonsense" and "enormous loopholes."

Considered statistically, home supplies of poultry over the whole country would provide less than one chicken per person per year—so that those people who sat down to their less than one chicken on Christmas Day should count themselves lucky. The removal of the Maximum Price Order, it is said, would see the price of poultry pushed up to the black market level of 5s. a lb.; and this would encourage the killing off of laying hens, with a consequent reduction in the egg supply. It might also encourage the raising of new stocks fed on feeding-stuffs "diverted" from their proper channels or gullets.

Colonel Llewellyn said that the black market was "not so big as a number of people made out." Certainly, to judge by the man who pilfered a Manchester omnibus the other week, with the intention of "flogging" it on the London black market, there are people with grandiose ideas on the subject. The black markets provide the most persistent and intractable of all wartime problems of supply—and one for which the various ministries are often unjustly blamed. As the Minister of Agriculture has pointed out, the problem of the black marketeer is not a new one. A black market flourished as long ago as 1274, in the reign of Edward I, when what must surely have been the first Maximum Controlled Price Order was imposed. The Order referred to poultry.

Shorter Notes

On February 22nd the Ministry of Aircraft Production announced that the price of aluminium ingots is to be reduced from £110 per ton to £85 per ton, delivered at the works of consumers. The reduction brings the price of the metal in this country more into line with its price in the United States. The reduction is important in that it will place British manufacturers on more equal terms with American.

Another increase in the number of persons registered at employment exchanges in Great Britain was recorded between October 16th, 1944, and January 15th last, when total unemployment was 98,720. The figures are classified in a table on page 259. Some rise in unemployment is inevitable and unavoidable in a period of mounting changes in production. Although the January figures may be partly accounted for by weather, a rise at the current rate—for the last two quarters it has been nearly 18,000—needs to be carefully watched, and kept down by all possible means.

Company Result

Imperial Tobacco.

	1942	1943	1944
Profit after depreciation and EPT	15,150,338	15,562,242	15,363,557
Directors' Fees	10,000	10,000	10,000
Income tax	7,599,002	7,775,000	7,725,000
Preference dividend	433,206	434,982	436,758
Ordinary shares (tax free):—			
Earned	7,108,190	7,342,200	7,191,801
Paid	6,573,534	6,573,534	6,573,534
Earned %	18.9	19.6	19.1
Paid %	17.4	17.4	17.4
Staff fund	100,000	100,000	100,000
General reserve	500,000	500,000	500,000
Carry forward	1,701,032	1,869,758	1,986,025
Net fixed assets	4,851,400	4,330,821	4,135,228
Net inter-company items	7,088,284	14,331,426	13,777,534
Net liquid assets	42,954,934	43,335,334	44,854,469
Gross liquid assets	86,323,223	88,474,000	84,947,489
Stock in trade	43,823,155	50,835,869	49,468,720
Contingencies reserve	5,634,705	5,668,062	5,668,062
Goodwill and patent rights	9,272,582	9,272,582	9,272,582

The ordinary shares of £1, at 16ls. 3d. each, yield £2 3s. 6d. per cent tax free.

COMPANY MEETINGS

AMALGAMATED
ROADSTONE CORPORATION,
LIMITED

GOOD POST-WAR OUTLOOK

MR G. F. NALDER'S REVIEW

The ninth annual general meeting of the Amalgamated Roadstone Corporation, Limited, was held, on the 20th instant, at Universal House, 60 Buckingham Palace Road, London, S.W.

Mr G. F. Nalder (the chairman) presided.

The following is the chairman's statement circulated with the report and accounts for the year ended March 31, 1944:

We regret we are again so late with the completion of the audit and therefore with the issue of the accounts. Government departments to which our company is a contractor, or sub-contractor, are partly at fault in raising post-mortem price queries long after the event; the difficulty of finalising taxation liabilities is another contributory cause. Liability for E.P.T. has not yet been finally determined, but the auditors advise that fully adequate provision has been made.

PROFIT AND DIVIDENDS

Turning to the accounts, it will be noted that after providing for depreciation, amortisation and war damage contributions, there is a net profit, subject only to taxation, of £143,865, compared with £105,937 for last year. After making provision for excess profits tax and income-tax there remains for appropriation £54,119, of which dividends absorb £45,934 (less tax), leaving £8,185 to be added to carry-forward.

Including the proceeds of an investment since realised for the sum of £5,846, and after deducting as a liability the net amount of the final dividend, £8,550, it is apparent from the consolidated balance-sheet that the net liquid surplus of the company exceeded £83,000, without taking into account capital redemption policies standing in the balance-sheet at £37,585. It gives the board great pleasure to be able to recommend for the year under review a final dividend of 4½ per cent., making 6½ per cent. for the year, and at the same time to pay an interim ordinary dividend of 2 per cent. in respect of the current year.

CONFIDENCE IN THE FUTURE

In conclusion, now that the war in Europe is, we all hope, showing signs of drawing to a close, I should like to emphasise the confidence of the board in the future of this company. Road maintenance has inevitably been neglected during the war, and there are in consequence large arrears to be overtaken. Large programmes of new road construction have been planned. The quarrying industry is in the fortunate position that, while vital to the country in war-time for aerodrome construction, etc., it will be equally vital in the post-war reconstruction period.

Buildings, roads, public works in general are all grist to our mill, and companies such as ours should make an important contribution to the policy of full employment which rightly constitutes one of the principal planks in the post-war programme of every political party. The directors take this opportunity of expressing their appreciation of the loyal service given by the staff under difficult conditions.

The report and accounts were adopted.

BRITISH-AMERICAN TOBACCO
COMPANY, LIMITED

POST-WAR EXPORTS

SIR HUGO CUNLIFFE-OWEN'S VIEWS

The annual general meeting of the British-American Tobacco Company, Limited, was held, on the 19th instant, in London.

Sir Hugo Cunliffe-Owen, Bt., the chairman, after announcing that he was about to retire from the chairmanship and would be elected President, and that the new chairman would be Mr Gray Miller, in the course of his speech, said: The accounts show a net profit for the year, after deducting all charges and expenses for management, etc., and providing for taxation, of £3,404,027, an increase of £82,292 over the net profit for the previous year. Last year we carried forward a balance of £2,505,707. To this must be added the profit for the year as previously mentioned of £3,404,027, less the dividend on the 5 per cent. preference stock of £225,000; on the 6 per cent. second preference stock of £360,000; and the two interim dividends paid during the year on the ordinary stock amounting to £1,979,813, leaving a disposable balance of £3,344,921.

Out of this amount the directors recommend the distribution on March 31st next of a final dividend (free of United Kingdom income tax) on the issued ordinary stock of sixpence per £1 of stock, amounting to £593,944, and the allocation of £250,000 to general reserve, leaving £2,500,977 to be carried forward.

INCREASED COST OF LEAF

In looking at the balance-sheet, on the one hand you may have noticed the large increases in loans and current accounts with both subsidiary and associated companies, and also the increase in cost of stocks, of leaf, manufactured goods, etc.; on the other hand, there has been a substantial reduction in our liquid resources. The second is a corollary of the first.

In my speech at the annual meeting last year, I said that in many countries the price of domestic leaf tobacco had been increased, while in other countries the excise tax had been raised, necessitating a larger investment in revenue stamps, manufactured goods and accounts receivable, all of which had affected the cash position of our subsidiary and associated companies operating in those territories. Last year I said that, in all probability, this state of affairs would entail increased advances by your company to subsidiary and associated companies abroad, and that is exactly what has happened during the year under review.

The reasons for the continual increases in leaf prices vary in different territories, but the result is that a larger amount of capital is required to handle the same volume of business as was done in past years. I anticipate that further advances to subsidiary and associated companies will have to be made during the current year.

Subject to unforeseen events, I also anticipate that the results of the current year will be no less favourable than those of the year under review. I would mention that sales by this company and its affiliated companies continue to be satisfactory.

POST-WAR PROBLEMS

Since I last spoke to you, there have been tremendous events in Europe and the Far East, and victory in both spheres has been brought considerably closer. It has, therefore, become all the more important to ask ourselves whether we are fully

prepared to cope with the problems and to seize the opportunities which are likely to present themselves in the near future.

I think I can answer with confidence that we are doing everything possible, within the limits of the resources allowed to us, to anticipate and prepare for the problems which will arise at the end of the war.

The country has a huge task before it, not only to regain its lost visible export trade, but to increase that trade and to replace, as far as possible, the invisible exports which have been lost. The measures taken to encourage exports must be those measures which will promote an expansion and balanced growth of international trade. Methods designed to force exports and to limit imports tend in the opposite direction and are likely to have a boomerang effect on this country in the long run. The country, and particularly your company, can only prosper in an expanding world economy where there is a steadily increasing standard of living.

NEED FOR INDIVIDUAL EFFORT

It will be a difficult task for this country to recover and increase its pre-war export trade sufficiently to maintain, let alone improve, its standard of living. Every effort must be made, therefore, to recover and expand not only visible, but also invisible exports, including shipping, insurance and finance. So far as it is compatible with a policy of full employment in this country, I include in the latter term participation along the lines I have already indicated in the industrialisation of other countries—a process which, in my opinion, is inevitable.

I believe that this country's future can be rebuilt in spite of all the difficulties which, undoubtedly, lie ahead, but I am firmly of the opinion that the rebuilding has got to be done by the individual efforts of the merchant adventurers of this country who, after all, built its original prosperity. It seems to me that the function of the Government is to support and help the individual trader by all means in its power, but I do not believe in the socialistic theory that the Government—by nationalising that everything—can rebuild the trade of this country and its export position. The war has been fought for freedom—not for the subservience of all individual effort to Government control.

DOUBLE TAXATION

The Government, undoubtedly, fully appreciates the necessity of encouraging visible and invisible exports; indeed, important steps have already been taken in this end, but there is one matter which is of particular importance to the type of visible export trade in which your company is concerned. I am referring to double taxation, which acts as a brake upon enterprise. The negotiation of international agreements on this subject is a matter of urgency but, in my view, the proper solution is for His Majesty's Government to take unilateral action by giving relief from United Kingdom tax to taxpayers in this country in respect of foreign taxes paid by them.

I may mention that the directors have declared for the year 1944/45 an interim dividend of tenpence per £1 of stock (free of United Kingdom income tax) also payable on March 31st next, so that the ordinary stockholders will receive on that date 1s. 4d. per £1 of stock.

The report and accounts were adopted.

'WANDSWORTH AND
DISTRICT GAS COMPANY

SALES WELL MAINTAINED

The annual general meeting of this company was held, on the 20th instant, in Wandsworth, Mr Frank H. Jones, M.Inst.C.E. (chairman and managing director), presiding.

The following are extracts from the chairman's address circulated with the report and accounts:—I feel that the shareholders will regard the accounts as satisfactory.

The sales of gas have been well maintained and do in fact represent a considerable increase above the sales in 1939.

In 1939 it will be remembered that after providing for dividends there was little in excess of £20,000 remaining to the credit of the account, whereas now a more substantial credit appears. I am pleased to be able to say that the total reserves and surplus are appreciably above the corresponding figure of 1939.

STAFF.—The positions of the men who have been called to the Services have, to a very large extent, been filled temporarily by female workers, who have been engaged in almost every department. Without them it would have been impossible to carry on. I take this, the first opportunity of expressing not only the thanks and appreciation of the directors, but also of the proprietors in the essential and useful work they have performed. Additional accommodation has been provided at all the works for the comfort of the workers; at the large canteen built at Wandsworth,

with the most modern equipment, meals can be obtained for the convenience of employees at work during the twenty-four hours of every day.

The joint works and staff association committees have carried on with advantage to the company and the employees throughout the year.

The report and accounts were adopted.

THE GENERAL MORTGAGE
BANK OF PALESTINE,
LIMITED

MR S. HOOFIEN'S STATEMENT

The twenty-third annual general meeting of the General Mortgage Bank of Palestine, Limited, was held on the 11th instant at the bank's offices at Tel-Aviv.

The Chairman, Mr S. Hoofien, M.B.E., pointed out that the main problem, within the province of the bank's activities, with which the community had to deal, was that of housing, not only popular housing, but housing generally. In particular in respect of the near future this problem was a pressing one; labour, occupied before the war in the building trade, had largely volunteered for the fighting forces or joined other industries and would not be available at a time when the need for additional housing accommodation would already be very strongly felt. In fact, the problem was already with us and would grow in urgency from day to day. Laudable efforts were being made to cope with it and the bank had made arrangements to support as far as feasible all such efforts

with its mortgage loans, but more would be needed, and the Government would have to appreciate the necessity of dealing with the housing problem in the same way as all other Governments had been and were doing.

Business, Mr Hoofien went on, had through the effect of further premature repayments, continued to contract during the year under review, but some measure of satisfaction could be derived from the fact that the contraction amounted to only £205,000, as against £375,000 in the previous year. Moreover, while the first half of the year showed a drop of £131,000, the second half showed one of £74,000 only, and it would seem, therefore, that things were moving in the right direction.

The debenture conversion operation which had been mentioned in last year's address had been completed in January of the year under review and all the bank's debentures were now uniformly on a 4 per cent. basis. The bank continued to hold a very large cash balance out of all proportion to its present needs, so as to enable the directors to deal without delay with such business opportunities as are now bound to arise in the comparatively near future.

The usual dividends of 7½ per cent. on ordinary shares and 6½ per cent. on preference shares had been maintained and the bank's record of never having suffered any loss on any forced sale had been upheld again. An amount of £10,000 was transferred to reserve account, partly from the balance of profit, partly from contingency fund.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

INDUSTRY AND TRADE

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment	Total
Oct. 16, 1944				
Men	46,168	492	782	47,442
Boys	9,062	8	1	9,071
Women	15,589	472	25	16,084
Girls	8,416	57	—	8,473
Total	79,235	1,029	806	81,070
January 15, 1945				
Men	53,370	1,022	804	55,196
Boys	9,845	34	—	9,879
Women	22,327	1,470	48	23,845
Girls	9,733	69	—	9,802
Total	95,275	2,595	852	98,720

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Feb. 8, 1944	Jan. 30, 1945	Feb. 13, 1945
Cereals and Meat	93.0	66.9	108.8	108.0	107.6
Other Foods	70.4	61.1	107.3	107.3	107.3
Textiles	74.2	54.3	92.5	103.9	103.9
Minerals	113.2	95.4	140.1	145.5	145.5
Miscellaneous	87.0	77.6	129.0	128.9	128.9
Complete Index	87.2	70.3	118.1	118.3	118.2
1913=100	119.9	80.8	158.3	162.7	162.6

* Highest level reached during 1932-37 recovery.

"The Economist" Sensitive Index.—There was no change in the index during the week ended February 20th. The complete index (1935=100) was 158.7; crops 135.8; and raw materials 185.5.

INVESTMENT

Stock Exchange : London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Feb. 15....	5,547	5,195	114.0	137.0	3.03	3.75
" 16....	5,650	5,209	113.9	137.0	3.03	3.76
" 19....	7,193	6,707	114.1	137.0	3.03	3.75
" 20....	5,958	4,860	114.3	137.0	3.03	3.74
" 21....	5,737	4,683	114.5	137.0	3.03	3.73

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1945: highest, 115.0 (Jan. 16); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.0 (Feb. 16); lowest, 136.3 (Jan. 2).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS
(1926=100)

1945	Average	Transactions	1945	Average	Transactions
Feb. 8....	134.1	1,530,000	Feb. 12....	135.5	1,800,000
" 9....	133.4	1,180,000	" 13....	135.5	1,800,000
" 10....	133.6	510,000*	" 14....	136.1	2,060,000

1945: High, 136.1 (Feb. 14). Low, 129.2 (Jan. 23). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1945		Jan. 31, 1945	Feb. 7, 1945	Feb. 14, 1945
	Low Jan. 24	High Feb. 14			
354 Industrials	108.6	114.6	110.6	112.7	114.6
20 Rails	116.1	124.6	116.3	121.9	124.6
28 Utilities	93.2	96.4	93.5	96.1	96.4
402 Stocks	106.7	112.4	108.3	110.7	112.4
Av. yield %†	4.63	4.41	4.55	4.48	4.41

† 50 Industrial Com. Stocks.

(Continued on page 260)

COAL STATISTICS

Production of Saleable Coal, and the Average Number of Wage-earners on Colliery Books

Period	Mined Coal			Government Opencast Production
	Saleable Coal Produced	Average Number of Wage-earners on Colliery Books*	Output per Wage- earner per Annum	
	Tons		Tons	Tons
1938	226,993,200	781,700	290.4	...
1939	231,337,900	766,300	301.9	...
1940	224,298,800	749,200	299.4	...
1941	206,344,300	697,600	295.8	...
1942	203,633,400	709,300	287.1	1,308,200
1943	194,493,000	707,800	274.8	4,426,700
		(646,600)		
1st quarter, 1943	50,240,800	713,200	70.4	499,100
4th " 1943	48,879,300	702,300	69.6	1,308,300
1st " 1944	47,581,300	703,600	67.6	1,412,700
2nd " 1944	46,422,000	710,000	65.4	2,322,800
3rd " 1944	44,298,800	713,700	62.1	2,902,200
4th " 1944	47,167,000	713,500	66.1	2,009,600

* Figures in parenthesis refer to effective employment, i.e., excluding workers absent for whole of any week, from whatever cause.

Distribution of Coal
(Million tons)

	1939	Fourth Quarter 1943	Third Quarter 1944	Fourth Quarter 1944
Total production	231.3	49.6	46.7	49.0
Consumption:				
Gas works (coal carbonised)	19.3	5.6	4.5	5.6
Electricity	15.9	6.4	5.1	6.6
Waterworks	0.4	0.1	0.1	0.1
Railways	12.2	3.8	3.6	3.8
Coke ovens (coal carbonised)	20.4	5.2	4.9	5.2
Miners' coal	4.6	1.2	1.0	1.2
Collieries	12.1	2.9	2.6	2.8
Iron and steel industry	2.9	2.3	2.6	2.6
Engineering industry	1.3	0.7	1.4	1.4
Other industries	97.5	7.5	5.8	7.0
Disposals to domestic consumers, service departments, coastwise bunkers and miscellaneous	12.8	11.2	12.7	12.7
Inland total	182.4	49.7	41.8	49.1
Shipments to Northern Ireland	2.4	0.7	0.6	0.6
Exports and foreign bunkers (inc. services abroad)	46.5	1.8	1.2	1.4
Total consumption	231.3	52.2	43.6	51.1
Changes in distributed stocks (increase (+) or decrease (-))	...	-2.6	+3.1	-2.1
Total	231.3	49.6	46.7	49.0

Manpower: Wastage and Recruitment

	13 Weeks ended		
	25th Dec., 1943	23rd Sept., 1944	23rd Dec., 1944
Gross Natural Wastage:			
Deaths	887	782	858
Retired	799	835	926
New compensation and medical cases	7,191	6,920	8,184
Others and unknown	1,953	3,316	3,004
Total	10,830	11,853	12,972
Less normal juvenile recruitment	2,585	2,792	1,919
Net natural wastage	8,245	9,061	11,053
Abnormal recruitment (including volunteers, optants and ballottees)	6,901	9,523	11,326
Excess (+) or deficiency (-) of abnormal recruitment over net natural wastage	-1,344	+462	+273

(Continued from page 259)

Capital Issues

Week ending February 24, 1945	Nominal Capital £	Con- versions	New Money £
Particulars of Government issues appear on page 262.			
Year (to date)		Including Conversions	Excluding Conversions
1945	175,252,176	152,342,900	152,342,900
1944	152,748,515	142,453,859	142,453,859
Destination*	Nature of Borrowing*		
Year (to date)	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1945	152,217,650	125,250	151,966,404
1944	148,335,000	118,250	148,216,750

FINANCE AND BANKING

The Money Market.—Although the clearing banks have begun their making up for the February statements, the position in the money market has been comfortable throughout the week. The monies have been transferred in substantial volume again

Attendance and Absenteeism

(Average weekly per wage-earner)

	Fourth Quarter 1943	First Quarter 1944	Third Quarter 1944	Fourth Quarter 1944
(a) Shifts possible	5.90	5.85	5.55	5.86
(b) Shifts worked	5.11 (5.55)*	5.12 (5.56)*	4.74 (5.50)*	4.99 (5.47)*
(c) Absenteeism:				
Voluntary	0.30	0.28	0.35	0.36
Involuntary	0.49	0.45	0.46	0.51
Total	0.79	0.73	0.81	0.87

* The figures in parenthesis relate to effective employment, i.e., excluding those wage-earners absent for the whole of any week, from whatever cause.

Numbers Killed and Seriously Injured at Mines

	Killed			Seriously Injured		
	Under- ground	Surface	Total	Under- ground	Surface	Total
1938	782	76	858	2,877	280	3,157
1939	722	61	783	2,851	304	3,155
1940	836	87	923	2,873	364	3,237
1941	838	87	925	2,681	309	2,990
1942	799	78	877	2,531	278	2,809
1943	655	58	713	2,357	239	2,596
1944 (1st Quarter)	141	16	157	560	71	631
(2nd ")	148	16	164	619	58	677
(3rd ")	138	15	153	512	49	561
(4th ")	140	15	155	577	58	635

Estimated Quantity of Saleable Coal Lost from
Causes Other than Absenteeism

Period	Recognised Holidays	Disputes	Want of Trade	Accidents, Break- downs and Repairs to Machinery	Rail Transport difficulties and want of Wagons	Other Causes	Total
	(Thousand tons lost)						
1938	9,957	943	31,385	1,442	...	1,387	45,114
1939	10,929	676	16,420	1,089	...	3,180	32,295
1940	5,498	501	6,910	1,420	4,768	1,896	20,983
1941	7,354	342	6,18	1,229	1,266	1,266	12,038
1942	7,511	433	...	701	12	657	9,715
1943	7,617	1,091	...	1,322	501	190	10,721
4th Qtr. 1943	756	405	...	446	493	45	2,145
1st Qtr. 1944	480	2,033	...	389	420	180	3,502
2nd Qtr. 1944	2,569	587	...	352	3	123	3,634
3rd Qtr. 1944	4,096	171	...	461	2	54	4,783
4th Qtr. 1944	1,349	211	...	402	164	79	2,203

Output per Manshift Worked

Year	Output per Manshift Worked by all Wage-Earners	Output per Manshift Worked by Coalface Workers
1938	1.42	2.95
1939	1.13	2.97
1940	1.09	2.93
1941	1.06	2.84
1942	1.03	2.87
1943	1.03	2.75
1944 (1st Quarter)	1.02	2.72
(2nd ")	1.01	2.72
(3rd ")	1.00	2.71
(4th ")	1.02	2.73

but the rate of Government expenditure has been considerable and has allowed the volume of bank cash to be maintained at a relatively high level despite further floating debt borrowing from the market. TDR payments this week amounted to £80 million, which was some £30 million in excess of the effective maturities. The discount market was called upon to take up 37 per cent allotment of the Treasury bills applied for last week and, allowing for the current maturities sold to official quarters in recent weeks, the uptake of new bills must have been appreciably greater than the maturities held by the banks and the market. The Bank return reflects the easier credit position in a rise of £13,085,000 in bankers' deposits.

MONEY RATES, LONDON.—The following rates remained unchanged between February 15th and February 22nd:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½-1½%. Day-to-day money, 1½%. Short Loans, 1½-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between February 15th and February 22nd. (Figures in brackets are per of exchange.)

United States. \$ (4-88) 4-02½-03½; mail transfers 4-02½-03½. Canada \$ (4-88) 4-43-47; mail transfers 4-43-47. Switzerland. France (24-25)

(Continued on page 261)

VALUE OF EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM DURING 1938, 1939, 1940, 1941, 1942, 1943 AND 1944

Stores owned by the Government which are shipped for the use of United Kingdom Forces abroad have always been excluded from the Accounts. Exports of munitions to the Governments of other countries, including supplies for the use of British Government Forces in the Dominions and India were, however, included in the pre-war Accounts, and have also been included in the figures for the years 1939, 1940 and 1941, with the exception of military stores sent to India for use by United Kingdom Forces as well as by the Indian Army. From January, 1942, however, the export figures exclude shipments by Government Departments of aircraft and other vehicles (except tyres and tubes for road vehicles) and arms, ammunition and military and naval stores, which may be referred to shortly as "munitions." The figures for 1938 are essentially comparable with those for 1942 to 1944 as before the war these goods were mostly exported direct by manufacturers or by representatives of the Government concerned; any such goods now exported in this way would be included in the current Account. The value of parcels despatched to prisoners of war is excluded. Goods other than "munitions" which are supplied to any Government are recorded throughout as export whether exported by a Government Department or not. The export figures for 1941 to 1944 accordingly include, for example, exports to Russia of military goods other than "munitions" and of machinery and other supplies not purely commercial, and exports to the United States under Reciprocal Aid. Stores for the Navy, Army and Air Force Institutes, the Y.M.C.A. and other similar organisations are included, unless these are consigned to a Military Control Officer.

CLASS AND GROUP	YEAR ENDED 31ST DECEMBER							Increase (+) or Decrease (-) in 1944, as compared with 1938	Index Nos. of Average Values			Index Nos. of Volume			
	1938	1939	1940	1941	1942	1943	1944		1942	1943	1944	1942	1943	1944	
(1938=100)															
(1938=100)															
I. FOOD, DRINK AND TOBACCO															
A. Grain and flour	1,670	1,203	606	268	132	221	1,323	-	348	192	228	188	4	6	42
B. Feeding-stuffs for animals	699	606	176	27	15	19	29	-	669	170	202	237	1	1	2
C. Animals, living, for food	9	29	26	2	...	...	...	-	9	...	...	...	...	...	...
D. Meat	1,234	1,191	738	344	114	239	208	-	1,026	133	128	155	7	15	11
E. Dairy produce	1,112	1,117	927	244	100	342	391	-	721	141	155	157	6	20	22
F. Fresh fruit and vegetables	394	330	206	70	174	517	424	+	30	200	212	214	22	62	50
G. Beverages and cocoa preparations	13,825	15,945	19,612	17,044	11,466	11,047	9,624	+	4,201	140	142	151	59	56	46
H. Other food	12,037	10,287	6,274	4,235	2,245	1,438	1,968	+	10,069	232	225	242	8	5	7
I. Tobacco	4,915	5,013	4,787	5,610	4,263	5,185	5,080	+	165	163	179	184	53	59	56
TOTAL, CLASS I	35,894	35,721	33,352	27,846	18,510	19,007	19,046	-	16,848	153	157	171	34	34	31
II. RAW MATERIALS AND ARTICLES MAINLY UNMANUFACTURED															
A. Coal	37,406	38,259	25,307	7,989	6,041	6,190	4,529	-	32,877	147	159	178	11	10	7
B. Other non-metallic mineral products and quarry products and the like	1,058	1,227	832	608	498	315	307	-	750	165	156	152	29	19	19
C. Iron ore and scrap	2,298	1,570	233	84	28	17	8	-	2,281	...	...	...	...	...	...
D. Non-ferrous metallic ores and scrap	72	59	65	45	64	68	85	+	14	...	...	...	...	...	...
E. Wood and timber	459	440	263	31	6	1	4	-	455	...	...	...	...	...	...
F. Raw cotton and cotton waste	6,263	4,707	3,262	2,822	865	169	172	-	6,091	176	211	179	8	1	2
G. Wool, raw and waste, and woolen rags	661	1,357	640	953	467	531	434	-	228	218	236	203	32	34	32
H. Silk, raw and waste, and artificial silk waste	269	152	84	5	5	4	4	-	264	...	...	...	...	...	...
I. Other textile materials	2,894	1,967	1,975	584	194	128	136	-	2,758	213	291	297	3	2	2
J. Seeds and nuts for oil, oils, fats, resins and gums	1,108	991	1,215	1,215	1,125	1,031	1,146	+	38	344	289	377	29	32	27
K. Hides and skins, undressed	1,178	940	342	183	16	14	32	-	1,145	...	...	...	...	...	...
L. Paper-making materials	227	219	184	119	61	32	48	-	179	248	167	183	11	1	12
M. Rubber	2,433	2,158	1,798	1,054	807	738	764	-	1,669	204	214	240	16	14	13
N. Miscellaneous raw materials and articles mainly unmanufactured	56,920	54,392	36,223	15,709	10,188	9,256	7,688	-	49,233	170	181	202	10	9	7
TOTAL, CLASS II	56,920	54,392	36,223	15,709	10,188	9,256	7,688	-	49,233	170	181	202	10	9	7
III. ARTICLES WHOLLY OR MAINLY MANUFACTURED															
A. Coke and manufactured fuel	3,292	4,000	2,202	1,172	788	1,055	346	-	2,946	160	184	189	15	17	6
B. Pottery, glass, abrasives, etc.	9,610	9,453	11,495	13,479	11,432	9,053	9,537	-	73	150	168	180	79	58	55
C. Iron and steel and manufactures thereof	41,556	32,832	31,037	18,927	9,827	6,054	8,503	-	33,053	138	145	146	17	10	14
D. Non-ferrous metals and manufactures thereof	12,339	12,654	12,403	7,615	6,900	6,552	4,704	-	7,635	141	139	174	40	38	22
E. Cutlery, hardware, implements and instruments	9,028	8,719	9,414	9,059	7,921	6,707	7,713	-	1,315	154	162	161	57	46	53
F. Electrical goods and apparatus	13,430	11,253	11,182	11,353	11,163	11,091	12,637	-	1,993	147	164	177	57	50	53
G. Machinery	57,868	47,398	36,540	30,950	29,942	28,013	40,960	-	16,908	149	168	169	35	29	42
H. Manufactures of wood and timber	1,165	1,057	756	528	381	234	206	-	958	244	278	309	13	7	6
I. Cotton yarns and manufactures	49,681	49,092	49,277	44,701	40,087	34,174	37,025	-	12,656	203	220	226	40	31	33
J. Woolen and worsted yarns and manufactures	26,814	26,654	28,663	29,830	25,051	18,475	15,292	-	11,522	151	179	187	62	39	31
K. Silk and artificial silk yarns and manufactures	5,502	5,904	8,668	11,761	16,421	12,683	16,358	+	10,856	180	209	230	166	110	130
L. Manufactures of other textile materials	10,655	11,106	12,387	9,647	8,855	6,320	5,178	-	5,480	215	254	256	39	23	19
M. Apparel	8,515	8,252	7,521	8,064	7,674	3,406	4,007	-	4,508	160	179	193	56	42	44
N. Footwear	1,963	1,889	1,817	5,361	1,387	671	698	-	1,265	180	160	191	44	21	19
O. Chemicals, drugs, dyes and colours	22,050	22,788	27,657	25,033	23,755	27,520	28,093	+	6,033	157	154	160	69	81	80
P. Oils, fats and resins, unmanufactured	5,365	4,743	2,984	2,176	725	694	1,054	-	4,311	163	149	201	4	9	10
Q. Leather and manufactures thereof	3,943	4,099	3,688	2,822	2,969	1,671	1,196	-	2,747	171	182	185	8	23	16
R. Paper, cardboard, etc.	6,930	6,636	9,852	7,189	4,970	4,071	4,052	-	2,878	195	203	216	37	29	27
S. Vehicles (including locomotives, ships and aircraft)	44,627	39,645	31,172	35,701	9,215	8,691	11,677	-	32,950	175	197	194	12	10	13
T. Rubber manufactures	1,650	1,450	1,875	1,277	763	275	330	-	1,319	160	195	199	29	9	10
U. Miscellaneous articles wholly or mainly manufactured	29,249	28,482	31,520	39,416	15,934	13,406	16,237	-	12,993	154	180	183	35	25	30
TOTAL, CLASS III	365,244	338,167	334,120	316,096	236,157	200,820	225,823	-	139,421	160	175	182	40	32	34
IV. ANIMALS, NOT FOR FOOD	679	684	824	251	166	127	265	-	414	163	181	286	15	10	15
V. PARCEL POST	12,017	10,573	6,640	5,477	5,844	3,567	5,231	-	6,787	...	...	...	47	28	41
TOTAL, ALL CLASSES	470,755	439,538	411,161	385,379	270,886	232,778	251,052	-	212,703	157	171	178	37	29	31
* These figures would have no significance.															
† Under one.															
‡ Including munitions.															
§ Parcel Post is recorded by the Customs according to an official valuation.															
See note at head of table.															

GOVERNMENT RETURNS

For the week ended Feb. 17, 1945, total ordinary revenue was £120,162,000, against ordinary expenditure of £147,559,000 and issues to sinking funds of £310,000. Thus, including sinking fund allocations £12,118,210, the deficit accrued since April 1st is £2,514,512,000 against £2,450,486,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	April 1 to Feb. 19, 1944	April 1 to Feb. 19, 1945	Week ended Feb. 19, 1944	Week ended Feb. 17, 1945
ORDINARY REVENUE					
Income Tax	130,000	982,984	1,059,599	56,770	67,426
Sur-tax	80,000	60,932	57,073	3,670	5,070
Stamp duties, etc.	100,000	85,910	96,004	1,723	3,140
Stamps	19,000	15,240	12,435	100	...
N.D.C.	500,000	28,415	29,573	1,380	539
E.P.T.	1,000	421,038	429,470	7,180	9,088
Other Ind. Rev.	1,000	728	432	70	...
Total Ind. Rev.	200,000	1,595,247	1,684,586	70,893	85,263
Customs	564,900	492,794	515,093	15,563	15,367
Excise	472,900	425,200	441,300	4,700	4,200
Total Customs & Excise	1,037,800	917,994	956,393	20,263	19,567
M.O. Duties	27,000	26,751	27,998	...	217
P.O. (Net Receipts)	4,850	3,940	3,990	...	...
Wireless Licences	800	950	880	...	...
Crown Lands	7,350	6,383	7,096	18	18
Miscellaneous Receipts	24,000	68,737	84,272	1,301	15,095
Total Ord. Rev.	3,101,800	2,620,003	2,765,215	92,474	120,162
SELF-BALANCING P.O. & Broadcasting	112,370	100,000	104,750	2,350	2,700
Total	3,214,170	2,720,003	2,869,965	94,824	122,862

Expenditure	Estimate, 1944-45	April 1 to Feb. 19, 1944	April 1 to Feb. 19, 1945	Week ended Feb. 19, 1944	Week ended Feb. 17, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	323,444	361,640	15,451	20,424
Payments to N. Ireland	9,000	6,775	7,634	...	...
Other Cons. Fund Services	7,000	6,915	7,000	34	34
Total	436,000	337,134	376,274	15,485	20,459
Supply Services	550,139	472,126	490,336	107,300	127,100
Total	986,139	809,260	866,610	122,785	147,559
SELF-BALANCING P.O. & Broadcasting	112,370	100,000	104,750	2,350	2,700
Total	1,098,509	909,260	971,360	125,135	150,259

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £372,661 to £3,000,264, the other operations for the week (no longer shown separately) increased the gross National Debt by £27,265,226 to £22,111, million.

NET RECEIPTS (£ thousands)	
Overseas Trade Guarantees	69

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1944				
Feb. 19	1170-0	Not available		
Nov. 18	1470-0	Not available		
Dec. 25	1470-0	2305-5	513-8	1700-5
Dec. 2	1470-0	Not available		
9	1470-0	"	"	"
16	1470-0	"	"	"
23	1470-0	"	"	"
30	38 06-0	587-7	59-2	1794-5
1945				
Jan. 6	1470-0	Not available		
13	1470-0	"	"	"
20	1460-0	"	"	"
27	1450-0	2341-8	489-3	1799-5
Feb. 3	1440-0	Not available		
10	1430-0	"	"	"
17	1430-0	"	"	"

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate of Allot- ment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
Feb. 18	90-0	199-4	90-0	s. d. 20 1-12	27
Nov. 17	110-0	209-7	110-0	20 0-43	36
Dec. 24	110-0	217-5	110-0	20 1-83	30
Dec. 1	110-0	232-4	110-0	20 0-72	23
" 8	110-0	221-7	110-0	20 1-33	32
" 15	110-0	219-1	110-0	20 1-03	28
" 22	110-0	205-4	110-0	20 1-50	27
" 29	110-0	208-0	110-0	20 0-67	17
1945					
Jan. 5	110-0	224-2	110-0	20 1-81	36
" 12	110-0	211-1	110-0	20 1-50	37
" 19	110-0	216-3	110-0	20 1-19	32
" 26	110-0	207-8	110-0	20 0-31	39
Feb. 2	110-0	225-0	110-0	20 0-26	29
" 9	110-0	218-0	110-0	20 0-13	31
" 16	110-0	207-3	110-0	20 0-53	37

On February 16, applications at £99 15s. 1d. for bills to be paid for on Monday, Thursday, Friday and Saturday of the following week were accepted as to about 37 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Wednesday and Friday 15s. 2d. for bills to be paid for on Tuesday were accepted in full. £110 millions of Treasury Bills are being offered for February 23. For the week ended February 24, the banks will be asked for all Treasury deposits at a maximum amount of £80 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BOND SUBSCRIPTION

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1% Exchequer Bonds (1950)
1944				
Dec. 12	4,124	1,697	8,352	10,445
" 19	3,926	1,671	5,551	5,191
" 26	2,516	864	3,072	3,156
1945				
Jan. 2	4,788	1,617	5,848	3,351
" 9	4,798	2,395	5,659	8,227
" 16	4,647	2,022	5,923	10,102
" 23	4,950	1,774	5,755	10,398
" 30	4,036	1,548	5,587	11,118
Feb. 6	5,034	1,794	4,178	11,777
" 13	5,344	1,941	7,052	11,573
" 20	...	...	7,655	13,801
Totals to date	1,318,937*	789,313*	1,865,153*	117,430*

* 273 weeks. † 216 weeks. ‡ 16 weeks. § Including all Series.

Interest free loans received by the Treasury up to Feb. 20th amounted to a total value of £10,304,266. Up to Jan. 27th principal of Savings Certificates to the amount of £203,070,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25s. 4d. for cash and for two months. The New York market price of fine silver remained at 44¢ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold	Silver
	Rs. a.	Rs. a.
1945		
Feb. 15	72 0	124 10
" 16	73 8	125 12
" 17	72 13	125 8
" 19	72 0	125 8
" 20	72 15	126 12
" 21	74 0	129 9

BANK OF ENGLAND RETURNS

FEBRUARY 21, 1945

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1215,670,621	Other Govt.	1238,334,842
In Bank, Department	34,571,097	Securities	641,475
		Silver Coin	8,583
		Amt. of Fid.	1250,000,000
		Issue	1250,000,000
		Gold Coin and	241,718
		Billions (at	
		168s. per oz.	
		fine)	241,718
			1250,241,718

BANKING DEPARTMENT

Props' Capital	14,553,000	Govt. Secs.	223,952,764
Res.	3,440,232	Other Secs.	9,208,852
Public Depts.	10,327,008	Advances & Securities	14,006,003
Other Depts.	196,674,371	Notes	24,110,355
Bankers	59,232,912	Gold & Silver	34,571,097
Other Accts.	255,907,283	Coin	1,593,307
			284,227,523

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

	1944	1945
Issue Dept.		
Notes in circulation	1077-5	1221-4
Notes in banking department	22-8	28-9
Government debt and securities	1099-4	1249-3
Other securities	0-6	0-7
Silver Coin	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Public	8-9	22-9
Bankers	200-5	176-5
Others	55-7	56-6
Total	262-9	256-0
Banking Dept. Secs.:		
Government	240-4	217-2
Discounts, etc.	2-1	7-0
Other	14-8	19-3
Total	257-3	243-5
Banking depart. res.	25-7	30-4
" Proportion "	8-9	11-8

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS

	Week Ended	Aggregate from Jan. 1 to
	Feb. 19, 1944	Feb. 17, 1945
Working days:	6	45
Birmingham	1,756	14,006
Bradford	1,604	14,001
Bristol	651	5,173
Hull	589	6,088
Leeds	867	9,692
Leicester	799	6,392
Liverpool	4,976	38,050
Manchester	2,954	25,668
Newcastle	1,884	13,785
Nottingham	364	3,242
Sheffield	862	8,567
Southampton	142	1,237
12 Towns	17,448	144,310
Dublin*	7,631	56,823

* Feb. 12, 1944, and Feb. 10, 1945.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

12 U.S.F.R. BANKS	Feb. 17, 1944	Feb. 17, 1945
RESOURCES		
Gold certifs. on hand	194	175
due from Treasury	19,374	17,789
Total reserves	19,568	17,964
Total cash-reserves	347	284
Total U.S. Govt. sec.	11,394	10,006
Total loans and sec.	11,437	10,265
Total resources	33,815	30,923
LIABILITIES		
F.R. notes in circ.	17,114	21,748
Excess m. bank res.	1,300	1,000
Mr. bank res. dep.	12,244	13,884
Govt. deposits	560	593
Total deposits	14,571	16,165
Total liabilities	33,815	39,929
Reserve ratio	63-1	49-2
BANK AND TREASURY RESOURCES		
Monetary gold stock	21,802	20,550
Treasury & bank currency	4,093	4,127
LIABILITIES		
Money in circulation	20,610	25,290
Treasury cash and dep.	2,695	3,018

CENTRAL BANK OF IRELAND

Million £'s

ASSETS	Feb. 12, 1944	Jan. 27, 1945
Gold	2-65	2-65
British Govt. sec.	22-91	27-49
Sterling balances	1-51	1-50
LIABILITIES		
Notes in circulation	27-65	31-79

RESERVE BANK OF INDIA

Million rupees

ASSETS	Feb. 4, 1944	Jan. 12, 1945
Gold coin & bullion	444	444
Rupee coin	147	151
Balances abroad	1,208	3,521
Sterling securities	7,528	9,243
Ind. Govt. rep. sec.	583	578
Investments	82	138
LIABILITIES		
Notes in circulation	8,631	10,301
Deposits: Govt.	503	2,672
Banks	635	687
Reserve ratio	91-6	93-2

BANK OF FRANCE

Million francs

ASSETS	Jan. 11, 1945	Jan. 18, 1945
Gold	75,151	75,151
Private discounts and advances	43,298	43,467
Advances to State	3,481,563	482,313
(a) Incorporation costs	426,000	426,000
(b) Treasury advances	1,000	1,750
(c) Fixed advances	54,563	54,563
LIABILITIES		
Notes	571,357	565,217
Deposit total	33,293	40,031
(a) Government accts.	762	766
(b) Other accounts	32,531	39,265

BANK OF CANADA

Million Can. \$'s

ASSETS	Jan. 30, 1944	Dec. 30, 1944
Reserve: Gold	0-56	172-26
LIABILITIES		
Securities	1259-26	1490-82
Note circulation	869-55	1035-97
Deposits: Dom. Govt.	39-14	12-92
Chartered banks	308-40	401-72
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.		

BANK OF SPAIN

Million Pesetas

ASSETS	Aug. 1944	Sept. 1944
Reserve: Gold	1,135	1,135
Other	646	663
Discounts and advances	2,874	3,028
Investments and Govt. debt	16,380	16,310
LIABILITIES		
Notes in circulation	16,144	16,582
Deposits: Government	1,966	1,758
Other	4,447	4,142

SWISS NATIONAL BANK

Million Swiss Frs.

ASSETS	Feb. 7, 1944	Dec. 30, 1944
Gold	4222-5	4554-1
Foreign exchange	78-4	102-4
Discounts, etc.	100-5	71-6
Advances	14-6	27-6
Securities	64-7	

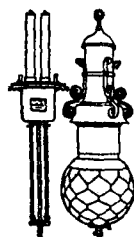
COMPANY RESULTS (February 7, 1945, to February 21, 1945)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribu- tion	Appropriation					+ or - in Carry Forward	Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Total Profit		Net Profit	Ord Div	
Breweries, &c.														
Boddingtons' Breweries	Dec. 31	182,723		25,242	33,376	8,250	16,500	10		492		144,140	23,835	71
Devenish (J. A.) & Co.	Sept. 30	241,495	14,923	21,307	46,824	2,500	18,000	16		807		199,455	19,060	16
Canals, Docks, &c.														
Smith's Dock Co.	Sept. 30	227,250		44,766	72,714	5,000	30,000	6	10,000	234		324,331	50,133	6
Coal, Iron and Steel														
Bolsover Colliery	Dec. 31	832,620		414,373	582,442	62,500	200,593	15	150,000	1,280		887,074	381,133	15
Burnell & Co.	Dec. 31	41,426	6,000	27,004	52,717	10,401	7,500	15	5,000	4,103		45,006	26,673	15
Mather & Platt	Dec. 31	377,100	44,438	172,294	272,052	20,000	136,366	10	25,000	9,072		435,970	168,388	10
Financial, Land, &c.														
Balntyre & East Africa Limited	Sept. 30	53,463	4,823	10,722	30,614	459	12,000	10		1,737		50,376	29,667	10
London Merchant Securities	Dec. 31	513		Dr. 3,033	Dr. 21,064					3,033		493	Dr. 4,178	NH
Metropolitan Ground Rents	Sept. 30	42,854		3,678	6,595					3,678		40,790	1,354	NH
Porkella Property & Gen. Investment	Oct. 31	54,863		2,397	5,221		2,500	24		103		52,167	307	NH
Motor, Aviation, &c.														
Jowett Cars	Sept. 30	29,238		28,638	68,090	7,500	6,250	5		14,888		28,816	28,216	5
Rubber														
Bangawan Estates	Dec. 31	Dr. 233		Dr. 233	7,705					233		Dr. 309	Dr. 309	NH
East Java Rubber Estates	Dec. 31	786		Dr. 1,572	Dr. 471					1,572		687	2,175	NH
Gader Rubber Estates	Dec. 31	4,712		4,712	17,155					4,712		4,357	4,357	NH
Kuala Geb Estates	Dec. 31	Dr. 472		Dr. 472	Dr. 472					472		Dr. 719	Dr. 719	NH
Muar Itam Estates	Dec. 31	Dr. 501		Dr. 501	Dr. 501					501		Dr. 508	Dr. 508	NH
Namoo Tongan Rubber Estates	Aug. 31	2,291		Dr. 431	8,244					431		3,578	107	NH
Semenyih Rubber	April 30	387		917	8,490					917		217	Dr. 671	NH
Shipping														
British & Burmese Steam Navigation	Dec. 31	227,023	53,700	33,323	38,737	2,667	19,500	5		11,156		210,583	21,883	5
King Line Limited	Dec. 31	56,783	16,000	35,903	125,525		25,000	10		10,903		59,829	36,443	10
Isle of Man Steam Packet	Dec. 31	316,392	19,827	42,605	63,008		42,000	7		605		368,448	41,800	7
Mitchell Cotts & Co.	June 30	183,625		97,375	157,354	4,778	45,360	15	40,000	7,237		182,476	96,226	15
Shops and Stores														
Lewis's Limited	Feb. 1	845,655	15,000	705,747	764,159	296,100	376,337	275	25,000	8,310		831,065	692,810	275
Lotus Limited	Dec. 31	303,193		48,125	54,941	12,250	27,214	8		8,661		283,249	35,080	8
Randall (H. E.)	Dec. 30	28,723	4,970	20,375	69,685	5,100	14,437	81		838		25,564	14,494	81
Woolworth (F. W.) & Co.	Dec. 31	6,252,932		1,999,843	9,232,683	150,000	1,687,500	45		162,343		5,995,339	1,805,059	45
Tea														
Kimhurst (Ceylon) Tea & Rubber	June 30	14,971	714	2,446	9,455		2,612	11		166		14,802	3,218	11
Southern India Tea Estates	Feb. 29/44	33,933	1,925	9,008	9,575	438	5,176	8	3,000	394		32,624	8,631	8
Textiles														
Ashon Brothers & Co.	Dec. 30	161,652	14,513	17,193	43,174	2,700	8,100	74	7,000	607		141,742	19,752	74
Barran (John) & Sons	Oct. 31	89,302		34,347	86,007	17,550	11,035	51	5,000	762		91,925	38,058	51
English Velvet & Cord Dyers	Dec. 31	31,724	13,748	12,698	31,751	5,296	6,627	3		875		38,137	17,957	3
Huddersfield Fine Worsteds	Dec. 31	9,338		7,484	19,080	5,625	5			1,859		33,469	6,995	5
Morley (I. & R.)	Dec. 31	212,658		89,333	110,721	35,000	45,000	5	20,000	10,667		212,559	91,680	5
Wilkinson & Riddell	Dec. 31	48,515		40,265	69,377	5,200	29,250	13	5,000	815		41,997	34,164	13
Tramway and Omnibus														
Singapore Traction Co.	Sept. 30	1,900		Dr. 13,645	Dr. 9,098					13,645		2,080	4,549	NH
Tilling (Thomas)	Dec. 31	698,156		562,955	759,266	16,500	412,000	10	100,000	34,455		692,094	550,614	10
Trusts														
Bay Hall Trust	Dec. 31	121,418		89,454	193,227		76,035	74		13,419		119,009	84,726	74
British Investment Trust	Jan. 1	320,262		111,198	278,568	39,141	62,500	12	100,000	90,443		313,886	107,594	12
Charter Trust & Agency	Nov. 30	44,930		17,008	21,711	13,125	20,000	4		3,883		39,181	16,422	4
Foreign & Colonial Investment Trust	Jan. 10	167,483		76,797	129,830	37,500	30,000	24	9,000	479		167,130	72,988	24
Glasgow Stockholders Trust	Jan. 2	65,756		18,199	29,086	10,893	3,631	24		1,675		63,117	14,598	24
Gt. Northern Investment Trust	Nov. 30	173,955		54,087	122,226	23,438	18,750	6	10,000	1,899		166,835	48,050	6
Guardian Investment Trust	Jan. 20	47,776		27,891	57,375	11,718	13,021	5	10,000	6,848		44,759	24,814	5
Metropolitan Trust	Jan. 1	160,751		56,357	126,261	14,809	32,890	10		8,658		152,754	52,579	10
New York & General Trust	Jan. 3	47,776		8,458	16,586	7,740				718		47,569	13,340	
River Plate & General Investment	Dec. 31	64,751		26,433	88,917	6,549	14,552	10	5,000	332		62,382	24,736	10
Romney Trust	Dec. 31	45,180		14,204	32,715	6,667	6,635	5		902		47,715	15,578	5
Scottish American Investment	Dec. 31	332,339		136,160	225,586	41,500	73,500	10 & 10	20,000	1,160		307,978	123,094	10
Second British Assets Trust	Dec. 31	126,911		38,532	95,327	12,826	17,097	9	8,925	316		122,549	33,221	9
Stirling Trust	Dec. 31	201,091		59,500	100,288	22,604	22,604	5	10,000	4,292		200,438	50,104	5
Traction & General Investment Trust	Dec. 31	60,784		34,406	68,335	17,158	14,365	7		2,843		57,331	34,382	7
United States & General Trust	Dec. 31	135,401		59,956	89,969	40,500	17,199	6		1,657		136,976	67,437	6
Waterbottom Trust	Dec. 15	49,084		22,677	47,620	15,500	4,133	2	3,000	44		47,399	21,897	2
Waterworks														
East Worcestershire Waterworks	Dec. 31	62,540	4,000	6,682	23,884	2,362	4,000	10		320		61,250	4,572	10
Other Companies														
Amalgamated Roadstone Corporation	Mar. 31	169,217		54,119	74,114	21,234	24,700	64		8,185		134,029	38,313	64
Barnes (James)	Nov. 30	27,734	1,308	10,209	27,402	2,500	5,000	20		2,709		25,624	9,595	20
Barrow, Hepburn & Gale	Dec. 31	57,319	7,500	42,787	143,942	27,000	10,500	6		5,287		59,614	38,575	6
Beilist Ropework Co.	Dec. 31	38,522		38,912	58,216	2,500	24,000	8	10,000	2,412		47,804	32,326	8
Bhagose & Elvin	Dec. 31	83,757	2,132	36,930	42,408	4,500	15,000	20	15,000	2,430		67,759	26,441	20
Bolton (John) & Sons	Dec. 31	28,151	2,102	10,949	41,225	875	6,000	12	2,500	1,574		27,671	9,403	12
Bradbury Greatorex & Co.	Jan. 6	58,880		47,224	115,294	12,000	32,670	9		2,554		57,945	46,336	9
Edinburgh & Canadian Investment	Jan. 15	12,592		3,270	12,773	2,500				770		12,318	5,383	
English China Clays	Dec. 31	56,068		55,723	71,899	27,934	29,932	2		2,143		49,120	48,141	2
Frederic Crane Paper Mills	Dec. 31	6,605	1,216	2,706	3,390	2,750				44		12,761	2,835	24
Gilbert (D. M.) & Co.	Sept. 30	7,680		1,500	6,559	1,255				245		6,217	Dr. 1,213	24
Imp. Tobacco (Gt. Britain & Ireland)	Oct. 31	15,363,557		7,628,557	9,498,315	436,756	6,573,534	174	500,000	118,267		15,562,242	7,677,242	174
Kelmer Partington Paper Pulp	Dec. 31	2,460		Dr. 3,828	Dr. 82,039					3,828		4,536	Dr. 1,769	NH
Larkins (S. C.) & Sons	Dec. 31	23,017		21,125	17,812	1,876	17,812	234		1,952		22,835	21,235	234
Liverpool Daily Post, etc.	Dec. 31	329,703		155,058	250,441	5,000	87,500	25		62,558		316,427	154,383	25
Manchester Corn Exchange	Dec. 31	26,202		368	Dr. 6,295					368		25,768	508	NH
Manchester Royal Exchange	Dec. 31	64,069	6,596	9,612	57,910					9,612				

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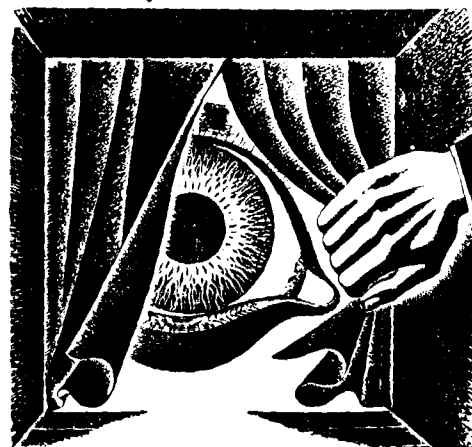


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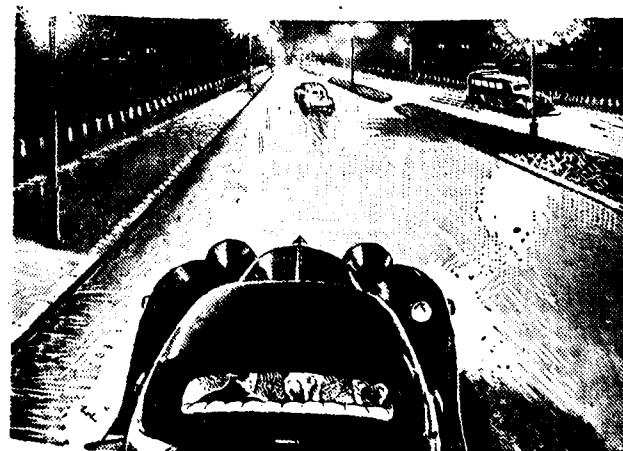


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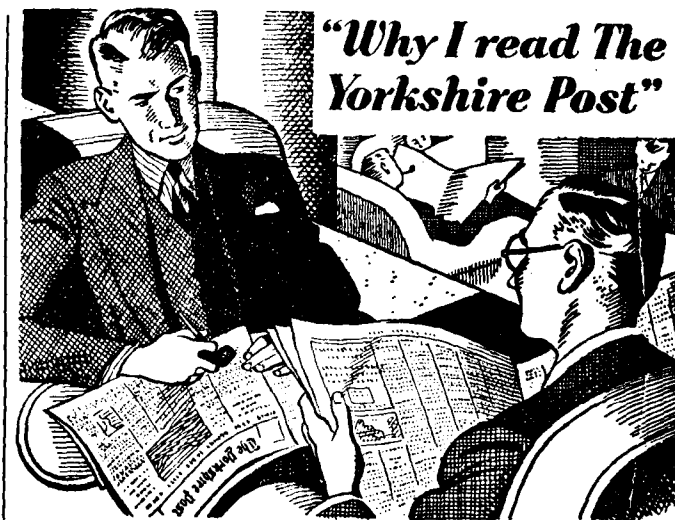
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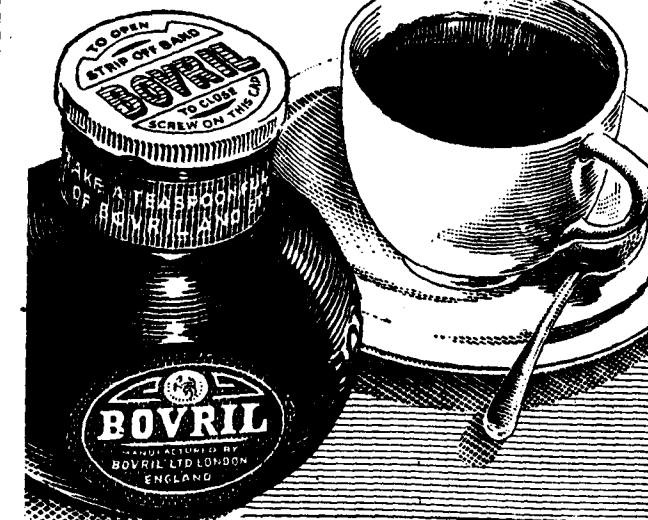


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General Bank Balances	£239,106,666
Savings Bank Balances	800,286,768
Note Issue Department	199,586,048
Rural Credits Department	2,472,880
Mortgage Bank Department	1,800,480
Other Items	22,520,811
Total	£1,445,383,653

A. H. LEWIS, Manager.

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THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVIII No. 5297

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Verdict on the Crimea

THE recent conference of the three Powers in the Crimea faced realities and difficulties in so exceptional a manner that the results constitute an act of State on which Parliament should formally express its opinion. With these words Mr Churchill began a long and eloquent appeal to the Commons to pass judgment on the Crimea agreements. His speech was one of his most masterly and contained many illuminating personal details of his journeying to Malta, the Crimea and Cairo. It did not, however, add very much to the official statement already published on the results of the Conference. On the crucial issue of the settlement for Germany, Mr Churchill said even less than the official account. He referred, it is true, to the Allies' determination to destroy Germany's capacity for aggression and, from remarks made both by him and by Mr Eden, it can perhaps be inferred that the chief transfers of German territory to Poland will be made in East Prussia and Silesia and not, as the Oder plan entails, in Pomerania and Brandenburg. But the Prime Minister made no mention of the central problem of a successful agreement over Germany—the creation of a German administration acceptable to the occupying Powers.

It is on two general considerations that Mr Churchill appears to place his hopes for a secure settlement. The

first is unity and confidence between the Big Three.

I trust the House will feel that hope has been powerfully strengthened by our meeting in the Crimea. The ties that bind the Great Powers together and their mutual comprehension of each other have grown.

The second is the creation of an association of nations which, unlike the old League, will be strong enough and well enough armed to preserve the peace. In this body, the great and the small powers will work together and "the Great Powers must seek to serve and not to rule." These general provisions are unexceptionable. There will be no room for aggression if the Great Powers can remain united in friendship nor will the smaller nations resent this hegemony, if it is the servant and not the master, of international life. Unhappily it is not so much on admirable general intentions but on precise points of detail such as the future administration of Germany or the present frontiers and future government of Poland that the effectiveness of general security arrangements will, in the event, depend. Mr Churchill would have proved more decisively that the Crimea agreements will serve as the basis of a workable peace if he had made it clearer that the detailed decisions it involves are as satisfactory as its general spirit.

On this point many members of the House of Commons obviously have doubts. The vote rejecting the high Tory

amendment on the Polish issue was overwhelming; but several of the speeches made in support of the Government gave expression to uneasiness and questioning, and these feelings cut across ordinary party divisions. Mr Churchill's discussion of the problem was not wholly reassuring. On the issue of Poland's future frontiers, he had little to add; he defended the Curzon Line as ethnically just both to the Russians and the Poles. All modifications necessary to the actual drawing of the frontier would, he said, be in Poland's favour; but he gave no hint whether the question of Lwow is still open. The frontier issue, however, as has always been clear and as Mr Churchill admitted, is secondary to the question whether Poland, within any frontiers, will enjoy full sovereignty and independence.

Even more important than the frontiers of Poland, within the limits now disclosed, is the freedom of Poland. The home of the Poles is settled. Are they to be masters in their own house? . . . Or are they to become a mere projection of the Soviet State, forced against their will by an armed minority to adopt a Communist and totalitarian system?

This is indeed the question "in all its bluntness." It cannot be said that Mr Churchill really answered it, or rather that he added anything to the assurances and safeguards already promised in the Crimea Agreement. He repeated the guarantee of a provisional government based on "Poles of all democratic parties," and, provided the invitation were issued by the new government to be installed in Warsaw, he promised international supervision for the holding of free elections. When pressed, however, to define more closely what these guarantees meant—what, for instance, is a "democratic" party, what procedures are being adopted by the Allied Commission in Moscow, in what manner invitations to join the new Government are being issued—Mr Churchill had nothing to say. He even confused the issue still further by making an unworthy jest about the difficulty of deciding, even in Britain, which parties are democratic and which are not. Mr Eden was a little more explicit. He stated that

we would not recognise a Government which we did not think representative. The addition of one or two Ministers would not meet our views.

This negative definition was the only expansion of the Crimea terms given throughout the Debate. Yet it is clear that the creation of a genuinely representative Government is the last opportunity of salvaging something from the Polish disaster. In spite of the difficulty experienced by the Prime Minister in defining democratic parties in Poland, it is essential that the main groups—the Peasants, the Socialists, the Christian Democrats, the Nationalists, and the Communists—should be the basis of the adminis-

tration. It is equally obvious that the men chosen to represent these parties must be leaders of the standing of a Witos, a Zulawski, or a Sapieha. These men are known. There is no mystery about them. They should be invited, not as personalities but as party leaders, to Moscow. If Mr. Churchill had given definite assurances that his Government was using all its influence to set up an all-party coalition of known and trusted party leaders, his defence of the Crimea proposals would have been very impressive. As it is, his speech gave the unhappy impression that all initiative in Polish problems has now been handed over to Moscow and that the British Government would be prepared to back any Russian decision provided a certain amount of face-saving appearances were preserved. Mr Eden somewhat corrected this impression. There were some Polish Governments the British would not recognise. But he, too, gave little impression of a positive approach to the problem of securing, at this eleventh hour, a genuinely representative Polish Government.

Unfortunately the critics of the Government failed equally to suggest a constructive approach. They concentrated on the whole on the territorial issue—on which, in spite of the brusqueness of their procedures, the Russians have a reasonable case—and neglected the vital matter of the genuine independence of the Polish Government. Moreover, their speeches were in many cases informed with only a very lightly veiled spirit of hatred for all things Russian. They offered no attempt at a solution. On the contrary, they proposed implicitly that the breach between the Allies should be widened as far as possible, whatever the consequences for Poland, Europe and the world.

It is precisely because the Polish issue is central to any plan for effective peace that a friendly but determined effort should be made in the next months to secure a representative administration in Poland. The British and the American Governments cannot shelve the issue and leave the Poles without any guidance on the points for which they must press and the compromises which they would be advised to seek. The basis for negotiation must be the recognition of the major parties in Poland, the acceptance of their well-established leaders and the coming together of these men—all of them, or almost all of them—in a provisional Government. Secondary provisions are freedom of the press, of speech, and of meeting within the limits set by military necessity—in short, a quick end to the suspicious unanimity of the Lublin regime. It should also be pressed on the Russians that, as a solvent of suspicion, foreign correspondents and observers ought to have as much freedom in Poland as they enjoy in Greece or France. Only under these conditions, formulated as precisely as possible, can the general provisions reached at Yalta be turned into concrete achievement.

regarded as plague-spots, to be diagnosed by specialists and treated as something apart from the rest of the community. Their boundaries have been redrawn. The Scottish Development Area, for instance, now takes in Glasgow and also Dundee, which, being of all towns the most dependent on a single industry (jute), is consequently highly prone to unemployment. The north-east area now includes parts of the Northumberland coast, Middlesbrough and the Cleveland district of the North Riding. The port towns of South Wales, Cardiff, Swansea, Newport and Llanelli, which for some inexplicable reason were left out of the Special Area, are now on the map. These additions, which are as sensible as the original omissions were foolish, should facilitate the planning of the regions as an economic whole. The present schedule (South Wales, Central Scotland, the north-east coast and West Cumberland) is not sacrosanct. The Board of Trade can add or subtract districts from the list of Development Areas as and when they approach or recede from the danger level. The first six clauses of the Bill deal with the measures that can be taken to assist the Development Areas. The

Board of Trade is empowered to acquire land for the building of factories and may itself build factories. It can also acquire derelict land for the purpose of bringing it into industrial use or improving its condition. It can make loans to non-profit-making trading estate companies which provide factory buildings and communal facilities to private firms. These are familiar lines of approach, but Clause 4 breaks new ground in providing that the Treasury may assist any individual who proposes to carry on an undertaking in a Development Area by making loans or by making annual grants "either towards the cost of paying interest on moneys borrowed or to be borrowed for the purposes of the undertaking or generally for those purposes." This clause, as phrased, is very wide, and though it will no doubt be administered cautiously—the Treasury is to have the assistance of an advisory committee—it introduces the principle of the subsidy, from which, in undisguised form, the Government has hitherto shrunk. Further, grants or loans may be made by the appropriate Ministries, with the consent of the Treasury, towards the cost of improving the basic services in any Development Area—this includes road and rail communications, docks and harbours, gas and electricity, and health and housing services. The White Paper on Employment Policy indicated other measures, such as the concentration of munitions production and the placing of Government contracts in the Development Areas, which presumably do not require legislation.

These clauses for the encouragement of the Development Areas are the main substance of the Bill. It may be, however, that more controversy will revolve around the clauses in which it attempts to tackle the problem of limiting development in congested areas. Two proposals are made, one of general and the other of limited application. Clause 8 stipulates that any proposal to build a new factory of over 3,000 square feet must be notified to the Board of Trade within three months. In general, the Board of Trade will have no powers to approve or disapprove, but the notification will give it an opportunity to exercise its arts of persuasion. In some areas, however, there is to be the right of prohibition. These areas, unlike the Development Areas, are not specified in the Bill; under Clause 9, they are to be named by the Board of Trade in Orders, each of which will require an affirmative resolution of Parliament. The Bill does not define them more closely than to say that they are those areas where further development "would be seriously detrimental to the proper distribution of industry."

Both these clauses are in accordance with the recommendations of the Barlow Report. But the Barlow Commission also proposed that a Central Authority should have powers from the outset to prohibit industrial development in London and the Home Counties. London will presumably be scheduled under the new Bill, but uncertainty will remain—and delay will be inevitable—until the scheduling Order has been issued and accepted

by Parliament. The restrictions on building do not, moreover, apply to the replacement of war-damaged premises. This may mean that many of the bombed factories in Greater London will merely be replaced, and a valuable opportunity will have been lost to secure a greater degree of decentralisation.

Over and above the specified powers contained in the Bill, the Board of Trade will be able to exercise a powerful direct influence over industrial location so long as building materials and labour are in short supply through the issue of building licences, without which no firm can build. By ensuring priority for building in the Development Areas, the Board can steer industry in the desired direction during an initial period, which may well be long enough to be decisive for the rehabilitation of these regions. Mr Dalton himself places great reliance on this method, and he has stated:

If in the last resort a manufacturer wants to put his factory somewhere against our advice, there is no power to stop him, but we have powers which approximate to powers of compulsion, because he will have to get a building licence which is only given on the advice of the Board of Trade.

The emphasis on new industrial building is undoubtedly in accordance with the needs of the Development Areas themselves, especially in Scotland and the north-east area, where the cry has persistently been raised that they received less than their fair share of new building for war purposes. Trading or industrial estates have been successful wherever they have been established; their scale of operation has hitherto been too small to make any real difference to employment, and it is satisfactory that they will be encouraged and extended. The small or medium-sized manufacturer is only too ready to accept the facilities offered at moderate prices and to concentrate on production without having to worry unduly about his overhead charges. It is to be hoped that there will be a close liaison between the section of the Board of Trade responsible for development policy and the two projected Finance Corporations, which should provide valuable assistance in carrying out the policy. There is also need, in some cases, for large-scale public works in the areas. Projects such as the Forth road bridge, the Severn bridge and the Tyne tunnel are regarded in the Development Areas as works of pressing importance, but there is nothing to indicate whether such large-scale schemes will be included in the Treasury grants. Housing is apparently to be included in the "basic services" which will receive Treasury assistance, and rehousing is certainly one of the most urgent needs of the areas, but there is nothing to show that the schemes will be effectively linked with those of the Ministry of Health or, indeed, whether the whole policy will be adjusted to the needs of Town and Country Planning.

All these are matters of administration, and if the

The Distribution of Industry

THE Board of Trade's Bill for the Distribution of Industry would be more appropriately called a Bill for the removal of the depressed areas. In essence, it is the old Special Areas legislation, which it supersedes, stream-lined, strengthened, and brought up to date—but still Special Areas legislation. Its main purpose is to promote a more balanced and diversified industrial development in areas which, because of their dependence on a few heavy industries, are exceptionally liable to unemployment. It is very far from being a measure for regulating the nation-wide distribution of industry, and it is in a far more limited context than the Barlow Report that it should in the first place be considered.

Nevertheless, within this narrower context, it must be acknowledged that the new Bill represents an advance on the Special Areas Acts. Had the Government possessed (and used) similar powers in the 1930s, much of the suffering and unemployment in the depressed areas might have been mitigated. The change of name from "special" to "development" areas is in itself symptomatic of a new attitude, in which the scheduled areas are no longer

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administration is energetic and not too closely limited by finance, a great deal can undoubtedly be done, under this Bill, to rehabilitate the Development Areas during the transition period. The question should, of course, be raised whether the Board of Trade is right to use strong-arm tactics in exploiting its wartime powers to get industry to settle in the Areas. In some cases, economic harm can undoubtedly be done, as when Richard Thomas's continuous strip mill was built at Ebbw Vale for political reasons. But these cases are likely to be few—it is only in the heavy industries that transport costs are a major consideration, and even in the Richard Thomas case some other site within the Development Area, as now more broadly defined, might have been fully economic. In the great majority of cases, industry's dislike of the depressed areas has not been based on tangible, or at least not on economic, factors. The remoteness of the areas of heavy unemployment and the bleakness of life in them; the bad housing; the absence of amenities and social life; the tradition (generally unfounded) of labour unrest; the superior social attractions of the home counties for the directorial and managerial grades—these have been the decisive factors, and these the Government is certainly right in correcting (so far as they are legitimate) or over-riding (so far as they are illegitimate), in view of the great wastage of social capital in depressed areas.

There is some evidence that employers, once they get over the psychological hurdle, find the depressed areas just as economic as more prosperous areas—if not more so. The war has broken down many prejudices; evacuation and dispersal have increased the mobility of business men, willy nilly, and many firms now in the development areas have been so well satisfied with the quality of the labour that they are preparing to remain, apart from any social considerations. The decision of Courtaulds and Imperial Chemical Industries to set up a nylon factory in Pontypool is based on economic, as well as on public-spirited, grounds. The evidence from Scotland is that many more firms are anxious to start peacetime production than can be accommodated in existing factories. The present trend, which is likely to develop after the war, is for the range of industries which can be regarded as mobile to increase, and for a policy of mobile industry to be preferred to one of mobile labour.

*

For these reasons, a policy of exerting considerable pressure, during the short period, to get the existing Development Areas on their feet, is certainly to be commended. But as a vehicle for longer-term policy, the effectiveness of this Bill is much more doubtful. When building licences and labour priorities are no longer needed, the attractions held out by the Development Areas

Post-War Holidays

NO one now believes that the "last all clear" will herald an immediate resumption of pre-war life with its abundance of good things. The continuance of rationing, with only gradual relaxation, is accepted as inevitable. Nonetheless, the armistice with Germany will release a flow of spending—however much discouraged officially—which will pour through every gap not closed by definite *per caput* rationing. The end of the war will break the mould in which the social conscience has been set for the last five years. Few will give a second thought to saving fuel or money, making do and mending, or taking journeys which on any definition are not "really necessary."

Many of the journeys will be the prelude to the first holiday since the last days of peace. Reunited families, demobilised ex-servicemen on paid leave, workers on holidays with pay, newly married couples, families of children who have never seen the sea, and others who have forgone wartime holidays, may well mean that half the population will be holiday-making in the first year or so after the war. It seems that the Government does not intend to put obstacles in the way of these holidays.

will have to be very much stronger than they were before the war to exert any influence at all on the location of new industry (in 1935, out of 488 new factories built in England and Wales, only two were in the Special Areas). The powers contained in the Bill might be enough; but only if they were most generously administered. The administration of the powers will make all the difference: and after the Board of Trade has lost its temporary personnel, it may well relapse to the *laissez faire* mood shown in its evidence to the Barlow Commission. The present President, Socialist though he is, has said that "the business men of the country are best able to judge the business needs of the country" and has disavowed a coercive policy.

Moreover, the other side of the policy, the powers to prohibit development in congested areas, is equally weak. Local opinion will probably prevent the scheduling of any areas other than London; and purely persuasive powers may be wholly ineffective in normal times. This side of the Bill may perhaps be the means of diverting a few factories from the Great West Road to some other non-depressed area. It can hardly be said to embody a workable policy for permanent control of the location of industry. Indeed, it serves to illustrate the point made on more than one occasion in these columns, that an effective location policy requires far more drastic interference with full economic processes than public opinion probably will—and possibly should—accept.

A judgment on this Bill therefore depends entirely on how much hay can be made in the existing Development Areas while the sun of wartime control shines. It is possible that quite a lot can be done—though it is difficult to believe that the maladies of these areas can be completely cured so long as there is no effective policy for their basic industries of coal and steel. But, thereafter, there will, under this Bill, be an effective policy for guiding the distribution of industry only if it can be assumed that emergent depressed areas will be recognised at a very early stage, that they will be promptly scheduled and that the shock troops of assistance will be rushed to the scene at once. Nothing in the peacetime behaviour of Government departments justifies very much optimism on this score. And even if these steps were in every case taken in good time, the policy would still be one of first aid rather than of prevention.

The Bill should therefore best be regarded as a temporary reconstruction measure. As such, it is welcome. But the problem of securing, as a permanent policy, a balanced distribution of industry remains largely untouched by it—and will require many more years of research into the nature of the relationships between government and industry before it can be effectively tackled.

The soft-pedalling of the campaign for "holidays at home" and the urgent appeal that arrangements should be made for staggering holidays are evidence of this.

The mere removal of prohibitions is unlikely by itself to produce a satisfactory state of affairs. Scenes at railway stations and endless queues for meals and beds at seaside resorts may be accepted as an inevitable concomitant of war, but post-war holiday-makers will deserve and demand a better deal. How to ensure them more comfortable journeys and a measure of welcome at their destination promises to be one of the minor problems of the immediate post-war period. It seems that the Ministry of Production is to assist in staggering holidays, while the Ministry of Labour is to be the Government agency to supervise the overall problem, operating through the Catering Wages Commission.

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This Commission, set up in July, 1943, under the Catering Wages Act of that year, was given the primary function of inquiring into wages and conditions of employment in the catering trades, and of recommending, where

necessary, the setting up of wages boards. This side of its work has proceeded successfully and speedily; a number of wages boards have been recommended and two have already been appointed.

Provision was made in the Act for the Commission to inquire into those aspects of the catering trades that concern the requirements of the public and of overseas tourists. About the time of their appointment, this somewhat vague provision was given point and decision by an instruction of the Minister of Labour that they should inquire into the effect of war conditions on the hotel and catering services and recommend the steps to be taken to meet the requirements of the public, including visitors from overseas, in the immediate post-war period.

These inquiries have been pursued concurrently with the Commission's work on wages boards, and they culminated a fortnight ago in a tentative report* to the Minister of Labour, outlining the present state of the trade and making a number of recommendations concerning de-requisitioning, payment of war damage claims, priorities for re-equipment, the restoration of amenities of which coastal resorts were deprived because of defence measures, the absorption of suitably qualified ex-service men and women into the trades, and so on. Many of these recommendations will command immediate and general agreement, and Mr Bevin has stated that there is no reason why the Government should not take immediate steps to implement them. He did not, however, indicate which of the recommendations fall into this class.

*

It is perhaps hard on the Commission that they have had the onerous task of covering the whole sphere of catering, as well as the allied trades, in addition to their work on catering wages. No blame should be attached to the Commission, but it might be questioned whether a wages commission was the best body to grapple with the whole gamut. Their weakness is apparent in that, after twenty months of consultation and deliberation, their main proposal on catering as a whole is put forward only as a tentative suggestion, and as a stimulus to fresh evidence.

The proposal is that there should be established a national corporation for the catering industry. The intention is to issue a further report later, when the views of the trade on the proposal have been examined.

A body such as the Commission envisage would be new to this country, although the idea is commonplace on the Continent. It would have the widest functions in regard to the catering industries and others necessarily connected with it. Its activities would include assisting the industry to get on to its feet again, maintaining a statistical and research office, sponsoring national propaganda at home and abroad, dealing with training schemes, co-ordinating the interests of the catering industry with allied industries, assisting in staggering holidays, promoting workers' holidays, classifying and grading catering establishments, establishing information centres, and generally keeping a watchful eye on the tourist trade and the interests of holiday-makers and travellers.

The Corporation would be financed from four sources, and each fund would be earmarked for use accordingly. Rehabilitation and development would be financed by a "sleeping tax" yielding nearly £500,000 a year. Secondly, a Government grant would cover the overseas tourist trade activities, since the gain from this source is widely spread. Thirdly, contributions from local authorities, transport and other non-catering but interested parties, would be earmarked for holiday traffic promotion generally. A further fund, yielding over £200,000 annually, built up from fees paid by catering establishments for registration, would be shared among all the Corporation's activities, although the bulk would be used for the benefit of the catering trades.

It is still too soon for the considered views of the trade to be available. Certainly there will be neither wholehearted support nor wholesale rejection of the idea. Perhaps the main factor is likely to be the intense indivi-

* "The Rehabilitation of the Catering Industry." HMSO. 48 pages. 9d.

dualism of the various sections of the catering industry, each thinking it is separate and sharply divided from the rest in function and service. In the event, what is there that the eel and pie shop and the hotel of international repute have in common? The Corporation's blanket may be too large to be smoothly placed over the conglomeration of interests that exists to provide catering services. Although some, or even all, sections of the trade would welcome the 'fruits of the Corporation's work, the trade in general is likely to be sceptical of the value or practicability of any overall organisation. Some want to wait and see what help they can get from the new finance corporations.

There is no denial that definite assistance in a number of directions is required from the Government, and a modified form of national catering corporation might eventually be found to be of assistance.

Whatever the ultimate fate of the proposal, it would be a pity if overseas tourist trade development were to be lost sight of. There is still, perhaps, much to be said for a separate body to deal with tourist traffic, and for its immediate establishment. The Travel Association, with which the Commission have been in consultation, are preparing to expend the balance of their funds in preparatory work. The Catering Wages Commission, in recommending that the Government should finance the overseas tourist side of a national catering corporation, accepts the thesis that interests other than the catering trades stand to gain from an increase in this traffic. In fact, all forms of transport, personal services and retail trade—and, indirectly, industry as a whole—would benefit by more overseas visitors. The Treasury itself, through indirect taxation, takes its share of the revenue thus brought into the country. Tourists should not be looked upon as only a peacetime phenomenon or only as pleasure seekers. They include business men; and even American soldiers can be regarded as tourists. At the moment, according to a recent statement of the Chancellor of the Exchequer,

of our current dollar receipts the dollar equivalent of the pay of the United States forces stationed in the sterling area is much the most important element.

While this will not be the case after the war, steps should now be taken to ensure that revenue from overseas tourists should be as high as possible.

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The catering industries' need for Government assistance is a matter of urgency. The lifting last year of the defence area ban on travellers resulted in an influx of visitors to East and South-East coast resorts which they were ill-prepared to receive and with which the railways could not cope. This year the number of holiday-makers is likely to be considerably larger, in view of the mood engendered by the military situation. People are now prepared to permit themselves some relaxation of effort. If the Armistice should come before the main holiday season, the demand for holidays will be heightened. The immediate prospect is one of an acute shortage of holiday accommodation.

Seaside hotels and boarding houses are being de-requisitioned. But this is only a first step. In many cases furniture and equipment were requisitioned too, and hotels and boarding houses have had their share of war damage. Labour is needed to repair hotels, furniture and equipment to restock them. These have to be found in the face of supplies scarcely adequate to meet minimum needs for more vital purposes than holiday-making.

It is tempting to suggest that people should wait longer for luxuries such as holidays away from home, but it is unlikely that mere exhortation would have much effect. And if people rate their holiday so high on the list of their post-war demands, perhaps facilities should be accorded them, provided it is made quite clear that a postponement of some building and some domestic re-equipment might be involved.

The main difficulty is that cheap accommodation will be relatively scarcer than the expensive hotel. The problem provided by the extension of holidays with pay would have been a difficult one to solve in any case. Five years

of war have hindered even the most elementary steps towards solution, and have aggravated the problem.

No doubt there is room for Government action, in view of the Holidays with Pay Act, 1938, and the encouragement given to holidays-with-pay schemes. The idea has been mooted that the Government itself should run holiday camps, but this, mercifully, would be destined for unpopularity. Army camps and industrial workers' hostels in suitable areas could be offered to voluntary societies. Local authorities, having run British restaurants, might

in holiday areas expand into the holiday camp trade. Perhaps the Government could best assist the provision of cheap holiday facilities by a system of supply priorities, and the allocation of furniture and equipment at low prices, to establishments with scales of charges below a certain level. Such a system would be of help to non-profit-making organisations, and commercial enterprises on these lines might qualify for special loans. No previous suggestion along these lines appears to have been made, and it might be worth serious attention.

NOTES OF THE WEEK

M. Bidault's Visit

It is known that during the visit of the French Foreign Minister to London, long-term questions of treaties, alliances and permanent relationships were shelved in favour of more pressing problems. The most urgent political question is France's reaction to the Crimea agreements and its decision on the convening of the San Francisco Conference. Since General de Gaulle refused to confer with President Roosevelt, the French Government remained in ignorance of the precise details of the Yalta discussions until M. Bidault reached London. It is to be hoped that close acquaintance with the facts will satisfy the French that their interests have not been overlooked and that they will see their way to becoming joint-conveners of the San Francisco Conference, even though they are not in a position to modify in advance the proposed procedure on voting.

These questions concern the status and standing of France as a Great Power; but far more pressing are the problems of France's survival as an ordinary functioning economic community. The country's first need is more supplies—coal or imports to replace the coal which the French are supplying to the Allied armies, a certain amount of wheat, fats, and above all shipping to bring into France the supplies—including vegetable oils—which are only awaiting shipment from the French colonies. In all this, France must rely on Allied generosity. Mr Churchill has said that, owing to the coincidence of the peak of the German war with the peak of the Japanese war, shipping space has never been tighter. This may be so, but it is difficult to believe that if Britain ate into some of its food stocks, and if the United States reduced some of its non-essential seaborne imports from South America, more supplies and ships could not be spared. The British are sending over 1,000 reconditioned lorries. This is a good start, and it is to be hoped that M. Bidault's mission has secured other tangible results of the same kind.

The Greek Scene

According to official Greek statements, the agreement between the Greek Government and EAM and ELAS is working satisfactorily. The surrender of arms by ELAS is proceeding smoothly, though some ELAS groups are reported to have crossed the frontier into Yugoslavia. The National Guards and British units have already taken over some areas held by ELAS. Peace has been restored, but political excitement continues to run high.

Mr Churchill has reminded the Greeks that "the intense political activity of the Greek mind must continue to give way to practical problems of economic reconstruction." There are many signs that this "intense political activity of the Greek mind" is now much more noticeable on the Right than on the Left. It is true that the peace has been without the vengeance that was feared, but, nevertheless, several unpleasant incidents have occurred. The Orthodox bishops who have served as chaplains to ELAS units have been dismissed from the Church; and there have been complaints that employees have been penalised who were suspected of sympathy for E.A.M. M. Rallis, the Minister of the Interior in General Plastiras' Government, has resigned in protest against the appointment of a special Under-Secretariat for the Gendarmerie and Police—an ill-famed institution since the days of the Metaxas regime—and the Under-Secretary for the Gendarmerie is meanwhile the acting Secretary of the Interior. Political emotion has also been kindled with the trial of the quisling minis-

ters who are now openly defended by the Royalists. General Plastiras' Government seems to be internally less coherent than it pretends to be.

The Liberal ministers, headed by the Foreign Secretary, M. Sophianopoulos, try hard (and not without some success) to make matters run smoothly. They insist on fair treatment for the defeated but still buoyant Left. At the same time the Government tries to divert political passions from internal to foreign affairs; and a strong anti-Bulgarian campaign, culminating in the demand for a revision of the Greco-Bulgarian frontier seems to be in full swing in Athens.

The Housing Muddle

The fog surrounding the Government's housing policy gets thicker and thicker. Mr Sandys's latest statement has been the most confusing of all and has resulted, first, in a variety of contradictory interpretations of his meaning, and second, in an agonised plea from Parliament and the press for a fuller and more satisfactory explanation of the situation through a debate, a White Paper, or both.

The statement in question announced, rather apologetically, a change of policy and a switchover from the construction of temporary to that of permanent houses. This, the Minister said, was necessary because factory space could not be released from war production, because labour, timber and steel were still scarce, and because local authorities could not find the extra sites for temporary bungalows. Consequently, the housing programme for the moment would be limited to a small number of prefabricated bungalows (plus the 30,000—now "a substantial proportion" of the total—to be despatched from the United States) and to the construction of less highly prefabricated types.

The conclusion to be drawn would therefore appear to be that the delayed end to the war has made it impossible to carry out the promises made last year. That, by itself, is understandable, and only a moderate virtuosity would seem to be needed to put across this very simple explanation. But the situation is confused by Mr Sandys's peculiarly contradictory assertion that the change in policy will not result in any fewer houses being built—this in spite of the fact that less prefabrication is to be used and that permanent and not temporary houses are to be put up. Were, then, all the arguments of time-saving and labour-saving once so plausibly put forward in favour of the Portal house quite untrue?

Mr Sandys is getting into deep and dangerous waters. There is no longer any certainty that the Government's one aim is to find shelter for as many people as possible as quickly as possible. The justification of the latest volte-face is said to lie "in the interests of town planning and of public economy." Here, perhaps, is the clue to the conundrum. The temporary housing programme has to be abandoned—not merely delayed—because there is no room for it in the overcrowded towns where it is chiefly needed. It also has to be abandoned because the Government considers it too costly a makeshift—even though the inevitable slowing-up in the housebuilding programme means overcrowding and discomfort for thousands of families. These two considerations would provide an explanation of why the temporary housing programme has to be abandoned and not merely delayed. The slackened progress of the war, if that had been the only difficulty, would have deferred the temporary house programme, but would still have allowed it to make its contribution of time-saving and labour-saving

at a later date, when it would have been still more necessary. If these are the reasons for the change of policy, as appears to be the case, the Minister of Works would be well advised to complete his confessions. Whatever the disappointment he may give, a full explanation of the difficulties encountered and the alternatives offered can only do good to his reputation and may help to reverse the unfortunate impression made last week. As it is, even those who are most ready to give the Government full credit are confused, perplexed and increasingly suspicious that the right order of policy is being reversed. The obvious course of wisdom is to have a moderate long-term programme of "traditional" housing, with the largest possible supplementary and immediate programme of "untraditional" houses—which should be permanent for preference but temporary if necessary. The Government seem to be moving in the precisely opposite direction.

The Severn Barrage Scheme

The Panel of Engineers appointed by the Minister of Fuel and Power in 1943 to review the conclusions of the Severn Barrage Committee of 1933 has now issued its report. This supports the main recommendations and findings of the committee, advises certain technical modifications in the project, and maintains that it could, in certain circumstances, be economically justified. The main points of agreement between the two reports are that the site chosen for the barrage, the "English Stones" reef, is the most advantageous; that single-tide working—the development of power on the falling tide only—is preferable, under existing conditions; and that the committee's estimate of available power, an average annual output of energy at the barrage sub-stations of 2,190 million kilowatt-hours, is substantially correct.

The modifications include the abandonment of the pumped storage suggestion, the installation of larger turbines, a more cautious assessment of the value of the basin above the barrage as a new dock area, and the recommendation that rail and road crossings of the estuary should be regarded as projects distinct from the barrage itself.

The new scheme and its transmission system are estimated to cost £47,000,700, compared with £28,640,000 for the 1933 scheme. Construction would occupy about nine years and would employ 4,570 men annually at the site and 6,285 indirectly in the provision of cement, steel, machinery and transport. During the first fifteen years of operation, the plant would mean an annual saving of nearly one million tons of coal.

From the engineering point of view the scheme is certainly workable and has the attractions of an untried idea; and recent developments—such as the extension of grid supply and improvements in constructional and electrical engineering—make it more feasible. But considered economically, the barrage seems much less practicable.

It is true that coal-fired power stations now pay at least twice as much for their fuel as they did in 1933, and that interest rates, which represent the heaviest single item of cost in hydro-electric projects, are at the moment favourable. But will the price of coal remain at its present level? Or, rather, can it be allowed to remain so high? And what will happen to construction costs? Can it be assumed that, in the long run, construction costs will be only 65 per cent above the pre-war level, while coal costs not only remain at their present high level but rise by a further 6s. a ton? The prospects for British industry, particularly for its power to export, are grim indeed if the price of the basic raw material is to remain so much out of line with other costs. Yet it is only on this artificial basis that the project can be justified as a commercial proposition.

A decision to launch the barrage project now could only be justified if the future of coal were regarded with the deepest pessimism. With so many less speculative calls upon the nation's limited capital resources, investment in the barrage would certainly be untimely. At the very least, it is elementary prudence to wait a few years and see in what relationship the various costs settle down.

Fuel and Power

The second reading of the Ministry of Fuel and Power Bill provided members with another opportunity to relieve their feelings about the coal situation by attacking

the war-time record of the Ministry. Nobody would pretend that the Ministry has been an unqualified success—as Colonel Lyons said, it has too often been "a Ministry of complacency one day and a Ministry of apology the next"—but its record is not nearly so black as it is painted. It has carried most of the blame for shortages quite beyond its control.

The purpose of the Bill is to continue the Ministry's functions, other than the emergency ones, so that the powers and functions which were operated separately before the war can be brought under unified control during the difficult years of transition. Efficiency in the various fuel and power industries is largely a matter of internal organisation and technical development, but it can be powerfully assisted by good team-work and co-ordination. It would be ridiculous to go back to the pre-war system by which coal was the concern of one Ministry, gas and petroleum of another and electricity of a third. A single Ministry does not by any means guarantee a co-ordinated policy. But, without it, anything of the sort is impossible.

Rehabilitation for Italy

On February 24th, the heads of the Allied Commission in Italy communicated to the Italian Government the details of the new status which the Allies had agreed to grant to Italy. In accordance with President Roosevelt's and Mr Churchill's declaration of September 26, 1944, the "relationship between the Allied Commission and the Italian Government" has now become "one of consultation and advice." In matters of day-to-day administration the Italian Government is now free to pursue its policy without interference from the Allied authorities, at least in so far as those policies are not prejudicial to the military interests of the Allies. In practice, the Italian Government has been freed from the obligation to submit its decrees and laws to the Allied Commission for approval. It is also free to make appointments at all levels of the civilian administration. Allied regional officers will no longer supervise local Italian authorities. In relations with foreign countries, too, the Italian Government has now been allowed to establish



Chinese horse typical of the T'ang period

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direct contacts with other Governments, and not as hitherto indirect contacts through the Allied Commission. Italian Ambassadors in Allied capitals will enjoy the privileges to which diplomatic representatives of sovereign states are entitled and accustomed.

It is enough to mention these new arrangements in order to realise the extent to which the activities of the Italian Administration have hitherto been restricted by Allied control. The real responsibility of Signor Bonomi's Government for the conduct of Italian affairs is therefore beginning only now.

The burden of that responsibility is very heavy indeed, set as it is against the background of economic and political disorganisation throughout Italy. Yet the present Government has so far had to contend with less political difficulties than either the Badoglio Government or Signor Bonomi's first Administration. The core of the present Governmental coalition consists of three parties: the Liberals, the Christian Democrats and the Communists. The Socialists, the Action Party, and the extreme Monarchists remain in semi-opposition—the Monarchists because they are not satisfied with the fact that the rights of the dynasty have not been explicitly recognised, and the Socialists and the Action Party because they want the principle of the Republic to be explicitly asserted. However, not a single party (except for the remnants of Fascism) has gone into outright opposition; and so far the seemingly unnatural coalition between the Liberals, Catholics and Communists has to all intents and purposes worked with surprising smoothness.

As the Prime Minister pointed out in the House of Commons, the Italian Government will have to re-shuffle itself after the liberation of the industrial north. The present coalition, after some changes in the personnel of the Government, will probably have a fair chance of continuing in office. In the north the Communist influence is presumably very strong; and the Communists' participation in the Government may help the present Administration to tide over what is likely to be the most critical period in the political life of post-Fascist Italy.

Economic Charter for the Americas?

Of the nine draft proposals submitted on Monday by the United States delegation to the Mexico City Conference, the two most outstanding were those calling for a free trade policy in the Americas and a programme for the industrialisation of the Latin American republics. The first, described as "a ten-point economic charter of the Americas," proposes the elimination of cartels and economic nationalism, provides for equal access to raw materials as envisaged in the Atlantic Charter, and seeks equitable treatment for foreign enterprise and capital, together with the encouragement of private enterprise and discouragement of Government intervention in business. The second promises American co-operation in industrialising Latin America by the provision of the necessary machinery as soon as possible after the war.

These far-reaching proposals inevitably call attention to the great strides made during the war towards the diversification of the economies of the different Latin American states, and to the prospects lying ahead for new industries which have so far been built up to meet a strategic demand, but which must, after the war, sustain the impact of the proposed economic charter for the Americas. The iron resources of Brazil and Peru are no longer unexploited wealth. Brazil's output of pig-iron, steel ingots and rolled steel during the first half of 1944 was respectively 67, 81, and 66 per cent higher than in the first half of 1939. Forty-five million dollars from the Export-Import Bank of Washington and 25 million dollars from the Brazilian Government have been invested in the Volta Redonda steel mills and in opening up the Itabira iron reserves. President Vargas's Economic Planning Committee, although it wishes to avoid charges of self-sufficiency, sponsors full exploitation of Brazil's resources. In particular, it wishes to build up secondary industries round its steel plants. There are parallel trends in Peru. In Bolivia, whose extractive industry has little immediate prospect of secondary development, prosperity hinges on the level of ore quotas and prices established in the United States.

On technical grounds, the future of heavy industry in Latin America must be uncertain, if only because of labour problems and the general absence of adequate coal reserves. On economic grounds, Latin America has received strong support from the Export-Import Bank, which has emerged

since 1940 as a definite instrument of American foreign policy. Lend-Lease disbursements throughout Latin America totalled \$172 million at June 30, 1944. Between January, 1940, and June, 1944, the Export-Import Bank invested approximately \$200 million in Latin America, most of which has led directly to the purchase of exports from the United States. With similar stimuli, lighter manufacturing industries, free from the competition of American, British or European imports during the war, have enjoyed boom conditions. In 1943, for instance, the textile output of Sao Paulo was estimated to equal that of Lancashire. Is all this new production going to exclude foreign goods after the war? How will it affect the trade relations of the Latin American states? Can it even be maintained without massive help from the United States? These are the problems which America's "Economic Charter" will certainly raise.

Tuberculosis at Large

A report of the Medical Research Council on the mass miniature radiography of civilians (HMSO, price 3s) is primarily a technical document of interest only to those concerned in this specialised work. But the findings of the survey, which covered two factories, an office group composed of civil servants, and a mental hospital, on the incidence of tuberculosis among the working population are of general interest. If the mental hospital cases are omitted—for the population of such hospitals is well known to show a higher incidence than the general population—it appears that newly discovered significant tuberculosis lesions were found in 1.0 to 1.5 per cent of the persons examined. These figures include 0.3 to 0.4 per cent who were in need of institutional treatment, the remainder requiring out-patient observation while continuing at work. If these findings can be generalised for the working population as a whole, it would appear that, out of a total of, say, 20,000,000, some 200,000 to 300,000 have tuberculosis without knowing it and that of these some 60,000 to 80,000 ought not to be at work and require institutional accommodation. In a recent parliamentary answer, the Minister of Health stated that the total number of sanatorium beds provided by local authorities in England and Wales was 29,000, and that the existing waiting list was about 4,500.

The survey reveals other problems besides the shortage of sanatorium beds—which is a short-term problem since the 80,000 cases, once detected, would be non-recurrent. There is the question of the re-employment of TB patients after treatment and the employment of those in whom treatment is unlikely to arrest the disease. Of the total of 21,000 persons radiographed, 69 had previously-diagnosed pulmonary TB of whom 14 were classed as unsatisfactory from the standpoint of their medical or social condition. Some of them were able to do a normal job but were a danger to their fellow workers because they were potentially infective. There is at present no means of dealing with these so-called chronic active cases. All the TB authorities can do is either to advise them to stop work, which means they would fall on relief, or to try to have their working conditions modified—which again might mean a loss in earnings. The Disabled Persons (Employment) Act may enable suitable facilities to be provided for the employment of these cases, but in the meantime the Ministry of Health's decision to exclude them from the special scheme of financial allowances should be reversed.

The report of this survey fully justifies the use of routine mass radiographic examinations of the civilian population, provided it is emphasised that a clear X-ray does not prevent a person from contracting the disease later. Of the 79 new cases needing treatment, 29 denied having any symptoms at all and only 17 of those admitting symptoms had consulted a doctor about them. Together with adequate facilities for radiographing people developing symptoms between the routine examinations, the extensive use of the miniature apparatus should be a valuable weapon in combating the disease which causes more than half of all deaths of people in their youth and prime.

Arise, Ye Neutrals

In its sixty-sixth month, seven new members of the United Nations—Egypt, Turkey, Syria, Lebanon, Chile, Paraguay, Peru and Ecuador—have joined in the war against the Axis. Some of these new Allies were a good deal more than passively neutral during the most critical stages of the war. Egypt, for instance, as the Prime Minister reminded the

House of Commons, rendered the most valuable services to the Allies during the war in Africa. At that time the security of Allied communication lines depended to a large extent on Egypt's good will and friendliness, and the British Government advised Egypt against a formal declaration of war. The Syrian and Lebanese Governments, too, co-operated with the Allies at a difficult period in the war.

As for Turkey, it is true that "we knew where its heart lay," but the Turks have not allowed their feelings to govern their actions; and the strictness of their neutrality even after Teheran was underlined by their continued resistance to Allied pressure. Since the odds against them were extremely heavy as long as they were within Germany's striking power, it would clearly be self-righteous to condemn Turkey's attitude. The Latin American republics, however, cannot defend their neutrality on similar grounds. The grotesque touch about the sudden mass conversion of neutrals, and co-belligerents into Allies is provided by the fact that a declaration of war on the Axis before March 1, 1945, has been made a condition for admittance to the San Francisco Conference. Many hitherto neutral Governments are anxious to obtain admission tickets to the Conference before the box-office closes.

But are such conditions for admittance really necessary? Could the participation of the interested nations not have been secured by a liberal interpretation of the term "United and Associated Nations' Conference"? Will Sweden and Switzerland (nobody doubts where their hearts lie) be excluded? It would be absurd to penalise those countries which, for geographical reasons, are still somewhat timid towards Germany; and it would be unjust to deny them the seats at the Conference table that Chile and Paraguay have been enabled to obtain almost at cut prices.

Exit General Radescu

The political tension in Rumania, caused by the attacks of the Left on General Radescu's Government, has now developed into an acute crisis. Armed clashes between General Radescu's followers and his opponents have taken place in many Rumanian towns; and in Bucharest itself several Ministries and the Royal Palace were for a while beleaguered by members of the National Democratic Front, among whom the Communists were most prominent. The Allied Control Commission, it is reported, has now intervened and has forbidden the Rumanian troops to open fire on the demonstrators.

A new feature of the situation is that the King has become involved in the crisis. The Left hinted that if the King failed to yield to the demand for General Radescu's dismissal "the position of the dynasty will be compromised" and that the agreement of September last under which the King preserved his throne might be invalidated. Significantly enough, these warnings were broadcast not from Bucharest but from Moscow. On Wednesday M. Molotov's Deputy, Commissar Vyshinsky, arrived in Bucharest presumably in order to communicate the warning in person. The King apparently yielded; he has dismissed General Radescu. The ostensible motives for the Russian intervention in Rumania have been that the Rumanian Government has failed to fulfil the terms of the armistice and that law and order must be preserved along the Russian communication lines in Rumania. It will be interesting to see whether the political trouble in Rumania will come under the joint consideration of the Big Three, as the Crimea agreement would seem to suggest.

Prospects for Emigration

A question last week in the House of Commons raised once more the question of emigration from this country to the Dominions after the war. Many young men and women in the services without any civilian ties of family or employment in this country are considering the advantages of beginning new lives overseas. The question is whether it should be public policy to encourage them or not.

The Prime Minister's reply indicated that the matter was under discussion with the Dominion Governments; presumably, when these talks have been concluded, the Government will make a comprehensive statement of policy. That this will not contain any great encouragement to emigrants on the part of the British Government was also hinted at, when Mr Churchill stressed the manpower needs of the United Kingdom. There will be, it is clear, a certain conflict

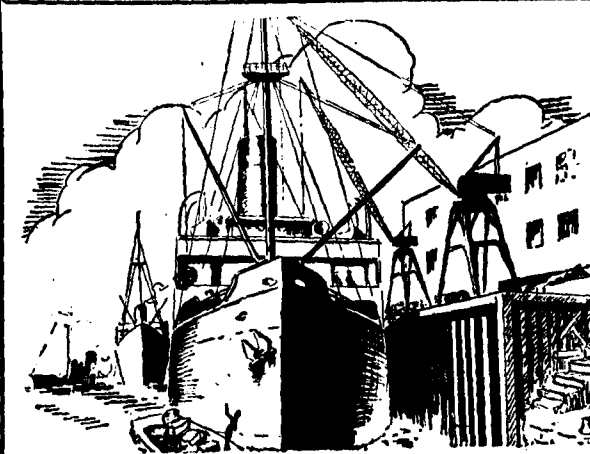
of interest between the individual and the state in this matter. The United Kingdom, faced with a hard struggle to recover from the economic wounds and sacrifices of the war, is also faced with an ageing population which can ill afford further losses, by migration, of its young men and women.

The Duke of Devonshire's assurance in September, 1943, that British policy would not be affected by Britain's own declining numbers can, for these reasons, only be safely interpreted as meaning that no prohibitory restriction will be placed on would-be emigrants. The measure of assistance, on the other hand, will be by arrangement with each Dominion Government. This policy, rooted in the pre-war agreements with Australia and Southern Rhodesia, would mean that financial assistance to emigrants would come largely from the Dominions. Besides this help, which in any case is likely to be limited, there will be needed greatly improved machinery—in Mr Churchill's words, "a careful and refined organisation"—to inform and assist the emigrant.

A policy on these lines would not be likely to lead—nor should it—to a great increase in the rate of emigration from these islands; it would, therefore, still leave unsolved the problem of finding new blood for the Dominions. In both Australia and New Zealand—and to a smaller extent in Canada—there is a strong desire, not only to set off a declining birth-rate, but to increase the population to a new economic optimum by encouraging immigration. The relatively few immigrants of British stock will have to be supplemented by Europeans. Mr Churchill's offer, on Tuesday, of British Empire citizenship to Polish veterans is a step in this direction, and there have been other signs recently that the Dominion peoples are prepared to widen their hitherto narrow definition of "desirable" immigrants. It is on these lines, rather than by mass emigration from this country that the problems should be tackled.

Murder in Cairo

The murder of the Prime Minister of Egypt, Ali Maher Pasha, during the Parliamentary session devoted to the Egyptian Declaration of war on Germany, might seem



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to indicate important political undercurrents—dissatisfaction with the British connection, underground fascism, or, since it is only a few weeks since Ali Maher's Saadists swept the polls, political spite on the part of his rivals, the Wafd. It seems almost certain, however, that the murder was an act of individual and aimless terrorism. The assassin was a young student—the traditional assassin type of the Middle East. He claimed to represent a group of other students, but has, it appears, no particular party affiliations. The passion which led him to murder was extreme nationalism. The Egyptian declaration of war seemed, no doubt, to youths of his stamp to be dictated by the British and to be a rebuff to Egyptian sovereignty and independence.

The assassination, as the work of an irresponsible extremist, has no immediate political significance. Yet it is a reminder of how easily resentments can be inflamed and passions aroused against the Anglo-Egyptian relationship. As Mr Churchill reminded the Commons in his statement on the Conference, Egyptians of all parties have loyally observed the Treaty. But there are Egyptians in all parties who want to see it modified after the war and who are also ready to raise the question of the Anglo-Egyptian Condominium in the Sudan. Mr Churchill stated that, at the recent talks in Cairo,

there was no question of shaping new policy for the Middle East.

Perhaps the occasion was premature, but without new policies in the not too distant future there are shoals ahead for British interests in the Middle East.

Aids to Hearing

A Deaf Aids Committee has been appointed to advise and assist the Medical Research Council in promoting research into problems relating to instrument design which have been raised by new methods of alleviating deafness. These new methods, based upon a combination of microphone, earpiece and amplifier, are undoubtedly effective. But there is a danger that the technical progress achieved may be exploited by fraudulent concerns. As the National Institute for the Deaf pointed out some years ago,

Advertisements of aids to hearing appear in almost every publication of the country. . . . In many cases, the claims put forward are often so absurdly extravagant, and often so ignorant, that it is surprising that intelligent people can be deceived by them. . . .

There is a big demand from the deaf for inconspicuous appliances, and this has been exploited by the production and advertisement of a large number of gadgets costing a few shillings to produce, but sold at prices up to five guineas.

The Institute advises deaf and semi-deaf persons to seek medical advice before accepting such aids, and after they have been fitted. It has also compiled a list of reputable firms on which the deaf can rely for fair dealing. But once a good appliance has been bought, the problem of the high cost of maintenance remains. A correspondent in the *British Medical Journal* recently drew attention to this problem, and suggested that a "standard model" should be produced which could be serviced by any competent wireless mechanic.

The establishment of a national health service is a good time for a full investigation into all these questions. Every insured deaf person should have the right to the best possible appliance, just as every amputation case should have the right to the best possible make of artificial limb. But the best possible appliance at the moment is undoubtedly very expensive—an efficient machine may cost £21 or more. Yet it would be contrary to the principles of the health service if people who could afford it were able to buy such a machine while those who relied on state provision had to be content with something less effective. The state has so far done little for the deaf, presumably because they are likely to be less economically dependent than, for instance, the blind. But they deserve no less pity and help.

Experiment with Time

Daylight is among those many commodities which have been stretched to go round a little further in wartime. If the worker has seen daylight only on Saturday in winter, at least he has seen it for an hour more. The fate of the extra hour's daylight in the evening, unseasonably termed British

Double Summer Time in summer and British Summer Time in winter, has now been decided. Already, the farmers have been asking for their stolen hour back. Their claim that wartime needs no longer justify its retention may be granted. But what of peacetime needs?

There is, of course, no witchcraft in changing the clock. An hour more of daylight in the evening means an hour less in the morning. Exactly the same result would be secured if everyone got up an hour earlier; but that seems to be asking too much. It is much easier to change the clock than to change conventions—and the question to ask is whether urban conventions, which govern the lives of nine-tenths of the population, have become so sluggish and lie-abed that more than pre-war summer time is needed to give them a maximum share of daylight—and with it health, happiness and working efficiency. If the answer is in the affirmative, it does not follow that the clock must be changed an hour at a time or only twice each year. For instance, in the three mid-winter months daylight is so short that no clock-changing can help, and in the three mid-summer months it is so plentiful that at least two hours can be added at night without many workers getting up in the dark; but the amount of clock-changing must be strictly limited—to four times a year at most—if muddle is to be avoided.

The farmer's case rests on the claim that he needs to work by the sun. Difficulties arise for him if markets and transport work by clocks that are an hour or two hours behind his natural schedule. The farmer's case could be largely met if milk lorries, markets, and rural buses and licensing hours were also determined by the sun. The delay in delivery to consumers would be very slight, and rambblers would on occasion be pleasantly surprised. By such methods, farmers might be persuaded not to let the sun go down on their wrath.

Shorter Notes

The chairman of the Inter-Departmental Committee which is to inquire into the provision made for children deprived of a normal home life will be Miss Myra Curtis, Principal of Newnham College, Cambridge, who was one of the two members of the Committee which inquired into conditions in the London County Council's remand homes. There will be 16 other members, including representatives of local authority and voluntary welfare services, a professor of child health, and three MPs.

The Labour Party's decision—long delayed and much debated—to re-admit Sir Stafford Cripps to the fold will be welcomed in non-Labour as well as Labour circles. Sir Stafford has certainly worked his passage since he was expelled from the party in 1938 for Popular Front activities; he has travelled from Southport to Transport House via Moscow, Delhi and Whitehall. The decision can hardly mean that Labour is allowing any relaxation of party discipline—the door to co-operation with other political parties was bolted at the December Conference. But brains and a national prestige are electoral assets which the party cannot afford to neglect.

A debate on air accidents in the House recently revealed considerable disquiet concerning the dangers of air travel. It should be remembered, however, that the risks of wartime flying are necessarily greater; that long journeys by high officials are now more frequently made by air than by sea or land; and that the percentage of accidents per passenger-mile is quite possibly lower in the air than on the roads. The table below is a fair indication of the enormous increase in air travel, even if military transport is discounted, during the war. By comparison, it would seem unlikely, to say the least, that the rate of accidents not due to enemy action has increased by as much.

	1938	1943	1944
Total miles flown by British airlines on overseas routes	11,053,702	12,575,417	18,813,913
Passengers carried on overseas routes	74,585	66,565	100,852

Letters to the Editor

Post-War Arithmetic

SIR,—I heartily agree with the conclusions of your article on Post-War Arithmetic, that capital formation must not be allowed to be the "residuary legatee" from the national dividend, but the allocation of resources should be subject to the purposive direction of the state, and must have due regard to a scheme of national priorities. I should like to make it clear, however, that the particular figures of post-war investment, which you quote as "utterly inadequate," were not put forward by me as an estimate of what is desirable, but were introduced for the very purpose of demonstrating how inadequate capital investment would be if it were treated merely as a residuary item. In the same table from which these figures were taken (Table 60, page 391, of "Full Employment in a Free Society"), there were two other alternative investment plans given which you ignore, the one showing a rate of gross investment (on your definition) of £1,050 million, and the other of £1,300 million, both involving some control over consumption, though both consistent with a higher level of actual consumption than that reached in 1938.

You also criticise my assumption that the post-war national real income, under a full employment policy, will be 20 per cent above that of 1938. My own view is that this estimate is more likely to prove too low, if it is taken to refer (as it was meant to refer) to the position at the close of the transition period, when the situation will again be stabilised; though I may have allowed too short a period for this transition. But even if one took your own estimate of a no more than 10 per cent increase, it would still be possible to double the rate of net investment in fixed capital without restricting real consumption below its pre-war level—i.e., while increasing private consumption by 25 per cent over its present level.

The conclusion to be drawn from such estimates, therefore—whether one inclines to be pessimistic or optimistic about the future national income—is not that we "can't afford" major schemes of national improvement without a drastic curtailment of consumption, but that we cannot afford to do without planning. Provided that the idea of budgeting the use of national resources in accordance with a scheme of priorities is carried over into peace-time, and the necessary controls are retained, there is little danger of the post-war reconstruction plans having to be curtailed for lack of means. —Yours faithfully,
Cambridge

NICHOLAS KALDOR

[There was no intention of suggesting that Mr Kaldor expressed himself as satisfied with the results of his statistical estimates. His two alternative plans were not quoted because they did not attempt to show what was alone relevant to our article—namely, what is likely to happen in the absence of any attempt to impose a scale of priorities. There was also no attempt to say that Mr Kaldor's estimate of post-war national income was wrong—but only that a more cautious figure is just as likely.—EDITOR.]

Patent Medicines

SIR,—The Secretary of the National Pharmaceutical Union, writing on the "Chemists' Friends Scheme" in your issue of February 3rd, makes it appear that the functions of this organisation consist merely of the restriction of sales of medicines to persons qualified for that purpose and to the most laudable prevention of misleading advertisements. His letter, however, omits a third function which was very clearly described in an excellent survey of the chemists' business published before the war by the Pharmaceutical Society of Great Britain. According to this report,

Manufacturers of proprietary medicines are asked to limit to pharmacists the retail distribution of their goods, and those that agree to do so are placed in the "Chemists' Friends" list and their products are given special prominence by retail pharmacists who support the scheme. Retail supporters of the scheme are asked not to give prominence to the goods of manufacturers who are not on the "Chemists' Friends" list.

The aim of the scheme, therefore, is to restrict competition; it is devised to increase the turnover of the so-called genuine chemist and has, to this extent, a purely

commercial purpose. Not very long ago a trade journal reported that there was conflict between the Chemists' Friends Scheme and another retail trade association; it was suggested that the Friends Scheme was "prohibiting under penalties all chemists from granting, if they so desire, normal display facilities to manufacturer members" of that association. If the principle on which the Chemists' Friends Scheme is based should find general acceptance, Mr Mallinson's friends may one day find that manufacturers of photographic articles, cosmetics and leather goods, or publishers of books, might exclude pharmacists from selling commodities so out of keeping with their proper business; they might restrict the sale of these commodities to "genuine" retailers in order to protect the public from buying from non-specialised salesmen.

Nobody will deny that the sale of most medicines definitely requires a qualified chemist; there is legislation to secure this object. But there are patent medicines and semi-medical articles where such limitation is not necessary and where, if organised in the Friends Scheme manner, it simply means restriction of commercial competition.—Yours faithfully,
HERMANN LEVY

Richmond

The Dutch Government

SIR,—I was very much surprised to read the note in your issue of February 17th on the resignation of the former Dutch Minister of the Interior, Mr Burger. Nobody will deny that there should be discrimination in the treatment of the various categories of collaborators. Mr Burger, however, advocated that there should be no treatment at all, except as regards those who had been members of the Dutch National Socialist movement. Admittedly not every burgomaster who acted as a tool of the Germans should be sentenced to heavy penalties; there are degrees in collaboration. But public opinion rightly insists that the liberated nation should have leaders with a clean record. This Mr Burger opposed.

You may have noticed that his two Socialist colleagues, Minister Albarda and Minister Van den Temple, have made it clear that they in no way shared Mr Burger's unstatesmanlike opinion.—Yours faithfully,

L. DE JONG
(Editor of *Radio Orange*)

The Coal Industry

SIR,—In his letter appearing in your issue of February 17th, Sir P. Malcolm Stewart criticises Mr Robert Foot's Plan for Coal on the ground that "no hand is held out to labour so as to secure the essential co-operation of the trade unions."

No doubt your correspondent had read the plan before writing his letter, but perhaps he paid insufficient attention to principle X on page 42, which reads as follows:—

That the workers in the Industry be kept fully informed of its progress and circumstances in every direction and given every opportunity and encouragement to make their full contribution towards its greater prosperity. For this purpose close liaison between the two sides should be established and permanently maintained, on a national level, on a district level and at every colliery. With this object in view a Joint National Committee, a suitable Joint Committee in each district and Pit Production Committees, should be regarded as essential parts of the structure of the industry. The latter should not only be continued and everywhere be brought up to the level of the many that are already being operated with success, but the scope of their discussions and, if necessary, their constitution, should be enlarged and altered to enable proper effect to be given to the general intention stated in this paragraph. No matter that is established as one of national principle should be excluded from the discussions of the Joint National Committee, the Joint District Committee or the Joint Committee established in each colliery.

Yours faithfully,
H. J. GILLESPIE.

The Mining Association of Great Britain.

There are many men and women in the Services who would welcome a chance of reading this publication. If you would hand it in, unwrapped, unstamped, and unaddressed at any Post Office, it will go to them.

AMERICAN SURVEY

Wage Issues

Two actions by the War Labour Board have brought wage policy back into the limelight and threaten to disrupt the Board. One is the report of the Board's public members advising the President against any upward revision in the "little steel" formula for the fixing of wage rates, from which Labour hotly dissents; the other is the Board's recommendation of a minimum wage of 55 cents an hour in the textile industry which was opposed by its industry members.

The "little steel" formula, evolved in 1942, provided, it will be remembered, for the freezing of basic wage rates except for a 15 per cent increase over the levels of January 1941, to compensate for the rise in the cost of living between January, 1941, and May, 1942. Provision was also made for raising substandard wages and correcting inequalities. The extent of further increases in living costs since May, 1942, is the subject of bitter disagreement. A recent report by Mr Davis, the chairman of the WLB, put the rise over the whole period at less than 30 per cent, while labour insists it is nearer 45 per cent. As for wage increases, the public members of the Board, while admitting that basic wage rates have risen only 19.4 per cent, point to an increase in hourly earnings of 30 per cent, due to upgrading, incentive payments, and merit rises, and to a 75 per cent growth in gross weekly earnings, due to longer hours, overtime pay, and shifts to higher-wage industries.

Labour is motivated not only by its conviction that higher prices have out-stripped wage increases, but by its fear that when the work-week is shortened, labour will experience a 22 per cent drop in "take-home" pay without any immediate compensation in the form of lower prices. It complains, as well, of the injection of gross weekly earnings into the discussion of a stabilisation plan originally designed to stabilise hourly wage rates. The public members' report admits some truth in labour's arguments both as to the cost of living and a possible post-war "squeeze," but argues that greater injustices would be done to white-collar workers and non-unionised labour, by endangering the stabilisation programme.

The report urges, instead, that Congress amend the Fair Labour Standards Act, which fixes minimum wages at 40 cents an hour, along the lines of Senator Pepper's Bill, which would make anything below 65 cents an hour substandard during the war. In effect, this is what the War Labour Board has been doing in decisions on "substandard" and "inequitable" wage rates. Until the textile case, anything under a rate of 50 cents an hour had come to be regarded by the Board as sub-standard, and capable of adjustment without infringing the stabilisation formula. Should the textile decision go into effect, it appears that 55 cents an hour would become the new effective minimum. Such an increase requires, however, the consent of the Office of Economic Stabilisation if it will result in price increases.

The textile industry, which pays the lowest wages of any basic manufacturing industry (earnings average 64.6 cents an hour) probably presents as good a case as can be found for upward adjustment, not only on the grounds of fair play, but on account of its loss of manpower at a time of textile shortages. The CIO union involved has pressed for a basic rate of 60 cents an hour and in protest at the delay in reaching a decision has released workers from their anti-strike pledge.

But it is certain that public opinion would condemn a general policy of increasing wage rates. The Congress of Industrial Organisations and the American Federation of Labour are well aware of the probable public reaction; but they are forced on, partly by a sense that this winter may prove the last opportunity to secure favourable treatment, and by their apprehensions lest Mr John L. Lewis repeat his earlier coup. The current coal contract expires on April 1; and should he demonstrate once more his capacity for securing by force what more co-operative labour leaders have failed to obtain, the ability of the CIO and AFL leaders to control their members may be impaired.

The chief victim of these conflicting pressures is the War Labour Board. If it is unable to make its textile recommendations effective, and the CIO withdraws its representatives as is threatened, the Board's authority will suffer a blow even more fatal than that contained in the Montgomery Ward decision handed down last month.

Advice to Conservatives

During the past week Mr Walter Lippmann has read the Republicans in Congress a lecture on the principles and practice of sound Conservatism and the functions of an Opposition party. The occasion of these strictures is the implacable hostility of Senator Taft and his followers, not only to Mr Wallace's control of the Reconstruction Finance Corporation, but to his appointment in any form. Senator Taft, who has made himself the mouthpiece of the die-hard Republicans, has made it clear that he regards this as a particularly offensive form of teaching one's grandmother to suck eggs.

It is Mr Lippmann's contention that, while Congress was well within its rights in depriving Mr Wallace of the financial power to carry out his policies without resort to Congress, the Senate has no further case for blocking his appointment; that to do so would be unconstitutional. Legally, there may be some doubts about the view that the power to confirm does not imply the power to reject. The fight over Mr Wallace, however, recalls irresistibly President Jackson's shrewd prophecy when the Senate rejected the nomination of Martin Van Buren as Minister to Great Britain: "They have broken a Minister, but they have made a President."

Mr Wallace's enemies may not have done him a comparable service; but the moral applies to issues as well as men. Mr Lippmann accuses Senator Taft of

leading the Republican Party into the blind alleys of dumb obstruction on vital issues, and of making it incapable of offering a trustworthy alternative to a third and fourth term for Mr Roosevelt

and of committing an unforgivable folly by not insisting that Mr Wallace share the responsibilities and practical difficulties of the job.

The adaptability which has marked British Toryism and has served it so well is conspicuously lacking on the American Right. Republican standard-bearers like Mr Willkie and Governor Dewey have, in their different ways, recognised this danger, but without any noticeable effect on the rank and file. The charge that he was only a "carbon-copy Roosevelt" proved Mr Willkie's greatest handicap with his party; and even Governor Dewey has been attacked on the same score. In the long run, however, Mr Lippmann undoubtedly is right in insisting that adaptability is the foundation of a successful and practical Conservatism. It is a lesson which might be studied with profit in both party camps, by Senator Byrd as well as Senator Taft. A species which is incapable of adaptation eventually becomes extinct.

The Stroke of Twelve

Entertainment becomes the industrial Cinderella this week. Mr Byrnes has followed the "brown-out" and the ban on horse-racing by a midnight curfew on restaurants, night-clubs, cinemas, and theatres all over the country on the ground that early closing will save fuel, and, incidentally, manpower and transport. The effect will be felt mainly in the large cities, and especially in New York, where Mayor LaGuardia has made a valiant, but fruitless effort to secure a reprieve for over a thousand night-clubs.

New York has always been an entertainment centre for the nation. Now, although passed over, to a large extent, by war industry itself, it is crowded with war workers from a hundred other cities seeking relaxation. There has been a mushroom growth of new restaurants and night-clubs; there is standing room only at the theatres.

However valid the reasons for the curfew—and it would be interesting to see some estimate of the expected savings—the step will inevitably be regarded as a sumptuary ordin-

ance, undertaken with at least one eye on public morale. Hollywood already is grumbling that no fuel economies are needed in sunny California. Experience with Prohibition showed how impossible it is to enforce such regulations unless there is free public consent; neither morals nor morale can be legislated into existence. In this case there is an even greater danger that evasions will be winked at by local authorities and condoned by local opinion. It would only be in line with tradition if fuel, in the place of alcohol, is bootlegged, and if illicit lights shone in the eyes of the "blind pigs."

What Price Steel

Rundstedt, the weather and the manpower shortage have all combined to make the steel outlook in the United States dismal. The total effect of the decline in production in January will not really be visible until the second quarter, when the deficit may be as high as 3 million of the required 17,465,000 tons. This seriously threatens the war production programme, which does not reach its peak until June.

Steel is at the top of the manpower priority list. The industry still needs 100,000 men, but has no hope of getting them without compulsory legislation. Those now employed are working at their peak, but such strained production cannot be maintained; the men will reach a point of exhaustion. And always hovering ominously over the steel landscape is Mr John L. Lewis's courtly letter to Secretary of Labour Perkins, giving her the legal thirty days' notice of strike action because "a dispute exists within the meaning of the Smith-Connally Bill."

Although it does not compare with war production in immediacy, the problem that probably looms largest to a steelmonger is post-war steel prices. The industry has absorbed a 20 per cent rise in steel-making costs since 1929 by spreading overhead costs over a much larger volume of production. With an eye on the time when war orders will decline, the industry is anxious to absorb some of this overhead now by a general price rise.

Prices were frozen in 1941 at 1939 levels, but earnings have been fortified by withdrawal of the concessions from

official prices usually made in peacetime competitive markets; by speciality products which carry extra charges; and by the sure profit of ordnance and shipbuilding work, which looms large in the industry's total business. Application is now being made to the Office of Price Administration for a ten per cent general rise in prices, which would restore prewar profit margins. There is a significant proviso that basic wages should not be increased after Germany's defeat.

The demand for a general increase in steel prices on a declining market is an exceptional one. But those spokesmen of the industry who justify it expect a demand up to 75 per cent of capacity after Germany's defeat, since they look for a good degree of maintenance in arms production. This 75 per cent market estimate, however, discounts the possibilities inherent in large inventories, which some other authorities think will amount to 20 million tons. Heavy drafts on these stocks for civilian production, if combined with a sharp decline in war production, would make any price rise the OPA granted now look very academic.

Shorter Notes

Fewer people were employed in the United States in January than in any month since Pearl Harbour. The total potential labour force declined to 50,960,000 workers, while those actually employed out of this estimated force hit another low of 50,120,000.

The Manpower Bill which the Senate Military Affairs Committee proposes to substitute for the May-Bailey "work or fight" measure passed by the House is so patently inadequate, and has received such a bad press, that it now seems likely that the May Bill may be reintroduced on the floor of the Senate. Amendments to the Senate's Committee's proposed Bill, drastically increasing the penalties for employers, have not increased its popularity.

THE WORLD OVERSEAS

Conservation of Canada

[FROM OUR OTTAWA CORRESPONDENT]

THE conservation of natural resources has become a matter of growing concern to the Canadian people. The Eastern Ontario Conservation Conference, which was held at Queen's University, Kingston, early in February, 1945, is only one of many signs of an awareness that, to use the language of a recent parliamentary committee, "unless adequate precautions be now taken, much of our national wealth will rapidly disappear." The interest taken in it in the later stages of the war is in part connected with the expectation that considerable post-war employment can be derived from conservation and development measures. Many studies have been undertaken in various parts of Canada, and a number of concrete plans will be ready when hostilities cease.

Until very recently, conservation was a neglected art in Canada. In the atmosphere of boundless optimism which accompanied the expansion of the Canadian economy from 1896 onwards, the after-dinner speakers, talking about "Canada's inexhaustible resources," drowned the more prudent voices. The prodigal "gutting" of Canada's natural wealth has, in many areas, been notorious. It has not yet ceased, and, indeed, the exigencies of war have compelled acceleration in some fields.

Some consequences of exploitation have been spectacular, such as widespread soil-drifting on the prairies, the abandonment of exhausted mining camps and the disappearance of the white pine forests of southern Ontario. Others have been more subtle, such as the recent evidences of malnutrition of cattle and the steady lowering of the butterfat content of milk in dairy regions where the soil is being depleted of chemical elements.

A recent issue of *Canadian Affairs* quoted the Chief

Forester of British Columbia as estimating that the province is cutting one-third more timber than it is growing, and that about one-half of the sound wood cut in the forests is being left on the ground. The British Columbia government appointed a Royal Commission on Forest Resources in 1943 to investigate and make recommendations.

A committee set up by the Canadian Institute of Mining and Metallurgy recently reported that 63 per cent of Canada's metal production in 1942 came from mining areas discovered prior to 1910, and only 5 per cent from mining areas discovered since 1930.

Dr Robert Wallace, chairman of a government sub-committee on conservation, recently wrote of southern Ontario that

the submarginal areas are growing larger, the water in streams and wells is becoming less, and erosion of different types, including topsoil washing on agricultural land, is increasing.

As a joint project between the Dominion Government and the Province of Ontario, Dr Wallace's sub-committee and the Ontario Department of Lands and Forests have recently completed an exhaustive study of the results of thoughtless exploitation of the natural resources of one small region of southern Ontario. The area chosen was the Ganaraska Watershed, of about 100 square miles, which is the drainage basin of a small river flowing into Lake Ontario at Port Hope. The area was originally covered with heavy forest, wild life was abundant, floods on the river were rare, the soil was fertile. Settlement began with the arrival of United Empire Loyalists in 1793, and the population rose rapidly after 1837, reaching a peak in 1881. By this time the rich stand of timber had been nearly exhausted, the farms had begun to deteriorate under steady cropping and erosion of soil by wind and water began. Then the young people began to migrate from the area. The population has declined steadily since then, and several formerly thriving communities have disappeared.

altogether. Floods on the Ganaraska River have become much more severe since the forest cover was removed, and the wild life has largely disappeared. The silt carried downstream in the floods makes constant expensive dredging necessary in Port Hope Harbour. In a single year floods have caused damage to property of \$250,000.

The Interdepartmental Committee, after a thorough survey of the Ganaraska Watershed, recommended measures to end the soil erosion, control flooding and substantially restore its timber, wild life and agricultural resources to their original state. Precise estimates were made not only of the cost of this rehabilitation, but of the exact number of man-days' work which would be incidentally provided as an employment project after the war. The sponsors of the recommendations believe that they have given Canada a gauge or yardstick by which the cost and employment possibilities of larger projects in other parts of Canada can be computed.

The most important proposal for the restoration of the Ganaraska Watershed is the creation of a new forest of 20,000 acres on the northern part of the watershed, sub-marginal lands being withdrawn from agriculture for the purpose. Other recommendations include engineering works to prevent flooding; tree planting and woodlot management in the agricultural areas; new farming methods to control erosion; the building of dams to encourage wild life and for agricultural needs; the building of tourist and recreational centres; the creation of community pastures; and the roadside planting of highways. The cost is estimated at about \$1,400,000, and the projects would provide work for 600 persons for approximately two years.

The Ganaraska Watershed is not, of course, typical of Canada. The overall picture is far from depressing. Authorities estimate that proper forest management across Canada would permit the present high rate of exploitation and export to be continued indefinitely. There are still vast water powers to conserve and develop. There are extensive mineral areas not even scratched. Few agricultural areas have been so severely gutted that they cannot be restored.

The activities conducted under the 'Prairie Farm Rehabilitation Act of 1935 demonstrate what strides can be made in a single decade in repairing the damage done by reckless farming methods. The Act was passed when soil drifting, abandonment of farms and economic destitution was widespread. Under the Act, over 20,000 dug-outs and dams have been constructed to conserve "run-off," and another 20,000 are projected. One and a quarter million acres of sub-marginal land have been withdrawn from field cropping and converted into permanent community pastures. Soil drifting has been controlled by the planting of hardy grasses and by proper methods of cultivation. The PFRA administration has also undertaken many small irrigation projects, and has done preliminary surveys on projects which would give the prairies four or five million acres of irrigated land against the present 600,000. These major projects cannot be undertaken until steel, concrete and plentiful labour are again available. But already, by tree planting, by water conservation and by the wise use of land, the PFRA has transformed the face of a considerable portion of the sub-humid and semi-arid plains of Western Canada.

Italy's Finances

[FROM A CORRESPONDENT IN ROME]

THE condition of Italy's finances can best be described if the Budget report made by the Secretary to the Treasury, Signor Soleri, on September 29, 1944, is brought up to a later date, December 10, and analysed.

The first section includes ordinary revenue and expenditure. The whole of the revenue is included here, but only that part of the expenditure which can properly be called permanent and excludes those items that result from the state of war. Total ordinary expenditure is thus put at 33,658.2 million lire and total revenue at 12,938.3 million lire, leaving a deficit of 20,719.9 million. This part of the total deficit should not cause concern. Revenue is low because the best part of the revenue-producing territory, the north of Italy, is still in the hands of the enemy. When Italy is wholly liberated it should not be difficult to return, in a couple of years or so, to a Budget balanced at the level of about 40 milliard lire. A few items, for instance defence, will be reduced; others will expand. Social welfare and

education will be greatly increased. Eventually the state Budget will rise to 60 milliard and perhaps 80 milliard lire. Whatever the future rate of exchange, there is a big difference between a present-day Budget of 40 milliard lire and the pre-1914 Budget of 2.5 milliard. At the present official rate of exchange of 400 lire to the pound or 100 lire to the dollar, which means 170 1945 lire to one 1914 dollar, the real burden of the 1914 2.5 milliards cannot be valued at less than 80 milliard lire of to-day—or even more, since if the lira was undervalued when the Allies first landed in Sicily, it is now overvalued. Thanks to the devaluation of the lira and the virtual nullification of the debt charges, it is now easier than in 1914 to make both ends meet in the ordinary Budget.

The real problem concerns the extraordinary war and transition-to-peace Budget. Here there is no revenue, but only expenditure. Nevertheless, a distinction can be made between non-recurrent and permanent extraordinary expenditure.

It is fairly certain that the non-recurrent items will not reappear in the future. For instance, the State Railways' deficit is estimated at 6,661.6 million lire for the fiscal year 1944-45, with a probable further increase of 4,000 million lire in the same year. This deficit will surely disappear when the railways are rehabilitated and civil traffic substituted for the almost exclusively military traffic of the Allies. The war expenditure of the army, navy and air force is estimated at 32,653 million lire, and this item will likewise disappear. The repatriation of Italian prisoners is estimated to cost 30,000 million lire. The total of such non-recurrent expenditure for the current year is estimated at the grand total of 95,412.6 million. It is probable that the whole of this big sum will not be spent before June 30, 1945. After the war, war expenditure will be replaced by reconstruction expenditure, for which only 4,658.4 millions are budgeted in the current fiscal year. Even if a five-year or, better, ten-year reconstruction plan should require a state expenditure of 50 milliard lire yearly, the burden should not exceed the internal savings plus potential imports of foreign capital.

The total internal savings prior to 1914 were estimated at 2 milliard lire, which at the present official rate of exchange is equivalent to 50 milliard 1945 lire. Will Italian savers be able and willing to lend to the state and to private entrepreneurs 25 milliard lire each? In addition, will foreign bankers and capitalists lend to the Italian state the 25 milliards needed to complete the 50 milliards wanted for the state's ten-year reconstruction plan? Savers, Italians and foreigners alike, will come to the rescue only if a truly democratic regime can maintain law and order.

The Bread Subsidy

From a strictly financial point of view, the first step to be taken is to put a final stop on those recurrent extraordinary expenditures which are the true causes of the permanent gap between revenue and expenditure. The first and foremost of these recurrent extraordinary expenditures is the bread subsidy. The cost of the 1 kg. loaf of bread is 15 lire, against a price of 5 lire. The present loss to the Exchequer is 18 milliard lire yearly and the loss will go up to at least 30 milliards when the north of Italy is liberated. This and this alone is the motor driving the presses printing banknotes. Italian savers are willing to subscribe to Treasury bonds and bills for the sake of the liberation and rehabilitation of Italian territory, but they are afraid to give money which is squandered on a purely demagogic bread subsidy. There is a limit to voluntary loans and taxes; and people feel that the limit has been passed when the state tries vainly to keep down the cost of living by subsidising bread at so huge a cost. Inflation becomes inevitable; general prices in their turn do increase; and wages and salaries are pushed up.

The old and new increases in the wages and salaries of state employees alone are estimated at about 20 milliard lire. The vicious circle will nullify the purchasing power of the lira if the source of inflation is not stopped at once. A generation ago, Signor Gjolitti, the Prime Minister, and Signor Soleri, the Minister of Food, persuaded Parliament, after a six-months' fight, to approve the act of February 21, 1921, which abolished the bread subsidy and rescued Italy's finances. When, on October 28, 1922, the march on Rome put Mussolini and the Fascists in power, the Italian state budget was balanced thanks to the courageous behaviour of the last democratic liberal statesmen.

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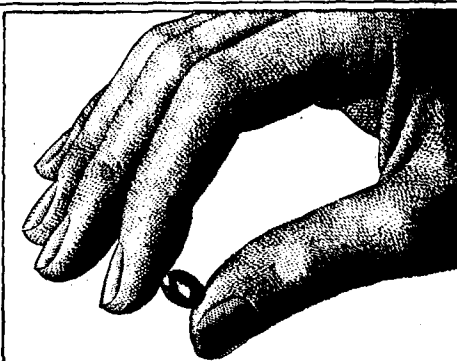


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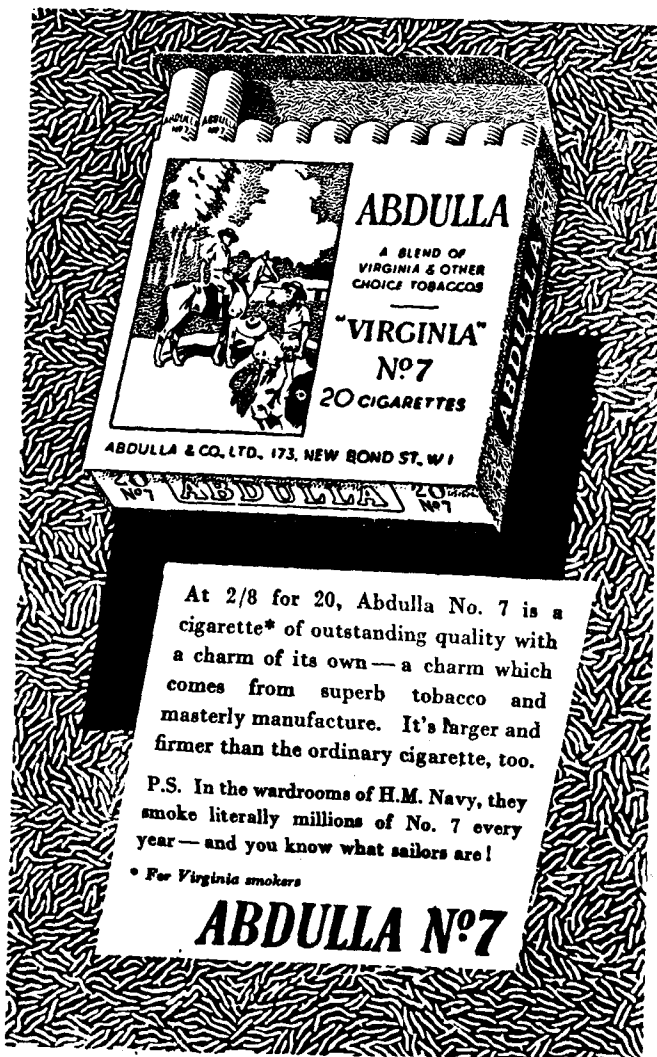
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FROM INDUSTRY AN ALL-ROUND CUT OF 10% HAS BEEN ASKED. Management must see that these savings are made without harm to essential war production. A good fuel watching system will be found invaluable.

Unless an all-round economy of at least 10% can be secured and maintained by voluntary efforts, the Government will be compelled to issue directions which would necessarily give less latitude to the industrial user.

THE SITUATION CALLS FOR THE FULLEST CO-OPERATION FROM EVERYONE WHO USES GAS AND ELECTRICITY

THE BUSINESS WORLD

Middle Eastern Inflation

EVERY country in the Middle East has suffered some measure of inflation as a result of the war. The causes of that experience have been broadly the same for all the countries concerned, but they have operated with varying degrees of intensity. What is more important, forces of inflation have not met with equally vigorous resistance in each of the countries in question. Though their claims to real belligerent status may be a little doubtful, each of them has felt the direct effect of war on its economy. In most of them the impact has come through the presence of large bodies of Allied troops and through the effect of their expenditure on the volume of available consumer goods. Military purchases of materials and competition for local labour have inevitably influenced and distorted price and cost structures.

All these countries have suffered in varying degrees from shortages of materials. Additional purchasing power has thus been superimposed on a smaller volume of things to be purchased. In Turkey, where the presence and expenditure of Allied troops have not been felt, the keen competition for local produce by Germany and the Allies has produced much the same result. The direct effect of pre-emption on the economy of Turkey suddenly ceased more than a year ago, but its distorting influence on the Turkish price structure and on the volume of currency pumped into circulation in that country during the previous four years is likely to endure for a long time.

As will be seen from the accompanying table, which gives the latest indices of the monetary circulation, wholesale prices and cost of living in seven Middle East countries, the incidence of inflation has varied considerably within this area.

	Monetary Circulation (1944)	Wholesale Prices (1944)	Cost of Living (1944)
Turkey.....	321 (July)	459 (May)	422 (May)
Egypt.....	562 (Dec.)	328 (Sept.)	287 (Sept.)
Palestine.....	691 (Dec.)	365 (Nov.)	252 (Dec.)
Syria.....	1,013 (Dec.)	1,078 (Nov.)	592 (Nov.)
Iraq.....	918 (Dec.)	493 (Nov.)	375 (Dec.)
Persia.....	786 (Dec.)	497 (Dec.)	684 (Dec.)
Sudan.....	168 (Oct.)	227 (Nov.)	160 (Dec.)

The degree of inflation has proved smallest in the Red Sea area. In the Sudan, which makes the best showing, this must be attributed to the existence of a first-class administrative machine which is, in effect, a branch of the British Civil Service. In Egypt, the comparative modesty of the rise in prices—when measured in terms of the expansion of the monetary circulation—must be attributed to the richness of the country. Egypt, more than any other country in the Middle East, has been able to meet the additional strains made upon its economy by the war through an increase in production. In addition, Egypt has had a potent anti-inflation solvent at its disposal in the form of external sterling debt which it has been able, in part, to repatriate. In the case of Palestine, the relatively small dimensions of the inflationary problem (especially when viewed in the light of that in neighbouring Syria) are largely due to the existence of an efficient civil administration operating the only real price control system in the Middle East. Outside this Red Sea area, the ravages of inflation have been greater, increasing in each country with the poverty of its material resources and of its administrative machine.

Inflation in the Middle East has been fought with a variety of weapons. In Egypt advantage has been taken of the accumulation of sterling balances (which now stand at about £300 million, compared with £50 million at the beginning of the war) to repatriate Government sterling debt. The counterpart of the repayment of external debt has been domestic borrowing, which has helped to mop up purchasing power within the country. In addition to the official repayment of external debt, private investors—not only in Egypt, but in Palestine—have for some time

past been purchasing sterling securities, mostly of enterprises with local interests, in the London market. These purchases have helped to keep down the rate of growth both of monetary expansion and of the "abnormal" sterling balances.

The best method of reabsorbing inflationary purchasing power would have been for all countries concerned to increase their taxation. This task, however, for political and administrative reasons, has proved far beyond their powers. Such increases in taxation as have occurred have mostly taken the form of indirect taxes, whose incidence has proved to be highly regressive. No real attempt has been made to raise direct taxation even where the machinery for it was ready to hand, as in the case of land taxation in Egypt.

Another obvious method of mopping up redundant purchasing power is to raise loans in the domestic market. The main obstacle to this policy in the Middle East is that the local investor does not take very readily to fixed-interest Government loans. Such issues are not popular unless baited with the chance of lottery prizes. Last October the Palestine Government offered £1,000,000 of bearer lottery bonds carrying interest at 1 per cent and, in addition, the chance of substantial prizes, to be drawn for quarterly. The issue was a great success. As the Colonial Under-Secretary explained at the time:

To a considerable section of strictly orthodox Moslems the receipt of a steady 3 to 3½% through a Government loan, which would seem entirely respectable to a Quaker community here, is utterly abhorrent. It is the sin of usury in their eyes. On the other hand, large casual or adventitious gains, which might well seem objectionable to the respectable sections of our own community, would not cause the slightest twinge of conscience in the Moslem world.

Iraq has since copied the device with an issue of 100,000 bearer bonds of 10 dinars each redeemable in 20 years and carrying interest at 2 per cent, with a further 2 per cent devoted to prize money. This loan was fully subscribed in two days, and it is estimated that three times the amount issued could have been placed. There is evident scope for development of this particular anti-inflationary technique.

Another powerful weapon wielded against inflation has been the sale of gold in most of the countries concerned. In all of them there is a long tradition of gold trading and of actual gold circulation. The machinery was, therefore, ready to hand for the initiation of sales of gold by the Allied authorities. The objective of these sales has been to cover as much as possible of the military expenditure in the countries concerned and to give the local populations some tangible medium of hoarding which they would hold in preference to the stocks of foodstuffs and other materials which the peasants might, given the scarcity of consumer goods, have been unwilling to send to market. The efficacy of this gold selling policy has been increased by the fact that in all these countries the open market price of gold, at which official sales have been made, has risen considerably above the official price. The gold sovereign, whose official price is 39s. 3d., was, at the end of 1944, quoted at 105s. 2d. in Egypt, 104s. in Palestine, 104s. 5d. in Syria and Iraq, 93s. 10d. in Persia, and 93s. 3d. in the Sudan. These open-market quotations are fairly well integrated through an active arbitrage traffic which successfully braves and overcomes all the official restrictions on gold movements between these countries.

The measurement of the true extent of inflation in the Middle East is a particularly difficult problem to solve, despite the collection of accurate price statistics. Part of the rise in prices is a function of scarcity and transport dislocation, and it is difficult at present to distinguish between the effects of smaller supplies and of inflated purchasing power on the level of prices. Some fall in prices



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is inevitable as supplies come in. That corrective is already evident in Turkey, where prices began to decline in June, 1943. The index of wholesale prices, based on the first half of 1939, touched 715 in that month, and has since declined, according to the latest available figures, to 459. This is partly due to the suspension of competitive bidding for Turkish produce by the belligerents, but is also the result of the good 1944 harvest and of an ampler supply of imported goods.

When this factor of abnormal scarcity is removed, part of the present price distortion in the Middle Eastern countries will disappear. But, as may be seen from the growth in the monetary circulation of each of these countries, it is only the froth of the existing price inflation that will be removed. Unless a considerable measure of monetary contraction takes place it is probable that prices, wages and costs in the Middle East will after the war remain hoisted on a level much higher than those in the United Kingdom.

If anything like the present disparity between the rise in prices in the Middle East and the United Kingdom is perpetuated considerable adjustments of exchange parities will have to take place after the war. These rates have remained rigidly controlled and unchanged during the war. Admittedly, there will be a two-way pull on the Middle East exchanges with sterling after the war. The capital position of each of these countries vis-à-vis the United Kingdom has been improved. They all hold much larger sterling reserves than formerly, and if there were to be any attempt to convert a substantial part of these balances into local currency the effect might well be to cause the Egyptian pound and the other currencies concerned to appreciate in

terms of sterling. But much of these reserves must in any case remain immobilised as security for expanded note circulations. The rest will, in all probability, be funded on reasonable terms and thus deprived of their ability to disturb the exchange markets. On this assumption, the pull of the capital factor is likely to be rapidly outweighed by the influence of the relative price levels on the trade of the countries concerned. In Palestine, for example, this factor will come into play rapidly, because there are industries in that country which will depend on export markets after the war and which will then have to export at prices adjusted to the world level. These exchange adjustments, however, cannot be made until a truer measure of the comparative inflation suffered by all currencies concerned can be obtained than is at present available. Where the process of deflation has already begun, as in Turkey, the position may be ripe for fairly early decisions. In no country can they be postponed much beyond the point at which normal trade, determined by relative costs and prices, takes the place of the pre-emption and subsidised commercial operations of the war period.

One pointer that such exchange adjustments are expected is the current price for gold quoted in the Middle East countries. It is not altogether illogical or irrational that buyers in these countries should be prepared to pay two-and-a-half to three times the world price for the metal—calculating the parities at the official rates of exchange. When those rates have been adjusted to allow for the wartime damage inflicted on all the currencies concerned, it may be found that the Middle East will have paid about the right price—in terms of its own currencies—for the gold acquired during the war.

UNSCC

ACCORDING to a news item which recently appeared in the daily press, a prominent American industrialist has estimated that the difference in British and American standards for screw threads has added a sum of at least £25 million to the cost of the war. This report, which was occasioned by the holding, at that time, of an international conference on screw threads in the United States, indicates the significance which standardisation has in world economic relations. In spite of this, it normally receives hardly any publicity. Thus few people know that to the already considerable number of United Nations' organisations a new one, the United Nations Standards Co-ordinating Committee, has been added a few months ago. Although UNSCC is not an organisation of governments, it could become an important instrument of progressive international economic relations.

Modern industry depends entirely on the existence of accepted standards which are an essential condition for the employment of mechanised power. The importance of international co-ordination of standards lies in the fact that it eliminates the need for special manufacture for export and the resulting increase in production costs. It is particularly useful to small countries which have to rely on exports, because their home markets are not large enough to support those industries which they must be expected to maintain if they are to enjoy a minimum of prosperity.

Since the economy of whole continents will have to be rebuilt after the war, the present time offers not only a rare opportunity, but imperatively demands concerted action in the sphere of international standardisation. The activities of the one organisation which was principally devoted to this task, the International Federation of National Standards Associations, with its seat in Zurich, have been completely paralysed since the outbreak of the war. Thus there was, at a crucial time, a vacuum which the new body would seem designed to fill.

The object of the UNSCC, as defined in its constitution, is "the maximum possible co-ordination and unification of standards for the war effort and the immediate post-war period." Established, in the first place, for two years, an extension of its duration is to be considered towards the end of this period. Membership is to be confined to "national standardising bodies of such of the United Nations as may desire to participate and support the work of the Committee." Moreover,

the national standards bodies are the ultimate authority, and any co-ordination achieved between two or more bodies shall be implemented by each such national standards body itself.

publishing the agreed standard with a note indicating which other national standards bodies have accepted it and are publishing an identical standard.

Although standardisation has long been recognised as an extremely important economic factor, the governments of most countries (the chief exceptions being Soviet Russia and, more recently, Germany, Mexico and China) have taken little direct part in its administration, which was left in the hands of the industries immediately concerned and the co-ordination bodies set up by them. Only during this war has there been some active government participation, and, in Britain, certain emergency standards have been made compulsory by Government orders. One of the chief difficulties in the way of reaching international agreement, especially in the older industries, has been the expenditure which any change of standards involves. Neither party was, as a rule, prepared to give way to the other, and negotiations rarely produced a result. Instead, standardisation was often used as a means of trade protection. The work of the ISA was still more complicated by the fact that most standards are based on, or expressed in terms of, weights and measures, in regard to which the world is roughly divided into the British Empire and the United States on the one hand and the rest, comprising the countries of the metric bloc, on the other. As the countries using the metric system comprised the majority, ISA did not enjoy the support of the Anglo-Saxon countries, and decisions reached were mostly limited to countries using the metric system.

UNSCC has been established only for war and reconstruction purposes, and whilst it is difficult to see how agreement can be reached and decisions implemented in time for these purposes, any results produced are bound to be permanent, even if there should be no extension of its provisionally fixed duration.

The limitation of its membership to the United Nations eliminates not only all enemy countries, but also all neutrals, in some of which, particularly Sweden and Switzerland, standardisation has already reached an advanced stage. Since, moreover, only national standards bodies can become members, countries still occupied by the enemy are, for the time being, excluded as well. It may be a coincidence that the countries thus affected all belong to the metric bloc and that on the new body the Anglo-Saxon countries must have, if not a numerical majority, at least an overwhelming economic preponderance. (It is worth recalling that on ISA the British Empire was represented solely by

the British Standards Institution, whereas on the UNSCC the organisations of the United Kingdom and all the Dominions are participating separately.) This is a possible source of danger which must be carefully watched, if the less favoured members of the United Nations family are not to be alienated from the very beginning.

Originally, the constitution of the UNSCC envisaged its first executive committee to consist of representatives of the national standards bodies of Canada, Great Britain, the United States and Russia. A clause to the effect that the representatives would not necessarily have to be members of the UNSCC was obviously inserted for the benefit of Russia, all other participants being initiators of the scheme. The first meeting, held on September 5, 1944, was attended by leading officers of the American, British, Canadian and Australian organisations, by two representatives of the UNSCC (of whom one combined in his person the secretaryship of the BSI, the chairmanship of its executive committee, and the chairmanship of the executive committee of the UNSCC), and, by invitation, by representatives of the Soviet, American and New Zealand Governments. The Soviet representative having stated that he was present as an observer only, since no reply had yet been received from his Government, the executive committee was formed of the representatives of Great Britain, Canada and the United States.

During the proceedings it was stressed that UNSCC "should be kept rigidly a United Nations body," and whilst "that did not mean that UNSCC would in any way disregard the work done in other countries . . . the greatest caution would obviously have to be exercised." Subsequently, at this and the following meeting on September 12, 1944, a number of points were raised about the co-ordination of certain standards. Not in a single instance, however, were standards other than American, British or Dominion even so much as mentioned, still less were they considered, in connection with the proposed co-ordination.

Particularly significant, as an example, are flat-bottom rails. The BSI had suggested reaching an agreement on 75-lb. and 100-lb. rails, and proposed that "the discussion of the matter should be limited at present to the United States, Great Britain and Canada, as the export of rails for the immediate purpose contemplated was likely to be confined to these three countries." What is this "immediate purpose contemplated"? According to the constitution of the UNSCC it is the needs of war and reconstruction, and for these it would seem desirable that Continental stocks and producing plants should be employed to the largest possible extent. Yet whilst continental rail standards are fairly uniform, they are certainly not expressed in lbs. per foot, and the unilateral imposition of foreign standards would only impede the alleged purpose. Furthermore, whatever the immediate aim, the new standards will only cause unnecessary complications in the long run, unless they represent a solution which can be fairly accepted on the Continent. In Britain, flat-bottom rails are not generally used. From this and the frank admission of the proposal to restrict negotiations to the three countries to which "the export of rails is likely to be confined" it must be assumed that the measure is intended solely to serve the trade of the exporting countries and not the interest of all the United Nations and, in a wider sense, of the world as a whole.

It will take time before a reasonable stability of the political and economic structure of the world is established. Until then, the traditional means of implementing trade policy—through tariffs, licences and currency agreements—can be adapted fairly easily. But if the existing diversity of standards remains, it will be a serious obstacle to the adjustment of economic relations to changing circumstances. Universal standardisation is not, in itself, part of any particular trade policy. Its outstanding advantage would be to provide a degree of resilience which is essential to economic peace.

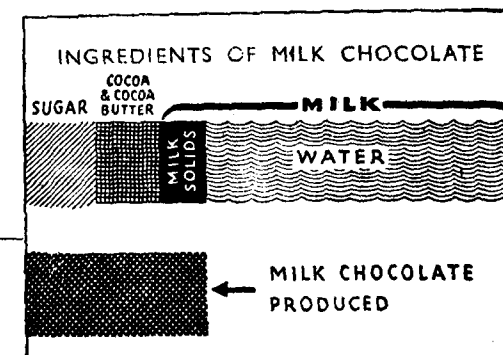
There can be little doubt that the present time is particularly suitable for an all-out effort to achieve the universal standardisation of a great number of goods where, for some reason or other, it has not been possible in the past. Any alteration of existing standards is admittedly both difficult and costly. But, if it can be effected, it makes hardly any difference whether it is done on a bilateral or trilateral basis or on a universal scale. What is needed is the honest desire to make the new standards serve the economic

interests of all nations instead of strengthening existing differences for use as protective barriers or instruments of economic imperialism. If the handling of these problems by the UNSCC were such as to convince those Allies and neutrals not represented on it that its purpose is sincere and the method employed fair and impartial, they would most probably be willing to agree to a common solution, even though they had no part in its making. It could even be imagined that the adoption of certain standards might be imposed upon enemy countries through the peace treaties. But for this to be done, complete agreement in regard to such standards would first have to be achieved among the United Nations themselves.

At present, in the sphere of standardisation the Anglo-Saxon world is separated from the countries of the metric bloc, although there is far from complete unity on either side and many standards extend over both. Yet there is the danger that this gap, instead of being bridged, will be perpetuated and even deepened by regional co-ordination. Experience after the last war provides a warning that material relief may be abused for political ends. Now the subtler method of supplying goods made to different standards might appear to be tried as a means to bring exhausted countries into the economic sphere of the more fortunate ones. As the inevitable integration of large regions takes place, strict economic partition would contain the seed of conflict.

It has become a truism that the peace and prosperity of the world depend on the unity of the big Powers. Can it be permitted, then, that trade policy is being carried on in complete independence from the declared foreign policy? Standardisation is the only sector of economic relations which is still, in many countries, entirely outside government influence. Officially it is still considered a purely technical matter, and left entirely in the hands of industry, which has not failed to realise its economic significance. UNSCC ought not to be allowed to imply, by its name, that its aims are identical with those of the United Nations, unless the Governments of the participating countries make it their task to ensure that its activities are in accord with these aims.

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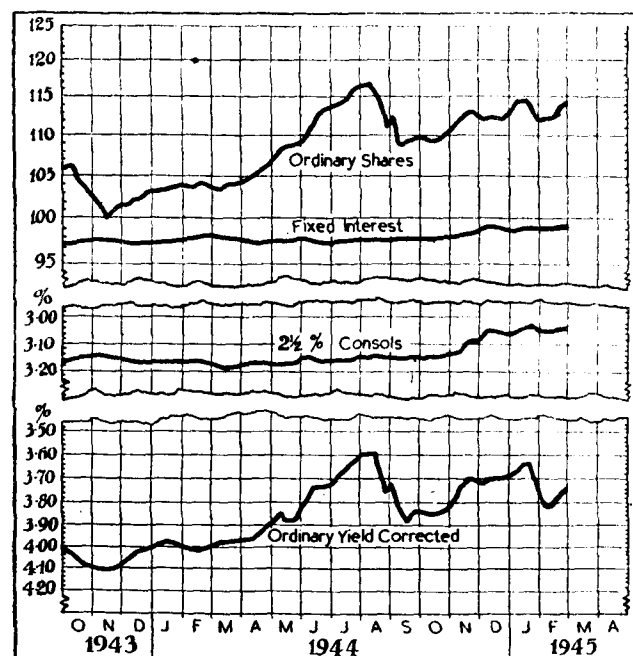
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Business Notes

Markets at the Rubicon?

The stock markets have recently shown how much "the little more" can be. The volume of business has not markedly increased, but just enough to turn a favourable though hesitant, into a definitely firm trend. Share prices, without moving more than a decimal point or two at a time, have carried *The Financial News* Index at least to the verge of the chartist's rubicon, if not right over it. To those who venerate high and low points, the Index now presents a nice problem. The main trend of prices is now an upward trend, a downward trend, or a neutral one, according to the interpretation of the signs and portents. Last August the Index (July 1, 1935 = 100) fell heavily from a peak of 116.9, but started quickly to recover, and by the middle of January had reached 115.0. Thereupon it showed a little vertigo, dropped back to 111.5, and started to rise again. On Wednesday night it was 115.4—that is,

FIXED INTEREST AND EQUITY PRICES.
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Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935 = 100) with corrected yield on the latter and return on Old Consols
(Logarithmic Scale)



four decimal points above the secondary level from which it slipped back six weeks ago and 15 decimal points below the peak figure of 1944—and the whole war period.

Investors who walk merely by the light of common sense, wondering why so much should turn on so little, will doubtless conclude from the examination of the accompanying chart that since the setback of last August the generally rising trend of markets has been maintained, but with appreciably reduced impetus. But from the viewpoint of the chartist, the market in January seemed about to register a major change of direction because it fell back before it had reached and passed its precedent "high." Now the whole issue trembles in the balance. If the Index can re-attain and surpass the level of last August, a bull market will be maintained. If it fails, chart followers will keep a close watch for confirmatory evidence that the long rise, which started at the end of June, 1940, is over and done with. To argue on these lines seems to infer a touching faith in the significance of small marginal changes, which the mathematics of index number computation hardly warrant.

Clearly, the general direction of share values is still upward, but the larger institutions, which have been relatively inactive for some weeks, are still holding off. An encouraging sign, however, apart from the slight but perceptible

widening of investment business as such, is the absence, this time, of any inverse correlation between market prices and good war news. The evidence, generally, is hardly strong enough to support ultra-optimistic expectations of a sharp and early rise in values. But there is no suggestion whatever of an early decline. Perhaps the most significant indicator for market watchmen in the immed. ate future will be the index of the volume of market activity.

Capital Issue Control

The Stock Exchange has issued a notice this week giving the text of recent correspondence between the Chancellor of the Exchequer, the Governor of the Bank of England and the Chairman of the Stock Exchange in connection with the confirmation and extension of existing capital issue control arrangements, referred to on page 252 of *The Economist* last week. In a letter to Lord Catto, Sir John Anderson asks that steps be taken to make his Parliamentary statement on policy on February 20th known to "those principally concerned," especially financial institutions with whom the position of transactions in unquoted securities has recently been discussed. Lord Catto, in passing on the Chancellor's letter, asks Sir Robert Pearson to draw the special attention of Stock Exchange members to the continuance of "grey market" arrangements and to bring the Chancellor's statement to the notice of the Associated Stock Exchanges, the Oldham Stock Exchange and the Provincial Brokers' Stock Exchange.

This official action is noteworthy for two features: First, the use of the London Stock Exchange by the authorities as a recognised, formal channel of communication with all other Stock Exchanges in the country; and, secondly, the publicity given to the reminder which members of every Stock Exchange, including London, have received from the highest quarters that dealings in existing but unquoted securities outside the range of the gentlemen's agreement made some months ago are not, in the Government's view, gentlemanly acts. The authorities now appear to have done all they can to bring moral pressure to bear in preventing leakages in "grey market" control which obviously, from the large number of organisations potentially concerned, is far more difficult to operate by "request" technique than the placing of entirely new securities. Whatever degree of success attends these efforts, the impression will still remain that the counterpart of City co-operation should be a frank statement of the principles on which the Treasury's policy is being administered.

The Principles of Control

Efforts to deduce the principles of control from a study of the terms of recent issues authorised by the Capital Issues Committee have not revealed any obvious, clear-cut and convincing canons on which the Committee's judgment might appear to be founded. For example, no one has any idea by what criteria the CIC separates the sheep from the goats—the "essential non-Government issues" (of which the Chancellor spoke last week) and the non-essential issues. Does the Committee still regard direct contribution to the war effort as the sole test, or are issues for post-war transitional purposes to be looked on with a favourable eye? In fact, a number of recent decisions suggest that funding of bank loans by share issues has first place in the Committee's list of priorities—presumably on the ground that this is a "transfer" operation which does not (in the Committee's view, though not in the market's) involve any "new money." Again, what is the Committee's attitude towards the much-maligned "bonus" issue? Quite recently the Treasury authorisation has been given to schemes—e.g., those of the Zinc Corporation and F. McNeill—which have involved considerable watering of preference capital in order to reduce the rate of dividend paid per preference share. Presumably, the authorities regard such transactions as of the nature of "conversion" operations, which enable the companies concerned to make a nominal reduction in the percentage rate on their "fixed interest" capital at the

expense of higher capital payments to preference holders in the event of any future liquidation. But ordinary share bonuses, it is understood, are still taboo, even in cases where, for example, a company might wish to pay out no extra dividend but merely to reduce the rate from, say, 20 per cent on existing capital to 10 per cent on a doubled capital.

Instances such as these suggest that the Committee is still employing a purely "stone-walling" technique. Its object, apparently, is to prevent any kind of new issue activity which will add appreciably to an applicant's immediate interest or dividend obligations, even if serious modifications in its future capital engagements may be involved. Possibly this policy may be appropriate to the final stages of a war during which, it has been decided on the highest authority, no restrictions bearing directly on any part of the war effort can be relaxed. But there may be serious danger that, when Allied victory transforms the situation, the control may, unless those concerned show greater elasticity of mind than they have shown hitherto, act as a brake on the speedy and large-scale provision of capital for the transition of British industry from a war-time to a peace-time footing. The danger is all the greater because, during part of the transitional period at least, the Treasury will still, presumably, be borrowing "on tap." The Committee will have a difficult task, at best, in balancing its rival objectives of protecting the tap issue and re-financing industry. The best way of proving that the authorities are clear in their own mind about the lines on which they mean to act in this all-important matter would be for them to tell the public, at the earliest possible time, how in fact they do mean to proceed.

Franco-Belgian Payments

The financial discussions between France and Belgium have led to a preliminary payments agreement to which the Bank of France and the National Bank of Belgium are the signatories and which, without prejudice to a later and more formal inter-Governmental agreement, provides all the machinery required to make commercial and financial payments between the two countries. For the time being, transfers of capital remain forbidden, but current payments may now be effected between the two countries at rates of exchange based on a parity of 100 French francs to 88.30 Belgian francs. The foreign exchange required by each country to make these payments will, if necessary, be provided by mutual overdraft facilities granted by the two central banks. The limits to these facilities are 1,000 million French francs and 883 million Belgian francs. If the overdrafts of the National Bank of Belgium or of the Bank of France exceed these respective limits the excess will have to be covered by the transfer of gold or some other currency acceptable to the creditor. The agreement applies to the whole French Empire, to the customs union of Belgium and Luxemburg and to the Belgian Congo. It has been accompanied by a partial unblocking of French assets in Belgium and Belgian assets in France.

The agreement marks another important stage in the process of restoring freedom of current payments between Continental countries and their colonies. Prototypes of this agreement have already been provided in those signed between Belgium and the Netherlands, and Belgium and the United Kingdom. All these reciprocal payments agreements are of a non-discriminatory character and can be incorporated bodily into wider international monetary arrangements. Indeed, the greater the number of regional payments agreements of this character the easier it will be to erect and operate a mechanism such as the proposed Monetary Fund.

United States Cotton Politics

Last November the United States Commodity Credit Corporation introduced an export subsidy for raw cotton of four cents a pound; the subsidy is subject to variation if this should be necessary to sustain American shipments. Its aim is to regain, for the United States, a bigger share in the export of raw cotton. Its share had shrunk substantially in the 'thirties when domestic prices were deliberately raised above world market prices in order to ensure a better income to growers; although the area under cotton was reduced, it was not reduced far enough to eliminate heavy surpluses. In consequence, the United States accumulated

stocks almost equal in size to a year's crop. Another result of the policy of the United States was the expansion of production in other countries, such as Brazil; in the absence of an increase in the total demand for cotton, these countries are bound to suffer from American dumping.

One possible interpretation of the meaning of the export subsidy was that the threat of dumping might be used as a means of inducing other cotton-growing countries to join the United States in an international cartel. This view has now been strengthened by the reported decision of the United States Department of State to convene an international cotton advisory committee; the committee includes, besides the United States, India, Egypt, the Sudan, Brazil, British cotton-exporting colonies, Russia, French cotton-exporting colonies, Peru and Mexico. The committee is to consider the advisability of calling a conference of major cotton producing and consuming countries. There is, of course, no reason why such a conference should not be held; but is it to be the first step towards the conclusion of an American-sponsored international cartel?

Clothing Ration Future

There was a time when the smooth organisation of clothes rationing was a matter for congratulation, but if its efficiency is to be maintained drastic action will have to be taken. The position is that the stabilisation of the ration at the rate of four coupons a month since 1942 was made possible by the wise policy of relating production to the vast stocks of clothing in the hands of retailers and wholesalers. In the face of these stocks, it was not essential that production should keep pace with the ration.

The point has now been reached where further depletions in stocks would seriously endanger not only the easy translation of the consumer's coupons into garments he requires, but the size of the ration itself. In his statement this week, the President of the Board of Trade reminded the public that the present coupon allocation might have to stretch over an extra month. This step by itself—anyone holding the view that it is an essential step would be a realist rather than a pessimist—would not be enough to stem the dwindling of stocks. They fell persistently during 1944, despite the fact that during 1943 there were more garments (but less dress material and footwear) in the shops than during 1942. During 1944, retail stocks were roughly three-quarters the size, by value, of those in 1942. The bottom of the clothing expenditure curve was reached in 1943 in terms of value and quantity. Last year expenditure rose again to slightly above the 1942 level.

The essence of the position is that the depletion of stocks and the consequent difficulty of turning coupons into precisely the clothing required will become progressively greater during this year. The Board of Trade's immediate task is to ensure the planning of production now, so that next autumn and in the spring of 1946 there will be enough clothing to honour a ration of the present size. It has also to take into account the possibility of demobilisation; this would mean an increase in the number of ration-book holders. There is no evidence that the Board of Trade has taken steps to ensure adequate supplies. The alternative to increasing production at every stage, beginning with spinning, is a reduction in the ration. Unfortunately, the longer rationing continues, the harder would a reduction press on the civilian population.

Manchester Ship Canal

The incidence of EPT and extensive war damage has prevented the Manchester Ship Canal Company from earning profits comparable with those of last year. The accounts for the last four years, up to December 31, 1944, now published, tell a tale of mounting receipts offset by mounting taxation. After making provision for necessarily deferred maintenance work and allocating the usual sum of £35,000 to contingencies and repairs reserve, enough has been left to maintain the ordinary dividend at 1½ per cent throughout the war years. The chairman, Sir Frederick West, marshals an impressive array of considerations which have precluded the Board from increasing the dividend, not least among them being the need to maintain it at a steady rate in order to facilitate post-war borrowing.

The future prosperity of the company is closely bound up with that of industrial Lancashire and, more widely, with

that of international trade. Steps are being taken to improve the transport facilities offered to industry by the Manchester Ship Canal. It is also encouraging to note the Board's anxiety to put the wartime decasualisation of dock labour on a permanent basis.

Sir Frederick West fears that future industrial development alongside the canal, for which there is plenty of space, may be prejudiced by local planning schemes, and he wants final authority in this matter to rest with the Ministry of Transport. Close proximity to a canal or docks is of chief value to heavy industries which use bulky raw materials or to factories that are engaged in converting imported goods. Direct delivery to such firms cuts out the cost of double-handling. The chemical industry in particular, which is strongly represented in the area, can derive great benefit from good canal services. But the admitted need for allowing and even encouraging industrial development does not mean that factories should be permitted to grow up at any point along the Manchester Ship Canal. The aim of local planning schemes should be to group industry in suitable areas and to develop amenities elsewhere.

Taxation Disclosure in Accounts

A matter of importance to many investors arose during the annual meeting of the Manchester Ship Canal Company when a shareholder, Mr Horace B. Samuel, pressed for more information about the company's taxation position than the chairman, in his speech, had seen fit to give. Sir Frederick West, the chairman, had disclosed the company's decision to depart from its earlier practice of including provision in the accounts only for the proportion of the current year's assessment for income-tax to the balance-sheet date, (based on the profits of the previous year) and to include provision for taxation on profits of the current year. Unfortunately, he declared, the company had not been able to set enough aside to bring about this desirable change in its entirety, but only to go "approximately half-way towards it." As to EPT, Sir Frederick West refused to disclose any figures, because negotiations with the Inland Revenue were still proceeding. He revealed, however, that the company was operating on a substituted standard and that this advantage had enabled the board to provide for war damage, deferred maintenance and an amount towards future taxation.

Mr. Samuel's point was that unless more detailed figures were given of the taxation position—including the break-up of the balance-sheet provision under separate headings for income-tax and EPT—shareholders were quite unable to form any judgment about the true dimensions of earnings actually available for dividend distribution. In effect, Mr Samuel made a frontal attack on the practice of using global taxation estimates as a possible medium of accumulating internal reserves. Further, on the question of EPT, he declared that it ought to be possible to give shareholders an approximate idea of what the Inland Revenue was claiming, how much the company had admitted, and whether the provision in the accounts was based on one figure or the other.

Without going into the merits of the Manchester Ship Canal Company's policy (which obviously can only be assessed when the directors find it practicable to disclose more detailed information), many investors undoubtedly feel that there is a strong case for the issue of considerably more information in company reports about taxation in general, and EPT in particular. With public utilities, particularly, security considerations might plausibly (though not always convincingly) have been urged at an earlier stage of the war as an excuse for using "blurred" taxation figures as a smoke-screen to prevent the enemy from learning, through fluctuations in a company's real profits, of the success of his efforts to bomb their properties. In some instances, such treatment may have saved the publication of a company's accounts from being banned altogether, under the defence regulations. But that is now a thing of the past. Where a company's EPT basis has been settled—as it now has with the great majority of companies—there is no reason, other than directorial obscurantism, why a complete statement should not be made of the basis of assessment, the amounts paid, and the estimated EPT refunds accrued to date. Even where EPT questions are

still outstanding with the Inland Revenue—as in the case of the Manchester Ship Canal Company—it is surely practicable for directors to give shareholders an intimation of the upper and lower limits within which the liability is expected to fall.

In the matter of income-tax, there should be no difficulty at all in following the recommendations of the Institute of Chartered Accountants and showing an estimated provision in each year's accounts for tax on the profits of that year. The importance of detailed disclosure is great precisely because taxation is so high. When anything from 50 per cent to over 90 per cent of actual profits may go to the tax-gatherer, even a moderate variation in the amount of provision may alter residual profits available for dividend very substantially, while the adoption of a basis which is related to past rather than present facts may prevent shareholders from discovering the basis of current earning power altogether.

The Indian Budget

In his Budget Statement on February 28th, the Finance Member, Sir Jeremy Raisman, gave a comprehensive survey of India's finances. For the year ending March 31, 1945, Government revenue is estimated at £267.7 million, expenditure charged to revenue at £384.5 million, leaving a deficit of £116.8 million. For the year 1945-46 revenue is expected to yield £266 million, expenditure is estimated at £388 million and the deficit at £122 million. Small changes in taxation are expected to yield £6.4 million. One of the most interesting features of Sir Jeremy's statement is his proposal to give taxation reliefs to Indian industry similar to those that are to be introduced in this country. On the subject of India's sterling balances he expressed the view that negotiations cannot usefully be entered upon before the end of the war with Germany.

Sir Jeremy, exploring possible new sources of revenue in the future, suggested that perhaps insufficient attention had hitherto been paid to the question whether it would not be advisable to extend state ownership of industry as a source of additional revenue. According to a cabled report, he continued,

it may well be that in future the state may find it necessary to nationalise certain industries, especially those with a large possibility of expansion, in order that it may have at its disposal additional sources of income for the sustenance of the national well-being as a whole.

Sir Jeremy has added an interesting new argument to the existing ones in favour of nationalisation.

State-owned Railways in India

The Member for War Transport, introducing the railway budget in the Delhi Legislative Assembly on February 15th, stated that Indian railways were now almost completely Indian-owned. There were two major Indian rail-

Railway System	MILEAGE OF INDIAN RAILWAYS UNDER DIRECT STATE CONTROL		Total Mileage now under State Control
	Mean Mileage Previously under Company Control	Mean Mileage under State Control	
Assam Bengal.....	1,306	...	1,306
Bengal Nagpur.....	3,468	...	3,468
Bombay, Baroda and Central India.....	3,407	...	3,407
Bengal and North Western..	2,740	...	2,740
Madras and Southern Mahratta.....	2,946	...	2,946
South Indian.....	2,487	...	2,487
Eastern Bengal.....	...	2,152	2,152
East Indian.....	...	4,218	4,218
Great Indian Peninsular....	...	3,581	3,581
North Western.....	...	6,923	6,923
	16,354	16,874	33,228

way systems under direct state control during the last war. Twenty years ago two others—the East Indian and Great Indian Peninsular—passed from company to state control. This war has seen the remaining six major Indian railway systems, hitherto under the management of British companies, pass into Government control. These recent addi-

tions to state management are the result of the declared policy of the Government of India. The latest acquisitions were facilitated by the sterling credit balance accumulated during the war by the Indian Government; the desirability of utilising it may have influenced the decision to terminate prematurely by negotiation certain of the contracts not due to end for some time to come. These new state acquisitions double the mileage under Government control. Since 1942 the 90 mile route of the Dibru-Sadiya railway has been operated as part of the Bengal-Assam railway as a war measure, and proposals for its purchase by the Indian Government were recently approved by the stockholders of the Assam Railways and Trading Company, Ltd.

Under the Convention, separating State Railway finances from the general finances of the Central Government, railways are to be operated as a commercial undertaking. This control devolves on the Government of India's Railway Board, which comprises the Chief Commissioner, Financial Commissioner, and two members for Transportation and Establishment. It was recently strengthened by the addition of a member to deal with post-war reconstruction problems. Ultimate responsibility rests with the Member for War Transport in the Viceroy's Executive Council who presents the railway budget to the Central Legislature.

Sir L. Misra, Engineering Member of the Railway Board, revealed late in 1944 the Government's basic 7-year plan for the post-war development of Indian railways, involving an outlay of Rs. 319 crores (£239½ million). This plan was concerned with rehabilitation, improvement of organisation and new developments. The authors of the Bombay Plan propose to increase India's railway mileage by half, double the road mileage and add to port facilities at a capital cost of £672½ million. Improvement of India's transport, port and tele-communication facilities will greatly benefit the country's agriculture, industry and commerce—and generally its social and economic well-being.

German Note Circulation

It has recently become apparent that in proportion to territorial losses and the intensification of the war the Reichsmark note circulation increased at a greatly accelerated pace.

On December 31, 1944, the Reichsbank reported that the notes in circulation had increased to Rm. 50,100 million. Three months earlier, on September 30, 1944, the Reichsbank notes in circulation were still at Rm. 38,579 million. The actual monthly increase during the last months of 1944 was as follows:—

(Million Reichsmark)			
August, 1944	1,691	November, 1944	2,166
September, "	3,722	December, "	3,230
October, "	2,403	January, 1945	1,707

These actual monthly increases compare with an average monthly increase of the notes in circulation amounting to Rm. 177 million during the first year of the war from September, 1939, to the end of August, 1940. During the second year of the war the monthly increase amounted to Rm. 289 million and during the fifth year of the war, from September, 1943, to the end of August, 1944, the average monthly increase in the notes in circulation amounted to Rm. 795 million, and at the end of January, 1945, notes in circulation had risen to Rm. 51,207 million, which is almost five times the notes in circulation on August 31, 1939, when it amounted to Rm. 10,907 million.

There are many reasons for the accelerated rate of currency expansion. The first and most important one is undoubtedly the loss of material and financial tributes from liberated countries. Secondly short-term borrowing in much larger proportions has been necessary. More intense bombing of large centres of population, the mobilisation of the Volksturm, and in general the reduction of civilian consumption tended to increase the amount of notes kept by the public. Refugees from lost territories and from bombed towns, for example, withdrew their savings. At the same time subsistence allowances, military pay and the total wages increased considerably. The conversion of Reichskreditkassenscheine, on the other hand, was relatively small. Total circulation of this military currency was already below Rm. 1,000 million when the new acceleration of the notes in circulation began.

The Reichsbank report, which deals with the comparatively normal conditions experienced in 1944, has to admit that already in that year state expenditure had greatly outstripped income and that new taxes would be necessary "to maintain confidence in our currency and safeguard savings." It is a far cry from this evidence of monetary expansion to the claims already being made that the reichsmark is well on the way to galloping inflation. There is no evidence to suggest that despite the difficulties experienced in Germany to-day there has been any relaxation in the efficiency of the price control or in the wages discipline. The damage to the German currency is still repairable and is certainly smaller than that indicated by the rate of exchange of 40 marks to the pound fixed some months ago by the Allied military authorities.

Dorman Long

Profits of Dorman, Long for the year ended September 30, 1944, struck after taxation, debenture interest, and sinking fund are £1,147,666, against £894,830. But this apparent increase of £253,000 in earnings is in fact illusory; £106,860 represents surpluses arising from past years and is used to increase the allocation to general reserve from £150,000 to £250,000. Other appropriations are the same as the previous year and the ordinary dividend is maintained at 8 per cent. The remaining extra £145,000 odd of profit is needed to cover the dividend on the 1,900,000 new ordinary shares issued in November, 1943, for the purpose of redeeming the 5 per cent debenture stock. The saving in debenture interest of £153,000, which is not shown, is almost exactly offset by the cost of paying an 8 per cent dividend on the new ordinary shares.

It can be deduced from the preliminary statement that the company's position is roughly unchanged. There was no reason to suppose that the debenture replacement operation would lead to any increase of the ordinary dividend. On the contrary, the new gearing of capital will make the ordinary dividend less susceptible to changes in earnings. Dorman, Long possesses wide and varied interests in mining, manufacturing, and engineering. The demand for its products, which include not only iron, coal, and steel, but finished products such as tar, gas, and bricks, will continue to be very high during the period of reconstruction—although the company's long-term prospects are much more debatable. The yield of £6 2s. represents a very moderate valuation of the company's prospects.

Scientific Cattle Marketing

Before the war the raising of fatstock—in terms of value—was the largest single branch of British agriculture, and for the future there is already a large measure of agreement that the health and prosperity of farming will depend more upon cattle raising, for milk and meat, than on other activities. Although the first necessity is milk production—Mr Hudson's recent reminder that rationing could be expected to continue until 1949 is proof of that—there is every reason to examine what prospects there are for providing the farmer with a better return for livestock.

A recent paper read to the British Society for Animal Production by Mr T. J. Shaw examines the problem of processing and marketing which has hitherto received insufficient attention. Mr Shaw's aim is to improve efficiency by rationalisation; his approach is entirely technical. His thesis is that the difference between the price the producer gets and the consumer pays could be considerably reduced, to the advantage of both. There is room for improvement in every stage of distribution from farm to butcher. The main proposal is for a re-organisation of abattoirs. Under the pre-war system, much of the value of the animal was entirely lost because of the almost complete absence of factory-abattoirs in which every part of the animal could be utilised or processed. Before the war there were too many small slaughter-houses, and as much as half the slaughtering in England and Wales was done by butchers themselves. A system in which no part of the animal was wasted would mean that the farmer could get a better price, and by rationalising marketing and distribution not only would home-killed meat reach the retailer in better condition, but its price could be lower.

Mr Shaw's suggestion that a centrally controlled marketing machinery, comprising farming, wholesaling and abattoir interests, should be set up is worthy of serious

consideration; but perhaps any discussions based on his paper might also take in the desirability of including consumer interests. After all, the activities of any marketing organisation are finally directed towards supplying the needs of the consumer, without whose co-operation they would be of no avail.

Earnings in July, 1944

The Ministry of Labour's six-monthly summary of the average earnings and hours of 6,000,000 wage-earners in the principal manufacturing industries (contained in the February issue of the *Ministry of Labour Gazette*) shows that there was very little change in earnings between January, 1944, and July, 1944. As shown in the accompanying table, the average for all workers in the first pay week of July was 96s. 8d., compared with 95s. 7d. in January, though compared with 53s. 3d. in October, 1938. It shows that the disparity between men's and women's wages has been maintained unchanged.

Date	Men	Youths and Boys	Women	Girls	All Workers
Average Weekly Earnings					
October, 1938	69/-	26/1	32/6	18/6	53/3
July, 1940	89/-	35/1	38/11	22/4	69/2
July, 1941	99/5	41/11	43/11	25/-	75/10
January, 1942	102/-	42/6	47/6	26/10	77/9
July, 1942	111/5	46/2	54/2	30/3	85/2
January, 1943	113/9	45/1	58/6	32/1	87/11
July, 1943	121/3	47/2	62/2	35/10	93/7
January, 1944	125/8	46/10	63/9	34/3	95/7
July, 1944	124/4	47/4	64/3	34/11	96/8
Percentage Increase since October, 1938					
	Per cent	Per cent	Per cent	Per cent	Per cent
July, 1940	29	35	20	21	30
July, 1941	44	61	35	35	42
January, 1942	48	63	46	45	46
July, 1942	61	77	67	64	60
January, 1943	65	73	80	73	65
July, 1943	76	81	91	83	76
January, 1944	79	80	96	85	79
July, 1944	80	81	98	89	82

The slight nature of the change is presumably due to the fact that more normal hours have been worked throughout industry. The average hours of all workers was 48.6 in July, 1944, compared with 49.2 in January, 1944, and 50.0 in July of the previous year, the pre-war level being 46.5 hours. Hourly earnings were 1s. 11.9d. for all workers, compared with 1s. 11.3d. in January, 1944, and 1s. 1.7d. in October, 1938, an increase over six years of 74 per cent.

The increase of 82 per cent in average weekly earnings compared with October, 1938, is by no means mainly due to increased rates of wages, which have in fact risen by only 35-36 per cent during this period. It is due to a combination of factors, in addition to higher rates, such as longer working hours, with more night-shift duties, extensions in systems of piecework and payment by result, leading to greater production on the part of the workers employed on such systems, and changes in the proportions of men, boys, women and girls employed in industry.

"Staggered" Working Hours

The London Passenger Transport Board has acquired a valuable experience of the effects of "staggering" working hours, through the wartime schemes which it has been operating in the Greater London industrial area. It is claimed that some 600,000 factory workers are now covered by "staggering" schemes, as well as thousands of office and shop workers. Fifty-three local transport groups, covering in all 1,200 undertakings, have been set up to co-ordinate and direct the process. These groups operate under the London and South-Eastern Regional Board, and consist of representatives of managements and employees, the Ministries concerned and the trade unions. Each group acts as the focal point for discussion of transport problems and for dealing with complaints.

The actual amount of "staggering" needed is not very great; it is said that a margin of 15-30 minutes is enough to make all the difference. For example, if four factories in the same district which are served by the same bus routes arrange to start work at 7.15, 7.30, 7.45 and 8 a.m. respec-

tively instead of all starting at 8 o'clock, an appreciable spreading of transport and a more comfortable and less wearing journey are the result. This is common sense, but before the war there were few effective attempts to "stagger" starting or stopping hours. Mr Noel-Baker's estimate that the annual cost of traffic congestion in pre-war London was about £25 million may be an exaggeration and "staggering" of industrial working hours by itself would make little difference to traffic bottlenecks in, say, the City at midday. But it is certainly desirable that every possible means to reduce the peak periods of London traffic should be adopted.

Apart from the practical merits of these schemes, the LPTB's transport groups provide a useful occasion for joint consultation on immediate problems affecting the workers in each factory. The system might with advantage be adopted in other large cities and industrial centres, and it might be applied to the very urgent, though complex, problem of "staggering" holiday periods.

District Heating

Discussions about the advantages of heating entire districts from central stations (by, for example, the conversion of obsolete electric power stations into heat stations and by adapting others for the dual purpose of supplying heat as well as electricity) are a reflection of healthy open-mindedness, of a desire to learn from other countries and to adopt new ideas. The method of district heating is used, together with other forms of heating, in Russia, the United States and in Continental countries.

There is, however, a good deal of confusion about the meaning of district heating. It may be advantageous to supply heat from a central station to a limited district, such as a series of blocks of flats. It may also be advantageous to use this method in limited areas in towns that have been extensively damaged by bombing. But it is quite another thing to convert a large district—containing thousands of houses—to this form of heating. This would involve, besides substantial capital expenditure, extensive works, such as the laying of mains and the installation of pipes and fittings in individual houses.

District heating, in sum, is one of those things that are technically possible but are not necessarily economically advantageous. It is only one of several methods of heating, rather than one that can be suggested for universal adoption. It should be regarded as an alternative to traditional methods in the planning of new building areas, but its adoption must be guided by comparative costs and advantages.

Shorter Notes

With the object of ensuring the efficient operation of the British trawler fleet and providing continuous employment for trawlermen, the Ministry of Labour is establishing under the Essential Work (Trawler Fishing) Order a system of registration. At each port, a committee composed of representatives of employers and workers will be responsible for maintaining a register of trawlers, owners, and trawlermen of all grades, and only registered owners and men will be allowed to engage in trawler fishing. This scheme is intended to do for trawlermen what the Dock and Merchant Navy registration schemes do—on a larger scale—for the decasualisation of dockers and seamen.

In keeping with its reputation as a good revenue month, February called for only £50,678,000 of borrowing by the Government. Of this, barely £2,000,000 was provided by floating debt. The most noteworthy achievement of the month was the collection of £49,750,000 from the new 1½ per cent Exchequer bonds. Tax Reserve Certificates have now come into their own, and no less than £112,297,000 of these were used last month in payment of taxes. Against this, new certificates were taken up to the amount of £62,550,000. Helped by £45 million of pre-encashments, Treasury Deposit Receipt maturities last month got to within £1,500,000 of the £230 million of new money raised by this means. A net repayment of £52,548,000 of Treasury bills last month was almost exactly offset by the increase of £53,150,000 in Ways and Means advances from public departments. The satisfactory inflow of tax revenue reflected in the modesty of the recent borrowing programme suggests that the budget estimates for the year 1944-1945 will be closely realised.

COMPANY MEETINGS

MITCHELL COTTS AND COMPANY, LIMITED

DIVIDEND OF 15 PER CENT.

The ordinary general meeting of Mitchell Cotts and Company, Limited, was held, on the 27th ultimo, in London, Mr Alexander Hamilton, the chairman, presiding.

The following is an extract from the chairman's statement circulated with the accounts:—The trading profit for the year to June 30th, 1944, amounted to £183,625. Provision for income tax and directors' fees together absorbed £81,250, leaving a net profit for the year of £102,375, compared with £101,226. Two interim Ordinary dividends of 5 per cent. and 10 per cent. respectively have been paid—again making 15 per cent. for the year.

As stated at the time, the second interim took the place of a final dividend and the directors do not recommend any further payment for the year ended June 30th, 1944.

The consolidated balance-sheet shows that our group has fully maintained its position, the capital and surpluses now amounting to £1,331,375. Of the total assets of £3,440,731, nearly 75 per cent. are in Africa. As regards the future, a forecast can only be made with the usual reservation, but, on the information at present available and the results so far achieved, I believe that the year to June 30th, 1945, will show as favourable a result as the year under review.

The directors wish once again to express their appreciation of the loyal and efficient work performed by the staffs of our group of companies. We again express our very best wishes to those serving in the Forces, whom we look forward to welcoming back before long.

Shareholders will no doubt be interested to learn that this year marks the fiftieth anniversary of the founding of the original business now carried on by this company, it having been established in 1895 in Durban by the late Sir William D. Mitchell Cotts, Bart.

The report and accounts were adopted.

STERLING TRUST, LIMITED

DIVIDEND INCREASED

The twenty-eighth ordinary general meeting of the Sterling Trust, Limited, was held, on the 27th ultimo, in London.

Mr Richard S. Guinness (the chairman), in the course of his speech, said: At our last meeting I referred to the reduction in debenture interest payable in future resulting from the conversion of £1,443,760 debentures from a 5 per cent. to a 3½ per cent. rate of interest. Our accounts this year derive the full benefit of this operation with a gross saving of over £21,000. We recommend an increased ordinary dividend at 5 per cent.

During the period subsequent to the formation of this trust the class of investment considered to offer the double advantage of sound security and attractive yield lay in bonds and debentures, with the result that we have in book value £1,768,692 so invested. A goodly proportion is represented by holdings in Europe, Asia and South America, which at current values show a heavy depreciation and contribute less than 3 per cent. in average yield to our revenue account. These depreciated holdings perhaps contain prospects of gradual improvement when times of peace and the resumption of international trade returns.

As regard capital values, after allowing for the contingent fund, our invested funds, with a total book value of £4,509,329, show a modest appreciation at market values as on 31st December last. When I remind you that at the end of 1941 the depreciation then shown was 21 per cent., I think we may feel gratification at the substantial improvement.

The report was adopted.

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND) LIMITED

HIGH COST OF LEAF

DEMAND WELL MAINTAINED

STATEMENT BY THE CHAIRMAN, LORD DULVERTON

The forty-third ordinary general meeting of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held on the 27th ultimo, at Bristol, the Rt. Hon. Lord Dulverton (the chairman) presiding.

The following is the statement by the chairman which was circulated with the report and accounts and taken as read:

In the directors' report we have had to record with regret the deaths of two directors—Mr Lawrence Hignett and Mr E. S. Tansley. I referred briefly to Mr Hignett's death at last year's annual general meeting. Mr Tansley had been a director of the company and a member of the management of the John Player and Sons branch for over 20 years.

You will also have seen that Mr H. F. Field, who had been a director for some 10 years, has resigned from the board. His resignation on account of ill-health has been accepted with regret.

ACCOUNTS

As in previous war years, I shall confine my comments on the accounts to the main features.

The first variation of note is in stock-in-trade, which is £1,367,149 less than last year, largely on account of a reduction in our stocks of manufactured goods. Two years ago I told you that at the request of the Government we had built up our manufactured stocks to a level a good deal higher than normal; but the necessity for this has since almost disappeared, and we are now authorised to hold much less by way of reserve stock.

As regards unmanufactured leaf our stocks are less in quantity, but rather higher in sterling value, owing to a substantial rise in the cost of leaf. I shall refer to this matter later in my general comments.

Debtors were down by £1,113,492. Loans to corporations and public boards, etc., stand at £345,284 compared with £1,447,602 last year. Several big loans matured during the year, and as we needed the money in our own business they were not renewed.

On the capital and liabilities side, creditors, taxation, etc., are down by £3,945,273, the chief reason for this being that our estimated outstanding liability for Excess Profits Tax unpaid at October 31, 1944, was less than the corresponding figure at October 31, 1943. Bank overdraft, though lower than last year by £1,075,458, remains at a very considerable figure for the reason to which I have referred in my last two statements, namely, the incidence of a very high rate of duty.

YEAR'S PROFIT

In the profit and loss account the profit for the year is shown at £15,363,557, which is £198,685 less than last year. Against this figure are charged directors' fees (£10,000) and income-tax on profits for the year (£7,725,000), resulting in a balance brought down at this stage of £7,628,557. To this must be added the balance brought forward from the previous year £1,869,758, making a total of £9,498,315. Out of this sum £500,000 has been transferred to general reserve (bringing it up to £10,500,000), leaving £8,998,315 available for distribution. The proposed disposition of this balance is clearly shown both in the directors' report and the accounts.

You will notice in the directors' report

that the final dividend and bonus on ordinary stock is to be paid a week later than has been customary. In recent years we have found that additional time is required for the preparation and audit of the annual accounts. For that reason it has become necessary to hold the annual general meeting a week later than usual, which means that the payment of dividend has similarly to be postponed.

GIFT TO STAFF AND WORKPEOPLE

For many years past we have thought it well to mark our appreciation of the loyal and willing service of our employees both at home and abroad by a gift over and above the ordinary salary or wage. I am sure that once again stockholders will welcome the decision of your board to make a gift to the staff and workpeople of a sum equivalent to 16 per cent. of the total salary or wage received from the company during the twelve months ended October 31, 1944. The general conditions of the gift are the same as in previous years, and the directors, as usual, reserve to themselves a discretion to grant or withhold a share in the gift in any case that may appear to them to require exceptional treatment.

GENERAL COMMENTS

I have already referred to the subject of leaf prices. These have risen steadily throughout the war, and the average cost of our leaf stocks now stands at a higher level than ever in the history of the company. Our purchases of American leaf, by far the major part of our total raw material requirements, are subject to the control of both the U.S.A. and the British Governments.

During last year one of your directors visited the tobacco markets in U.S.A. and reported very favourably on the excellent quality of leaf tobacco that was being bought from the 1944 crop, from which a full year's supply has been obtained.

During the year under review the demand for our goods has been more than maintained. We have supplied the home market to the limits of our capacity, and in addition have undertaken an increased share of the export trade for the troops abroad. Difficult as these increased commitments have been with our reduced staff and labour force, we have thought it right to undertake them even though for a short time it meant a slight curtailment of deliveries to the home market; and we know that the extra supplies we are sending overseas are much appreciated by the men in the Forces.

Our principal difficulty is still the shortage of labour and staff—over 8,000 of our employees being still away in the Forces or on various forms of Government service. Preparations for their reception on their return from the Services are not being neglected, and we trust that before this year is over many will have been able to resume their former activities with us.

The report and accounts were unanimously adopted, and a final dividend of 7½ per cent., together with a bonus of 2½ per cent., both free of income-tax, was declared on the ordinary stock, making a total distribution for the year of 17½ per cent.

The formal business having been transacted, a vote of thanks to the chairman concluded the proceedings.

LEWIS'S, LIMITED

TOY AND CLOTHING PROBLEMS

MR J. TRINGHAM'S ADDRESS

The thirty-sixth annual general meeting of Lewis's, Limited, was held, on the 28th ultimo, at Liverpool.

Mr J. Tringham, (executive chairman) who presided referred at the opening of his address to the death since the last meeting of the late chairman, Lt. Col. S. S. G. Cohen. He then dealt with the various items on the balance-sheet and said that the profit for the year ended February 1, 1945, after provision for taxation and debenture stock interest, was £766,563, compared with £751,023 for the previous year. It was proposed to increase the carry-forward to £66,722, against £58,412 brought into the accounts this year. Referring to the increase in accrued liabilities to £1,031,998, the chairman continued:

This figure includes not merely the higher provision we have had to make this year for excess profits tax, but also the reserve which we established for the first time last year to meet Schedule D income-tax liability on our current profits. We hope eventually to put the company on a pay-as-you-earn basis, to the extent of being able, if necessary, to provide out of the profits of the current year for the Schedule D income-tax liability on the profits of that year. The sum involved is substantial, but including the reserves we have set aside in the present and last year's accounts, we have now reached roughly half-way to our goal. We feel that when we eventually achieve this object we shall have gone a long way towards consolidating the great financial strength of this company.

PROGRESS OF SUBSIDIARIES

I would like this year to devote more time than usual to the affairs of our subsidiaries. I am glad to say that we have received satisfactory dividends from them all, and each in its separate way has made substantial progress during the year.

Our oldest subsidiary, Bon Marche (Liverpool), Limited, is a fashion store which was established in 1879. The company has had a most successful year, but as during the EPT standard years it was going through a period of reorganisation it has a low EPT standard, and, in consequence, it has been obliged to pay out in taxation a substantial proportion of its total earnings. Nevertheless, it is clear that that reorganisation has proved eminently successful, and we are confident that the store can now fully justify its claim to be the leading fashion house in the North.

Our second oldest subsidiary is Lewis's Bank, Limited, which was first established as a department of Lewis's in 1928. By 1934 it had sufficiently expanded to justify a separate existence as a private company under the financial control of Lewis's. Its purpose has always been to provide our many thousands of customers with an up-to-date banking service at hours more convenient to them as shoppers than ordinary banking hours. It has achieved that object so successfully that after having been in existence only 16 years it has, by all the recognised banking standards, built up a financial position of great strength. As a result of the year's operations it has been able to pay the parent company a satisfactory dividend on its investment.

S. REECE AND SONS' RECORD YEAR

Our two other subsidiaries date from early 1936. In that year we acquired an interest in the well-known Liverpool catering concern of S. Reece and Sons, Limited, and after a difficult period of reorganisation had been successfully overcome, this business in recent years has reported a steady

and uninterrupted development. In the year under review turnover and profit reached record levels, and although once more the Chancellor of the Exchequer will receive in taxation a sum many times greater than the parent company has received this year in dividends, we were so confident about the future earning capacity of the business that during the year we acquired the whole of the outstanding ordinary share capital. Through an associated company of Reece's called Merseyside Dairies, Limited, we have in addition a substantial stake in the distribution of milk throughout Merseyside, and this business also has had a highly successful year.

Finally, our fourth subsidiary, Lewis's (Midland), Limited, opened its doors for business in Leicester in March, 1936, and acquired by that quite fortuitous circumstance an unfavourable EPT standard. The business, which might be described as a Lewis's in miniature, has shown steady expansion both in turnover and profit year by year, but owing to the incidence of taxation it is only this year that the parent company has been able to receive any return on its investment. I am happy to say that the whole of the arrears on the preference share capital, all of which is held by Lewis's, were paid off during the course of the year, and unless anything totally unforeseen occurs, the decks are now clear for some return on the equity.

STEADY PROGRESS AND EXPANSION

I hope that the impression left on you by this short review of our subsidiaries is one of steady progress and expansion. As you will see, we have spread our commercial activities over trades and areas which are complementary to our principal business. The investment of the substantial capital sums involved called for both courage and judgment, and may I add that the exercise of no little patience has also been demanded while the growing businesses were being developed and getting firmly established. It is a matter of regret that during the process such a large proportion of the fruits of our efforts has been appropriated by the Chancellor of the Exchequer, but sooner or later the overwhelming burden of taxation on trade and industry must be alleviated, and then we may look forward not merely to a more generous return on our capital outlay, but also to still further expansion and the possibility of providing wider scope for employment. In the meantime, we can regard the cumulative sum we have now paid in EPT as a substantial contribution to the finance of the war effort as well as a useful cushion against any future fall in profits below the standard. Furthermore, we are entitled to look to the 20 per cent. refund of EPT paid at the 100 per cent. rate for the reserves which we have been prevented by taxation from providing out of our own resources.

Turning now to merchandise matters, we have had perforce to operate throughout the year on unusually low stocks, and certainly during the second half-year our rate of stock turn can seldom have been equalled in the history of the business. It is true that we shall welcome an increased flow of merchandise as soon as the labour and raw material position of the country justify the Board of Trade in releasing additional supplies for home consumption. On the other hand, low stocks and high stock turn have always constituted the platform on which the success of this business has been built, and at this period of the war low stocks of much war-time merchandise are greatly to be desired. It means that when goods of the quality we prided ourselves

on selling in peace-time again become available, we shall have little or no losses to take on unsatisfactory merchandise, and from this point of view our stocks have never been so clean.

THE PRICE OF TOYS

In this connection we note with satisfaction the increased quota releases which the Board of Trade have recently announced for certain categories of merchandise, but once again we would enter a plea for some improvement in quality as well as increase in quantity. This consideration applies with particular urgency to toys, which is a problem that has been referred to from this chair every year for the last few years. In the case of no other merchandise does the retailer receive so many complaints from the public nor such ill-deserved abuse. It cannot be too often repeated that the blame for high prices cannot be laid at the door of the retailer, as his margin is strictly controlled in relation to the price at which he buys; but if he is to have any stock to sell at all, the price at which he buys is very far from being subject to the same control. Moreover, that price is inflated by 33 per cent. purchase tax, and very frequently by a purchase tax uplift of up to 17 per cent. as well. The public's chief complaint is not about the high prices of toys as such but of their high price in relation to their often deplorable quality—in other words, about the value which the retailer is able to offer. It will not meet that complaint to release additional supplies of toys of the same poor value. Either quality must be improved without altering the price—and that is primarily a production problem in which supplies of raw material and labour may also be involved; or if that is impossible, and we have to remain content with the present indifferent value, then the price must be reduced by, we suggest, removing purchase tax and uplift. We note that the same principle has recently been adopted in connection with aluminium ware, and we see no reason why toys, selling at less than a given price should not be regarded as utility merchandise and so rendered free of purchase tax.

This public reaction against poor quality merchandise has long been very marked in the clothing field as well. The gradual elimination of non-utility apparel may be part of high national policy, and if, as such, we must accept it, then we would press for increased supplies at the upper end of the utility range. As in the case of toys, it will inevitably in the long run prove wasteful to increase supplies only of lower quality merchandise which the public in the interests of obtaining the best value for their coupons are no longer willing to buy.

TOWN PLANNING

I do not apologise for referring again to the subject of town planning, which was touched upon in the chairman's speech last year. A year has elapsed and no measurable progress has been made in clarifying the position of those firms who are unfortunate enough to have bomb-damaged premises in areas scheduled for town planning. Indeed, the outlook has, if anything, deteriorated, in that various Government pronouncements have confirmed the attitude of the War Damage Commission in their refusal to recognise what has come to be called a "portable cost of works claim." As this issue goes to the root of town planning in all bomb-damaged areas, we still hope that some practical compromise may be reached. So far as we are concerned, we would regard it as a tragedy if the opportunity presented by bomb damage were not seized, in order to improve the layout of our cities.

I have no doubt that shareholders will authorise me on their behalf to convey to all ranks of staff a special message of appreciation for their efforts during the past year.

The report and accounts were adopted.

SUN LIFE ASSURANCE SOCIETY

MR. W. M. PRYOR'S STATEMENT

The annual general meeting of this Society will be held at 63, Threadneedle Street, London, E.C.2, on the 13th inst.

Mr. W. M. Pryor, D.S.O., D.L., chairman of the Society, has issued a statement to shareholders, which in outline is as follows:—I much regret to report the death during the year of three of our directors, Lord Herbert Scott, C.M.G., D.S.O., Lord Essendon, and Cmdr. Sir Charles Craven, Bt.

FUNDS, INCOME AND OUTGO

The total funds of the Society as at December 31st last amounted to £57,465,000, of which £51,799,000 was represented by the Life Assurance Fund. The increase in the total funds over the year was £2,183,000. The premium income in the life account for 1944 was £5,692,000 as against £5,520,000 for the preceding year.

The gross interest income of the life assurance fund was £1,968,000, the corresponding net interest income being £1,519,000. The gross rate of interest earned on the fund was £3 19s. 1d. per cent. per annum, representing a reduction of 2s. 2d. during the year.

Claims by death amounted to £1,716,000, including war claims of £284,000, as compared with a total of £1,363,000 for the year 1943. Claims by maturity at £2,462,000 were slightly above those for the year 1943. Surrenders amounted to only £157,000, a figure which is a low record for very many years.

NEW BUSINESS

The new business for the year was 16,081 policies for sums assured of just over £11,250,000, representing an increase upon the results of the previous year of nearly 700 policies and sums assured of over £800,000, and I think it eminently satisfactory that a growing proportion of our business is being effected with participation in profits.

As you are no doubt aware, it has been the consistent policy of the Society to encourage wherever possible the effecting of assurances on a with-profits basis because of the flexibility which the profit-sharing principle introduces into the contract. The directors have accordingly decided that with-profits assurances now being effected shall cover all civilian war risks whilst the policy-holder is in Great Britain or Northern Ireland and that no extra premium shall be required on that account.

STAFF PENSION SCHEME

A substantial proportion of our business relates to assurances which have been effected under the numerous staff pension schemes which we have arranged for industrial and other concerns. We have, in fact, specialised in this class of business for many years, and the experience which we have gained enables us to offer attractive facilities to employers who realise the urgency of solving their staff pension problems.

HOUSE PURCHASE SCHEME

Last year I informed you that the Society hoped that after the war it would be able to expand its house purchase business. We have recently taken a step towards this end by issuing a prospectus dealing with a deferred house purchase scheme under which an endowment assurance effected at the present time may be eventually utilised to increase the amount of the loan which could ordinarily be advanced to a borrower for house purchase purposes.

REVIEW OF ASSETS

For many years the Society has limited its investments to securities with final dates of redemption, and at the present time no less than 98 per cent. of the assets are so invested. Since the commencement of the

war the whole of the increase in the funds, as well as a large proportion of the amounts accruing from the repayment of existing investments, has been applied in the purchase of British Government securities, which have now reached a figure of £25,800,000.

In each year from 1941 onwards we have been able to report a growing excess of the market value of our assets over the balance sheet value, and this trend was continued in 1944.

TRIBUTE TO THE STAFF

Once again it is my privilege to extend on behalf of the board our thanks to the staff for their patient and unremitting efforts in carrying out their duties throughout the year.

I also welcome the opportunity of again sending our best wishes to all those who have left our service to join H.M. Forces.

GENERAL INVESTORS AND TRUSTEES, LIMITED

The thirty-eighth ordinary general meeting of General Investors and Trustees, Ltd., will be held on March 8, in London.

The following is an extract from the statement of the chairman, Mr W. C. Cripps, circulated with the report and accounts:—The revenue for the year has increased sufficiently to allow the payment, for the sixth year in succession, of a dividend of 9 per cent on the ordinary stock. Alongside this increase in revenue has continued the rise in capital values. Last year we were able to tell you that the company's investments were worth £17,865 more than their book cost. This year the surplus has increased by a further £169,278.

I should say that the revenue is about stabilised at perhaps a slightly lower level than that of the year under review until we re-invest our liquid funds and until we receive income again from our holdings in countries under enemy control or from countries which have lately been delivered from the hands of the enemy.

THE ENGLISH ELECTRIC COMPANY, LIMITED

DIVIDEND OF 10 PER CENT

The twenty-sixth annual general meeting of this company was held, on the 1st instant, in London.

Sir George H. Nelson (chairman and managing director) said that creditors had been increased by £2,256,000, which was largely offset by an increase in work-in-progress and stocks; the net liquid assets now stood at over £3,000,000. It was proposed to allocate the sum of £100,000 to general reserve, bringing that item up to £1,000,000. On the assets side there was an increase in the written down value of land and buildings and a slight decrease in plant and machinery.

The profit carried to the balance-sheet was £434,984 and, after providing for the preference and ordinary dividends, plus £100,000 for general reserve, there was a carry forward of £87,870, or £25,239 greater than the sum brought in. The time had not come when the complete story of the company's war activities could be told, but its efforts had directly contributed to the success of our Forces.

Looking forward, orders for normal products were being received in satisfactory volume, and the company had taken steps to ensure that it would play its proper part in the export market. He was disturbed by some of the political propaganda on nationalisation because of the ultimate disadvantages he was sure it would bring. He had heard no argument at all to show that nationalisation would ultimately achieve what was their greatest need, if they were to compete with the rest of the world, viz., improved efficiency.

The report was adopted and a dividend of 10 per cent. declared.

MANCHESTER SHIP CANAL COMPANY

SIR FREDERICK WEST'S REVIEW

The eighty-seventh ordinary general meeting of this Company was held, on the 26th ultimo, at Manchester.

Sir Frederick J. West, K.B.E. (the chairman), in the course of his speech, said: At this, our sixth war-time meeting, I am able to give you more information than has been permitted in recent years.

Some shareholders may be disposed to relate the company's financial experience in this war to that of the last and to these I would point out important differences which materially affect the revenue accounts. In the last war your company enjoyed freedom from excess profits duty; such is not the case to-day. Again, no necessity arose then, as unfortunately it does now of having to make provision for damage sustained by enemy action nor was it necessary to defer repair and maintenance works to anything like the same extent. Civil Defence has, in this war, been a very heavy charge. Again, port charges have been subject to close Ministerial scrutiny as part of the national policy.

DIVIDEND POLICY

The dividends your Board recommend are:—3 per cent on the Manchester Ship Canal Corporation Three and a-Half per Centum Preference stock; 3 per cent on Preference shares; and 1 per cent on the Ordinary shares. These are the dividends which have applied throughout the war years, but there may be some shareholders familiar with the contribution the port has made to the war effort who will have looked for some increase.

The principal reasons which determine the Board in its recommendations were:—It is inadvisable to increase dividends unless there is good prospect of their being maintained at the new level for some years. We would wish to avoid any repetition of the company's experience, when in 1938 it had to halve dividends increased in the previous year. Such a recurrence would be damaging to our prestige and make it difficult to raise money on favourable terms for new projects which it is anticipated will be necessary within the next two or three years. Our future liability in the matter of war damage is also unknown. The extent of our excess profits tax is also unknown. Post-war development is another factor which has had to be taken into consideration.

Summarising the position, the extra net profits made during the war years has been required for the following purposes:—Taxation, including excess profits tax and reserve towards income-tax on the current year's profits; war damage and deferred maintenance. You will understand, therefore, that it has not been possible to increase the annual reserves required for the renewal of working plant such as craft, cranes, rolling stock, etc.

The net revenue at £1,244,541 shows an increase of £24,246 over that of the previous year. As there was a saving of about this amount in the cost of Civil Defence the working results of the two years were almost identical.

POST-WAR PLANNING

I believe as a result of the prudent policy we have followed for some years we are in a position to plan our future with some confidence and I would say at once that such planning has been the subject of a very great deal of consideration.

During the past two years, despite the pressure of our operational and technical departments, the management has undertaken a detailed survey of all our plant and equipment and closely examined the services and facilities of the port.

We confidently hope—at no distant date—to emerge from this long and testing struggle ready, so far as intelligent foresight can make us, to face the future with assurance—determined to win for ourselves a becoming reward.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
Feb. 22....	5,410	4,510	114.8	137.1	3.03	3.73
" 23....	5,282	4,274	114.8	137.0	3.02	3.72
" 26....	7,385	5,929	115.6	136.9	3.03	3.72
" 27....	6,082	4,437	115.2	136.9	3.03	3.71
" 28....	6,191	4,772	115.4	136.9	3.01	3.70

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1945: highest, 115.5 (Feb. 28); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.0 (Feb. 16); lowest, 136.3 (Jan. 2).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS
(1926=100)

1945	Average	Transactions	1945	Average	Transactions
Feb. 15....	137.1	1,870,000	Feb. 19....	137.9	1,880,000
" 16....	136.9	1,900,000	" 20....	138.4	1,770,000
" 17....	137.0	700,000*	" 21....	138.3	1,720,000

1945: High, 138.4 (Feb. 20). Low, 129.2 (Jan. 23). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1945	Feb. 7, 1945	Feb. 14, 1945	Feb. 21, 1945
	Low Jan. 24	High Feb. 21		
354 Industrials.....	108.6	116.3	112.7	114.6
20 Rails.....	116.1	127.8	121.9	127.8
28 Utilities.....	93.2	97.2	96.1	97.2
402 Stocks.....	106.7	114.1	110.7	112.4
Av. yield %†.....	4.63	4.34	4.48	4.41

† 50 Industrial Com. Stocks.

Capital Issues

Week ending March 3, 1945	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 297.			
Year (to date)			
1945.....	205,533,795	181,950,019	
1944.....	166,852,822	156,560,166	

Year† (to date)	Destination*			Nature of Borrowing*			
	U.K.	Brit. Emp. excl. U.K.	Foreign Countries	Deb.	Pref.	Ord.	
1945.....	181,790,592	34,177	125,250	181,375,346	146,250	428,423	
1944.....	156,441,916	118,350	Nil	155,813,166	488,750	253,250	

* Conversions excluded. † Includes Government issues to Feb. 21, 1945, only.
Above figures include all new capital in which permission to deal has been granted.

* Conversions excluded. † Includes Government issues to Feb. 21, 1945, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—Money has been wanted in the market this week for a variety of reasons. The end of the month and certain clearing banks' making up for their February statements have involved heavy calling from the market. Tax payments have again been considerable. There have, in addition, been heavy applications for Tax Reserve Certificates. The banks had £80,000,000 to find against Treasury Deposit Receipts and though this was almost matched by the current maturities, there seems to have been some unevenness in the balancing of payments and maturities. The banks hurried their payments in order to hold late September maturities. The result of this combination of influences was to make credit keenly wanted in the early part of the week and the authorities had to come to the rescue of the market with heavy open market purchases of bills. These are reflected in a rise of £14,050,000 in Government securities in the latest Bank return. Bankers' deposits have risen by £11,101,000 to £207,775,000 and it was evident that by Thursday the credit position was easing rapidly. The immobilisation of funds in Public deposits, which rose by £7,815,000 to £18,142,000 over the week, was also responsible for the apparent dearth of funds in the market.

MONEY RATES, LONDON.—The following rates remained unchanged between February 22nd and March 1st:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between February 22nd and March 1st. (Figures in brackets are per of exchange).

United States. \$ (4.861) 4.021-031; mail transfers 4.021-031. Canada (25.224) 4.861; mail transfers 4.861. Switzerland. Francs 17.30-40. French Empire. Francs 199.200. Syria. p. 8.81.55. Krona (18.159) 1.15.85.95. Dutch West Indies. Florin (12.11) 7.58-62. Portugal. Escudos (110) 99.80-100.20. Mail transfers 99.80-100.30. Panama. Colon (100) 100.00. Brazil. 85.8456 (buying); 7.6597 (selling). Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 16.66. Turkey. Piastres 520. Italy. 71.25 lire. Market Rates.—The following rates remained unchanged between February 22nd and March 1st. Egypt. Piastres (97½) 97½. India. Rupee (184. per rupee) 17½-18½. Belgian Congo. Francs 176½. China. National \$3.34. Iran. Rl. 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Feb. 21	Feb. 22	Feb. 23	Feb. 24	Feb. 25	Feb. 26	Feb. 27	Feb. 28
Cables:—								
London.....	402½	402½	402½	402½	402½	402½	402½	402½
Montreal.....	90.810	90.810	90.810	90.810	90.810	90.810	90.810	90.810
Zurich.....	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40
Buenos Aires.....	24.90*	24.90*	24.90*	24.90*	24.90*	24.90*	24.90*	24.90*
Rio de Janeiro.....	5.19	5.19	5.19	5.19	5.19	5.19	5.19	5.19
Lisbon.....	4.07	4.07	4.07	4.07	4.07	4.07	4.07	4.07
Barcelona.....	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Stockholm.....	23.86	23.86	23.86	23.86	23.86	23.86	23.86	23.86

* Official Buying Rate 29.78. † Free Rate. \$ Bid.

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to February 24th and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

£ thousands	
Total ordinary expenditure.....	5,389,908
New sinking funds.....	12,408
Loans repaid.....	313,198
3% Conversion Loan 1944.....	4,100
5% Conversion Loan 1944.....	20,008
2½% Nat. Debt Bds. 1944.....	11,560
" Other Debt.....	438
External (net).....	11,560
Increase in balances.....	438
Total ordinary revenue.....	2,862,808
Loans raised.....	104,194
3% Def. Bonds (net).....	200,022
3% Savings Bonds 1960-70.....	145,955
5% Savings Bonds 1965-75.....	460,510
2½% Nat. War Bds. 1952-54.....	119,950
1½% Exchequer Bds. 1950.....	209,500
Nat. Sav. Certs. (net).....	122,037
Tax Reserve Certs. (net).....	10,797
" Other Debt.....	349,955
Internal (net).....	590,406
3% Term. Annuities (net).....	147,940
Floating debt (net).....	411,500
Treasury Bills.....	16,046
Public Debt Adv.....	
Treasury Deposits.....	
Miscellaneous receipts.....	
Total.....	£5,751,620

INDUSTRY AND TRADE

Scottish Fish Landings.—The first statements of fish landings to be resumed are those relating to Scotland. Figures for the rest of the United Kingdom are expected to follow shortly. Meanwhile, the Scottish statistics are given in the accompanying table:

FISH LANDED IN SCOTLAND BY BRITISH FISHING VESSELS

	Pelagic*	Demersal	Total
	'000 cwt.	'000 cwt.	'000 cwt.
Jan., 1938.....	87.3	38.6	125.9
" 1945.....	47.9	55.3	103.2
1938.....	2,876.3	1,084.5	3,960.8
1944.....	1,495.9	1,741.1	3,237.0

* i.e., herrings, sprats, sparlings and mackerel.

Total landings in 1944 were only a little above half those in 1938, whereas the value of the reduced quantity was about half as much again. It is interesting to note that the price of demersal fish has risen more steeply than pelagic.

"The Economist" Sensitive Index.—There was no change in the index during the week ended February 27th. The complete index (1935=100) was 158.7; crops 135.8; and raw materials 185.5.

COST OF LIVING INDEX (July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	1	12½
Sept., 1939.....	138	162	208	182	179	155
1940.....	166	164	295	219	219	187
1941.....	166	164	380-385	228	230	199
1942.....	160	164	395-400	240	265	200
1943.....	166	164	345	244	291	198
Dec. 1943.....	168	164	340-345	244	291	199
Jan. 1944.....	168	164	340-345	244	291	199
Feb.	168	164	340-345	244	291	200
Dec. 1944.....	168	164	345-350	264	291	201
Jan. 1945.....	168	164	345-350	264	291	202
Feb.	168	164	345-350	264	291	202

Source: Ministry of Labour Gazette.

GOVERNMENT RETURNS

For the week ended Feb. 24, 1945, total ordinary revenue was £97,593,000, against ordinary expenditure of £110,299,000 and issues to sinking funds of £290,000. Thus, including sinking fund allocations £12,408,210, the deficit accrued since April 1st is £2,539,508,000 against £2,503,126,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	April 1 to Feb. 26, 1944	April 1 to Feb. 24, 1945	Week ended Feb. 26, 1944	Week ended Feb. 24, 1945
ORDINARY REVENUE					
Income Tax.....	1,300,000	1,021,016	1,128,224	42,032	63,225
Sur-tax.....	80,000	64,112	60,881	3,180	3,808
Estate, etc.,.....	100,000	87,850	98,534	1,940	2,530
Duties.....	19,000	15,240	15,730	1,295	1,295
M.D.C.....	500,000	29,205	29,924	790	351
E.P.T.....	1,000	429,508	438,525	8,470	9,155
Other Ind. Rev.....		728	432		
Total Ind. Rev.....	2,000,000	1,651,659	1,764,950	56,412	80,364
Customs.....	564,900	498,320	521,521	5,525	6,428
Excise.....	472,900	433,007	451,400	13,807	10,100
Total Customs & Excise.....	1,037,800	931,327	972,921	19,333	16,528
Motor Duties.....	27,000	26,920	28,338	169	340
P.O. (Net Receipts).....	4,850	4,340	3,990	400	
Wireless Licences.....	800	980	880	30	
Crown Lands.....	7,350	6,390	7,095	7	
Sundry Receipts.....	24,000	70,079	84,633	1,341	361
Miscellaneous Receipts.....					
Total Ord. Rev.....	3,101,800	2,697,694	2,862,808	77,692	97,593
SELF-BALANCING P.O. & Broadcast	112,370	102,150	107,250	2,150	2,500
Total.....	3,214,170	2,799,844	2,970,058	79,842	100,093

Expenditure	Estimate, 1944-45	April 1 to Feb. 26, 1944	April 1 to Feb. 24, 1945	Week ended Feb. 26, 1944	Week ended Feb. 24, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	420,000	324,878	361,640	1,434	
Payments to N. Ireland.....	9,000	7,328	8,228	553	594
Other Cons. Services.....	7,000	6,925	7,000	10	
Total.....	436,000	339,131	376,868	1,997	594
Supply Services.....	550,139	484,952	501,340	12,825	109,705
Total.....	986,139	824,083	878,208	14,822	110,299
SELF-BALANCING P.O. & Broadcast	112,370	102,150	107,250	2,150	2,500
Total.....	1,098,509	926,233	985,458	16,972	112,799

Expenditure	Estimate, 1944-45	April 1 to Feb. 26, 1944	April 1 to Feb. 24, 1945	Week ended Feb. 26, 1944	Week ended Feb. 24, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	420,000	324,878	361,640	1,434	
Payments to N. Ireland.....	9,000	7,328	8,228	553	594
Other Cons. Services.....	7,000	6,925	7,000	10	
Total.....	436,000	339,131	376,868	1,997	594
Supply Services.....	550,139	484,952	501,340	12,825	109,705
Total.....	986,139	824,083	878,208	14,822	110,299
SELF-BALANCING P.O. & Broadcast	112,370	102,150	107,250	2,150	2,500
Total.....	1,098,509	926,233	985,458	16,972	112,799

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £68,856 to £2,931,408, the other operations for the week (no longer shown separately) increased the gross National Debt by £8,861,058 to £22,120 million.

NET RECEIPTS (£ thousands)

Defence Loan Acts, 1937 and 1939..... 4,287

NET ISSUES (£ thousands)

P.O. and Telegraph..... 200

Overseas Trade Guarantees..... 220

MONTH'S CHANGES IN DEBT

NET INCREASES	NET REPAYMENTS
Nat. Sav. Certs..... 17,550	Treasury Bills..... 52,548
3% Def. Bonds..... 5,955	5% Conv. Loan..... 100
3% Savings Bonds..... 704	3% Term. Annuity..... 1,187
1960-70.....	Tax Res. Certs..... 49,748
3% Savings Bonds..... 23,850	
1965-75.....	
13% Exchq. Bonds..... 49,750	
1950.....	
" Other Debt..... 1,302	
Internal..... 499	
External.....	
Ways and Means Advances..... 53,150	
Treasury Deposits..... 1,500	
	103,583

FLOATING DEBT (£ millions)

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1944						
Feb. 26	1170.0	1945.9	340.3	32.3	1376.0	4865.5
Nov. 25	2170.0	2305.5	513.8	27.5	1700.5	6017.3
Dec. 2	1470.0		Not available			
" 9	1470.0		"	"		
" 16	1470.0		"	"		
" 23	1470.0		"	"		
" 30	3806.0		587.7	59.2	1794.5	6247.0
1945						
Jan. 6	1470.0		Not available			
" 13	1470.0		"	"		
" 20	1460.0		"	"		
" 27	1450.0	2341.8	489.3	100.0	1799.5	6080.0
Feb. 3	1440.0		Not available			
" 10	1450.0		"	"		
" 17	1430.0		"	"		
" 24	1430.0	2309.2	542.4	100.0	1801.0	6082.0

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s	Feb. 24, 1944	Feb. 8, 1945	Feb. 15, 1945	Feb. 22, 1945
12 U.S.F.R. BANKS	24, 8	15, 23	15, 23	15, 23
Resources				
Gold certifs. on hand and	19,311	17,748	17,695	17,694
due from Treasury	19,911	18,657	18,592	18,587
Total reserves	33,651	36,405	36,287	36,281
Total cash reserves	336	284	272	267
Total U.S. Govt. sec.	11,816	19,062	19,181	19,231
Total loans and sec.	11,873	19,265	19,416	19,529
Total resources	33,651	39,884	40,391	40,272
LIABILITIES				
F.R. notes in circ.	17,186	21,846	21,950	22,065
Excess m. bank res.	1,100	900	1,000	900
Mr. bank res. dep.	12,169	13,950	14,022	13,999
Govt. deposits	64	593	547	517
Total deposits	14,699	16,186	16,218	16,188
Total liabilities	33,651	39,884	40,391	40,272
Reserve ratio	62.4%	49.1%	48.7%	48.6%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,742	20,548	20,507	20,506
Treasury & bank currency	4,090	4,126	4,124	4,124
LIABILITIES				
Money in circulation	20,696	25,411	25,533	25,562
Treasury cash and dep.	2,982	2,965	2,936	2,901

CENTRAL BANK OF IRELAND

Million £'s	Feb. 19, 1944	Feb. 3, 1945	Feb. 10, 1945	Feb. 17, 1945
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. sec.	22.91	27.74	27.34	27.84
Sterling balances	1.58	1.42	2.03	1.45
LIABILITIES				
Notes in circulation	27.61	31.98	32.15	32.05

BANK OF FRANCE

Million francs	Jan. 18, 1945	Jan. 25, 1945	Feb. 1, 1945	Feb. 8, 1945
ASSETS				
Gold	75,151	75,151	75,151	75,151
Private discounts and advances	43,467	41,700	41,398	42,033
Advances to State	482,313	480,512	491,112	488,212
(a) Inoccupation costs	426,000	426,000	426,000	426,000
(b) Treasury advances	1,750	7,700	7,700	7,700
(c) Fixed advances	54,563	54,512	54,512	54,512
LIABILITIES				
Notes	565,217	562,412	569,958	569,718
Deposit total	40,031	43,234	46,675	38,571
(a) Government acs.	766	743	765	765
(b) Other accounts	39,265	42,491	45,910	37,806

BANK OF CANADA

Million Can. \$'s	Jan. 26, 1944	Jan. 3, 1945	Jan. 10, 1945	Jan. 17, 1945
ASSETS				
Reserve: Gold	0.56	172.25	172.25	172.25
Other				
LIABILITIES				
Securities	1259.26	1494.74	1525.46	1527.34
Note circulation	869.55	1036.76	1030.52	1025.54
Deposits: Dom. Govt.	39.14	17.24	36.38	35.76
Chartered banks	308.40	411.45	408.48	410.45
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.				

RESERVE BANK OF NEW ZEALAND

Million £N.Z. \$'s	Jan. 3, 1944	Jan. 18, 1944	Jan. 25, 1944	Jan. 31, 1944
ASSETS				
Gold and Stg. exch.	37.71	41.24	42.46	42.08
Advances to State	41.48	25.88	28.12	27.88
Investments	10.32	11.74	11.74	11.74
LIABILITIES				
Bank notes	37.54	40.83	41.38	41.12
Demand liab.: State	14.85	9.25	9.23	8.83
Banks and others	33.90	27.52	30.63	30.53
Reserve to sight liab.	43.7%	53.2%	52.2%	52.2%

SWISS NATIONAL BANK

Million Swiss Frs.	Feb. 7, 1944	Jan. 6, 1945	Jan. 15, 1945	Jan. 31, 1945
ASSETS				
Gold	4222.5	4558.5	4560.2	4576.7
Foreign exchange	78.4	101.7	107.3	94.9
Discounts, etc.	100.5	77.4	78.2	167.8
Advances	14.6	17.7	15.2	14.8
Securities	64.7	64.1	64.3	64.4
LIABILITIES				
Notes in circulation	2864.8	3457.2	3378.9	3409.2
Other sight liab.	244.3	243.0	240.0	243.3

CENTRAL BANK OF ARGENTINA

Million paper pesos	Dec. 31, 1943	Nov. 30, 1944	Dec. 31, 1944	Dec. 31, 1944
ASSETS				
Gold at home	1,091	1,242	1,242	1,242
Other gold and for. exch.	2,109	2,529	2,556	2,586
Non. Int. Govt. bonds	101	91	91	89
Treasury bonds	791	768	768	768
LIABILITIES				
Notes in circulation	1,886	2,263	2,278	2,354
Deposits: Government	444	620	622	551
Banks	1,116	1,339	1,339	1,401
Certs. of participation	444	127	123	120
Reserve ratio	87.5%	83.6%	83.7%	83.5%

SOUTH AFRICAN RESERVE BANK

Million £'s	Dec. 31, 1943	Dec. 31, 1944	Dec. 31, 1944	Dec. 31, 1944
ASSETS				
Gold coin and bullion	85.62	98.32	98.79	98.83
Bills discounted	13.55	23.77	23.89	23.89
Invest. and other assets	92.45	94.21	95.97	94.70
LIABILITIES				
Notes in circulation	51.02	57.39	57.85	59.92
Deposits: Government	5.38	5.02	5.14	5.96
Bankers	124.92	131.80	131.10	133.89
Others	6.35	7.90	8.32	8.82
Reserve ratio	45.9%	44.5%	44.5%	43.6%

CENTRAL BANK OF TURKEY

Million Turkish pounds	Jan. 1, 1944	Nov. 23, 1944	Dec. 2, 1944	Dec. 2, 1944
ASSETS				
Gold	202.7	276.4	276.4	276.4
Clearing and other exch.	96.8	56.3	56.1	58.2
Treasury bonds	131.6	128.2	128.2	128.2
Commercial bills	456.6	576.0	576.5	584.0
Securities	61.3	48.0	48.0	46.2
Advances	231.2	255.6	262.7	265.8
LIABILITIES				
Notes in circulation	806.5	964.1	971.1	960.6
Deposits: Govt.	215.1	202.5	198.7	208.3
Banks	568	684	673	715
Reserve ratio	91.8%	93.2%	93.2%	93.5%

RESERVE BANK OF INDIA

Million rupees	Feb. 11, 1944	Jan. 19, 1945	Feb. 26, 1945	Feb. 9, 1945
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	137	151	153	144
Balances abroad	1,176	3,630	3,746	3,583
Sterling securities	7,638	9,265	9,265	9,363
Ind. Govt. rps. sec.	583	578	578	578
Investments	82	139	175	203
LIABILITIES				
Notes in circulation	8,706	10,323	10,340	10,429
Deposits: Govt.	518	2,748	2,748	2,700
Banks	568	684	673	715
Reserve ratio	91.8%	93.2%	93.2%	93.5%

AUSTRALIAN COMMONWEALTH BANK

Million £A/s	Jan. 24, 1944	Jan. 1, 1945	Jan. 8, 1945	Jan. 22, 1945
ASSETS				
Gold and English ster.	41.79	50.86	50.86	50.86
Other coin, bullion, etc.	10.85	22.30	22.09	21.31
Call money, London	50.61	139.58	130.49	126.31
Secs. and Treas. bills	245.85	235.83	240.30	251.40
Discounts and advances	24.85	20.19	21.52	24.34
LIABILITIES				
Notes issued	163.26	203.96	198.74	193.74
Deposits, etc.	174.93	205.96	198.77	215.36

UNITED KINGDOM: MONTHLY STATISTICS

		Monthly Average												1945		1944		1943		1942		1941		1940		1939		1929	
		Unit of Measurement																											

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AUSTRALIA AND CHINA**

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000**RESERVE FUND - £3,000,000**Branches and Agencies throughout INDIA and the EAST
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Reserve Liability of Proprietors under the Charter	4,500,000
	£13,500,000

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BANK OF SCOTLAND

Constituted by Act of Parliament 1695

AUTHORISED CAPITAL	£4,500,000
CAPITAL FULLY PAID	£2,400,000
RESERVE FUND & BALANCE carried forward	£2,259,161
DEPOSITS & CREDIT BALANCES	

as at 29th Feb., 1944 ... £62,235,580

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ESTD. 1825

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ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £85,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

DOMINION OF CANADATHREE AND A QUARTER PER CENT. REGISTERED
STOCK, 1950-1955.

For the purpose of preparing the Interest Warrants due 1st May, 1945, the BALANCES will be STRUCK on the evening of the 3rd April, 1945, after which date the stock will be transferred ex-dividend.

For Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London.

EDWARD POPE, Manager.

47, Threadneedle Street, E.C.2. 1st March, 1945.

PROVINCE OF ONTARIO

FOUR PER CENT. REGISTERED STOCK, 1947.

For the purpose of preparing the Interest Warrants due 1st May, 1945, the BALANCES will be STRUCK on the evening of the 3rd April, 1945 after which date the stock will be transferred ex-dividend.

For Bank of Montreal.

EDWARD POPE, Manager.

47, Threadneedle Street, E.C.2. 1st March, 1945.

NATIONAL BANK OF INDIA, LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from 14th March to 27th March, both days inclusive.

By Order of the Board,

T. T. K. ALLAN, London Manager.

26, Bishopsgate, London, E.C.2. 27th February, 1945.

**THE
ECONOMIST**

ESTABLISHED 1843

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MARCH 10, 1945

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THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3

The German Problem

AT last the Allies stand upon the Rhine, and to-
morrow they may be across it. Cologne, the third
city of the Reich, is already in Allied control, and the
moment for applying the chosen solution of the German
problem is at hand. Decisions cannot be much longer
delayed. But, by all appearances, they have not yet been
finally made, and there is still an opportunity, though pos-
sibly fleeting, to plead for a peace that will last.

There is no intention of reiterating here the arguments
that *The Economist* has often used in favour of a policy
of moderation. Those arguments have not been based on
any sentimentalism or any pity for the hard fate of the
German people, still less on any calculating desire to curry
their favour or to make future use of them in any diplo-
matic combinations. It has simply been a desire to learn
the lessons of the Versailles settlement and to insist that
we should not bite off more than we can chew. Neither
the American nor the British people will for long enforce
a settlement that has the double disadvantage of raising
doubts about its justice and of requiring painful efforts
for its enforcement. This is not to say that the German
people ought not to be punished or that they ought not to
be compelled to make heavy material restitution for the
damage they have done—but that these policies should
be limited in time to the short period during which the

will and the means to enforcement are likely to be pre-
sent. The long-period and complete disarmament of
Germany is an essential requirement, but it would be as
well to limit the permanent penalties to this one.

This is a brief summary of an argument which has been
often repeated and often criticised. Of the more reasonable
criticisms, two stand out. The first is that a purely
negative attitude of objecting to other people's solutions
of a difficult problem is not enough. Those who say of a
policy of severity that it will not work should be under the
obligation of proving that their alternative would work
better. Moreover, a policy of severity may be only the
opening phase of a long-term constructive programme for
re-aligning economic and political forces in Europe in such
a way that the compact war-making potential of Germany
will pass away for ever and leave in its place a more stable
equilibrium which will be able, in due course, to maintain
itself without external force. If the heavy industry of the
Ruhr, for example, were in the hands of controllers who
could be relied upon not to use it for aggressive purposes,
the German problem would be largely solved.

The second line of criticism is that, if the British
Government were to preach a policy of moderation, it
would merely alienate all its European Allies, and disrupt
the Grand Alliance on which the peace depends as much

as it does on the disarming of Germany. The European nations have been invaded, exploited and crushed. They have seen every principle of humanity violated. A veil of suffering and bloodshed hangs between them and the old ideals of liberalism and democracy and people's rights. Any British attempt to prevent these emotions of passionate hatred from finding expression in action would merely bring the alliance to an abrupt end and precipitate a disaster of the first order. Anything that can be done to guard against it should certainly be attempted.

But the preservation of the alliance requires a consideration of what the Western Allies can tolerate, not merely of what the Continental Allies want. To commit ourselves to a policy which we shall not, in fact, implement would be the worst of all possible ways of keeping the Alliance alive, since it would lead to differences of view, and possibly to bitter recriminations at a time when, in the natural course of events, the ties of the alliance may, in any case, be suffering some relaxation. No American Congress or British Parliament can commit its successor. The greater is the necessity for being absolutely certain that nothing is promised that is not likely to keep a sufficient degree of popular support to ensure its performance. If this involves some difference of opinion, it is far better to say so now, when it cannot possibly be ascribed to misplaced affection for the Germans, than to leave it to later years, when suspicions may be more easily roused.

There can be very little doubt that both the Russian and the British Governments are, at the moment, deeply sincere in their anxiety to remain allies for an indefinite period. But that does not mean that all suspicions are dead. The Soviet regime has, all through its career, suspected Great Britain of anti-Bolshevist designs—and not wholly without reason. The favourite nightmare of British diplomats, ever since the Treaty of Rapallo, has been a German-Russian alliance, and it is less than six years since it seemed to be on the verge of coming about. Each country wants to be friends with the other. But each country has also, within less than a decade, given the other grounds for suspecting it of hostile deals with Berlin. This is a situation in which, even with the closest relationships and the most complete interchange of information, distrust may easily arise. London and Moscow are compelled by the mere logic of geography to keep a very sharp eye on each other's German policy. For the sake of the Russian alliance, more even than for the sake of an effective settlement of the German problem, it is absolutely essential that the policy, once jointly agreed, should be jointly pursued without wavering. And that in its turn means that the utmost care must be taken not to put into the policy anything that will not be performed.

*

If there were no possibility of an accommodation between the sort of settlement that is desired by the Continental Allies and the sort of settlement that British and American public opinion will support, the outlook would be gloomy. It is the purpose of a short series of articles, of which this is the first, to explore the possibilities of an effective synthesis of the two approaches.

One obvious line of compromise is on time limits. Very fortunately, the time when the Continental insistence on retribution and restitution will be at its maximum is the time when the objections to severity from the British standpoint are at their lowest—that is, immediately after the Armistice. If there is a penal period, during which every practical measure is taken to convince the German people, in their own persons, of the unprofitability of aggressive war, and during which their productive powers can be fully pre-empted in making goods to replace what they have stolen and destroyed, this might meet the very legitimate desires of the liberated and victorious allies. But if this penal period is short—say, not more than five years—there is comparatively little danger of Western opinion weakening in its resolve. A short, sharp period of penal servitude may be the means of effecting a considerable reconciliation between the two views.

A second point of agreement is on the complete and permanent disarmament of Germany. Even those who

most doubt the possibility of permanently enforcing a severe peace agree with the necessity for taking all arms out of the hands of the Germans, for completely disbanding the Wehrmacht, and for prohibiting the manufacture of all important munitions. Indeed, one of the chief arguments for a moderate long-term policy is the desirability of concentrating all efforts on this one permanent provision; for which Senator Vandenberg's recent proposal indicates the strong probability of American support. This, then, is a second matter on which agreement can be secured and performance honestly promised.

These two points go a long way. But it would be idle to suppose that they go far enough to meet those who, not content with disarmament (or perhaps not trusting that it will be enforced), wish to have some more organic assurance that Germany will not again make war. This is the starting point of those who advocate a so-called "constructive" settlement. This school of thought recognises that the only lasting peace is one of stable equilibrium—that is, a settlement which will maintain itself of its own internal strength when, in due course, the external force of Great Power coercion is withdrawn. But before that time comes, they hope to have produced such a natural re-alignment of European forces, such a re-arrangement of the atoms, that Germany will no longer be strong enough to make war, even when it is released from all its restrictive impositions.

Clearly, the most complete embodiment of this order of ideas would be a complete federation, a United States of Europe, with a central government strong enough to control all international relations, armaments and industrial policy. Within such a federation Germany could safely be allowed to be a free and equal member without being a menace. But such a solution is obviously so far outside the realm of practical politics that it need not be further discussed.

If federation is impossible, the "constructive" policy can make an approach from the economic angle. Germany's strength for war lies in its industry, particularly its heavy industry. This heavy industry could, of course, be destroyed or removed and its replacement prohibited, as the Morgenthau plan proposed. But a plan that would drastically reduce the standard of living not merely of Germany but of all those parts of Europe that have over the decades been integrated with German industry could hardly be called "constructive" and would be likely to be repudiated by Mr Morgenthau's countrymen within a very few years. The Ruhr is the source of German's aggressive power, but it is also the source of a large part of Europe's material wealth. It is impossible—save in a few exceptional cases—to draw a distinction between industry that is useful in war and industry that is useful in peace.

Hence arises the proposal to leave the industrial areas in being, but to remove them from German control. Fortunately, the two chief industrial areas lie on the flanks of Germany, not in the centre. Silesia is to be annexed to Poland. Could not the Ruhr and the Rhineland—so runs the argument—be detached from Germany, not for annexation to or exploitation by any other state, but as an independent German state? The inhabitants would not be impoverished or tyrannised; they would be self-governing in local matters; but their external relations would be supervised by the United Nations; and their commercial policy would be so directed that the metallurgical industries of the Ruhr gradually fitted themselves into a West European pattern instead of into the war economy of a Greater Germany. This, it is hoped, would be a painless operation to sterilise Germany's aggressive potential. The hope would be that, after a generation or two, the advantages of Western liberalism and prosperity would make the Rhinelanders definitely prefer their independence to Prussian militarism. The forces of Europe would have been successfully re-aligned; Germany would no longer be strong even when it was free; and a new stable equilibrium would have been achieved.

This, in very brief summary, is the proposal. It will be further examined and its prospects of stability analysed in subsequent articles.

Capital for Industry

LAST Friday's debate in the House of Commons on the two proposed Finance Corporations produced little that was not already known. The Chancellor of the Exchequer properly disclaimed responsibility for more than the broadest generalisations of policy, and his reply to most questions was therefore that the directors of the new bodies would decide—including, significantly, the question whether capital for industry can best be supplied as fixed-interest debt or as equity participation. On the Socialist benches there was a great deal of talk about determining the investment of capital by social instead of by commercial considerations, though few who talked in this vein made it clear whether they thought the new corporations ought to be advised to try to lose their money.

It was, as often before, Mr George Benson who hit the right nail most squarely on the head. After declaring that "a great deal too much fuss is being made about these two Finance Corporations," he said that the real problem was to see that financial capital, of which there is a surfeit rather than a lack, is turned into real industrial plant. So long as there is a policy that concerns itself with Finance Corporations, but not with the far larger stream of capital formation financed from other sources, "we really have a policy that controls the dog's tail, but makes no attempt to control the dog itself." This is no more than the truth. The proposed Finance Corporations are a useful piece of technical machinery—useful, if for nothing else, to convince the public that no sound proposal will be turned down for purely financial reasons—but they hardly touch the basic needs.

What those needs are is slowly becoming more apparent. A recent pamphlet of the Tory Reform Committee* is the latest demonstration that the fundamental realities of economic arithmetic are penetrating into current discussion. This is an immense gain. But it carries with it some dangers of over-simplification, and there is still some disentangling of issues to be done.

It is not, for example, as fully realised as it should be that there will be two sharply distinct periods in the post-war era—indeed, three, if the preliminary phase of demobilising manpower and industry and getting transport going again is to count as one. There will be a period, which may last from two to five years, or even longer, when there will be a universal sellers' market and the major difficulties of economic policy will be those that arise out of the apportionment of scarcities. In this period there may well be a famine of capital. But it will be a famine of physical, not of financial, capital. As was argued in an article on "Post-War Arithmetic" in *The Economist* two weeks ago, the danger in this period will be lest current consumption and the needs of the Government should, between them, engross too large a share of the national output and leave far too little to meet the needs of the community for the replacement and increase of its capital equipment.

The calculations are done in terms of money, since money is the only medium in which all forms of economic activity can readily be compared. But this may be misleading, for it is not money that will be short. On the contrary, there is an enormous mass of liquid capital available. The repayments due under EPT, even after the deduction of income tax, will by themselves be as much as the entire capital of the Finance Corporations. Bank deposits are virtually double their pre-war level and an enormous volume of Government obligations has been issued during the war. The deposits and the bonds stand to someone's credit—and the "someone," in overwhelming measure, is the business world. The difficulty in this first pre-war period will not—save in the rarest cases—be to raise money, but to lay hands on the manpower and the materials to undertake any real capital formation. The Finance Corporations will be useful in taking care of the exceptional cases. But they are no contribution at all

to the major problem of capital formation in this period, which will be to set up some order of priority between consumption, Government requirements and capital formation, and to see that the last of the three does not get entirely overlooked owing to the political pressure for the other two.

*

Sooner or later, however, this period of universal scarcity will come to an end. How long it will last will turn, among other things, on the volume of capital re-equipment that the community, without further prompting, will wish to do. The Tory Reform Committee puts out a figure of £8,000 million as a rough measure of the volume of capital formation that ought to be undertaken. But this is a measure of need, not of effective demand; and it may be that before the cumulative total has reached this figure, the actual demand will show signs of giving out. Sooner or later it must be expected that the conjuncture will change and that the problems of stretching the physical output of the community to cover the expenditures that it is trying to undertake will give place to the opposite, and more familiar, anxieties of expanding the total of expenditures so as to occupy the nation's productive capacity. When this moment arrives, as it surely will, nearly every economic policy will have to be put into reverse, and among them the policy for capital formation. Until that moment, it will be a question of choosing, from a clamorous queue of applicants, those who best deserve an allocation of scarce resources; thereafter it will be a question of finding means of stimulating industry to use capital. Until the tide turns, the danger will be of inflation; afterwards, of deflation. Up to the crucial moment, the community needs to restrain its propensity to consume, in order that capital formation should not be squeezed out; after it, consumption should be stimulated, in order that the investment of funds in capital equipment shall have a prospect of being profitable.

But one thing will not change. Neither in a buyers' market for capital nor in a sellers' is there any real reason to suppose that there will be a shortage of money. In the first period it is men and materials that will be short, and anybody who can get these will be able to raise the money. In the second period, it will be the willingness of industry to embark upon capital formation which may be inadequate; and any one who is willing to take the risks will, in the future as in the past, be able to get the money to do so. It may be that there are exceptions, that some varieties of business men have had difficulties in the past in raising capital for worthwhile ventures. There may be a "Macmillan Gap"; and in any case it is sound policy to make public demonstration of willingness to close it. It may be that, compared with earlier periods, there is a smaller volume of capital available on participating, risk-taking terms—this is a gap which still remains to be closed. But these are minor matters. The volume of capital formation (on which both Full Employment and High Productivity depend) does not turn on the availability of money.

It turns—in a normal period such as is now under discussion—on the willingness of enterprise, whether private or public, to take the money that is plentifully on offer and to invest it in productive capital. The reasons why this willingness has in recent decades been on an inadequate scale were analysed in all their complexity in a series of articles called "A Policy for Wealth" which appeared in *The Economist* rather more than six months ago. With all the dogmatism of brevity, it can be said that there are three major obstructions to an adequate flow of capital formation. The first comes under the head of labour policy. The great strength of the Labour movement has been too often misapplied into mere Luddite obstructiveness instead of concentrating on the main issue of high earnings, which are at once the cause and the

* "Tools for the Next Job." Published for the Tory Reform Committee by Europa Publications, Ltd. 2s. 6d. net.

consequence of rapid investment in labour-saving machinery. Secondly, heavy taxation has been rigidly applied without any sufficient thought to its economic consequences. At all times, the chief source of savings for the most productive investment lies in the ploughing-back of industrial profits, which has been so grievously throttled. Thirdly and most importantly, inadequate capital formation has been due to the endemic slump-mindedness of British industry, which leads to restrictive practices and protectionism of all kinds, seeking rather to ensure a return on existing capital, however obsolete, than to clear the way for new investment.

All these can be summed up in the one word Risk. It is not so much that the rewards of successful enterprise in capital formation are less, or less attractive, than they were. However high the level of taxation, if a business man can be reasonably sure of a return, however small, he will in most cases go ahead. The difficulty is that the risks of making a loss are now much greater—or at least that they seem to be much greater—than they were. This is the field within which a national capital policy should properly operate, and where any success in diminishing the risks of capital formation is likely to be embodied, at once and manifold, in an increase of national wealth. Action in this field will be far more effective than any rearrangement of the financial structure, useful though this may be in a technical way. Yet this is the field that has been strangely neglected. The Government, in its White Paper on Employment Policy, gives the appearance of being content with a volume of industrial capital expenditure that fluctuates widely and of proposing to offset it by equal and opposite fluctuations in public works. Sir William Beveridge deals with this conception with very proper severity; but he too has very little to say on the practical means of inducing an adequate and stable flow of industrial capital formation.

Balkan Turmoil

TOWARDS the end of February, Field-Marshal Alexander visited Yugoslavia and conferred with General Tolbukhin, the Soviet Commander-in-Chief in the Balkans, and with Marshal Tito. Presumably, they discussed ways and means to complete the liberation of the Balkans. Nearly the whole South-East of Europe has now been freed, though scattered pockets of German resistance exist throughout Yugoslavia. The Wehrmacht, however, still holds the whole of Croatia as well as the area between Lake Balaton and the Danube in north-western Hungary. These two strongholds cover the approaches to Austria. The liberation of Croatia might possibly be a preliminary to two converging thrusts into Austria, from east and south. The fact that Croatia is still under German occupation is certainly disappointing. But the liberation of the whole of Yugoslavia was apparently not one of Marshal Tolbukhin's tasks. He was mainly interested in forcing a passage from Yugoslavia through into Hungary. The liberation of Croatia has apparently proved too big a campaign for Marshal Tito's forces. The Partisans are fully engaged in policing Serbia, possibly because the Serbs are not very enthusiastic about the regime established by the Croat Communist leader.

The political situation in the Balkans and in the Danube Basin is far less satisfactory than the military position. Uncasiness and tension prevail throughout the area. The freed peoples are suffering under two old and familiar scourges: the violence of social and political conflicts and the intensity of an infinite number of nationalistic feuds. Both the internal upheavals and the national conflicts are in one way or another linked with the relations between the great Allied Powers. The old and familiar Balkan problems are reappearing in a form that is only partly new; and they threaten to create international trouble.

The most striking feature is the instability of the Governments that have been installed in the Balkans in the course of recent months. In Rumania a grave internal crisis which lasted nearly a month has now ended with

Yet this is the key to the whole problem. The respite of five years or so, when the problems will be those of policing the queue, should be used to work out a carefully co-ordinated programme designed to reduce the risks of engaging in capital formation. It is a task admirably fitted to be performed by the new alliance of public and private enterprise to which several speakers alluded last Friday, since success would require contributions from Labour, from Industry and from the Government, while the results of success would accrue to all. Moreover, the reduction of the hazards of enterprise requires, on the one hand, some liberation of the entrepreneur and, on the other hand, some assumption by the state of responsibility for the general economic climate—so that it ought to appeal to both sides of the (largely fallacious) Freedom-and-Control debate. Once the hazards of risk are reduced (they neither can, nor should, be removed), there would be an immediate flowering of economic progress, in which the antithesis between consumption and saving, which necessarily exists in a regime of scarcity, would largely disappear. The productive investment of savings would ensure a rapidly rising standard of living, and prosperity would, in turn, be its own best Savings Campaign.

Thanks largely to the new quantitative techniques of the statisticians and economists, public opinion has made enormous strides in the last few years in its understanding of the fundamental principles of economic policy. The chief barrier that remains to be demolished before a practical policy of deliberate expansion can be evolved is the remaining misapprehension about the rôle of capital formation. If the economists and the pamphleteers will turn their attention to this, we may be on the verge of solving one of the major problems of the twentieth century—how to secure economic progress by democratic methods.

the dismissal of General Radescu and the formation of a new Government by M. Grozea. General Radescu's Government was in office less than two months; and it had taken the place of two equally short-lived Governments headed by General Sanatescu. The new Government has been formed under strong pressure from the Rumanian Left and from Russia—Commissar Vyshinsky, who is in Bucharest, may perhaps be regarded as its midwife. In the course of the crisis the Monarchy, which had previously been spared by the Left, came under the fire of the National Democratic Front. For the time being, however, King Michael seems to have saved his face as well as his throne by a compromise with the Left. The new Prime Minister, M. Grozea, has been the leader of the Ploughmen's Union, the Left Wing of the former Peasant Party. The Ministry of the Interior has been taken over by M. Georgescu, a Communist leader, while General Rascanu, a rival of the former Prime Minister, has been appointed Minister of War. M. Maniu's Peasant Party, which was represented only by some of its lesser lights in General Radescu's Government, has now been left out of the coalition altogether. Nor has the Liberal faction, led by M. Bratianu, been included. But M. Grozea has succeeded in securing the cooperation of another Liberal group headed by the former Prime Minister, M. Tatarescu, known as a staunch defender of a pro-Allied policy in pre-war Rumania. M. Tatarescu himself is Vice-Premier in the new Government. The outcome of the crisis reflects a deepening breach between Right and Left and a considerable strengthening of the Communist influence inside the Government. Only events can show whether the new coalition will be stronger and will last longer than its predecessors.

In Yugoslavia the conflict between the King and Marshal Tito over the composition of the Regency has been solved by the appointment of three Regents: Dr Budisavljević (a Serb), Dr Mandich (a Croat) and M. Sernetz (a Slovene). The Regents have appointed Marshal Tito to

be Prime Minister. Yet it is no secret that Marshal Tito's Committee of Liberation enjoyed only very limited support from the Serbs, while its following among the Croats and Slovenes, though definitely more solid, is still an unknown quantity. Whether his Government will have more support than his Committee depends on how real the broadening of the new Yugoslav administration will be. The Yalta agreement provided for the inclusion in the Avnoj, the legislative body of the new regime, of 100 former deputies of the old Skuptchina. However, the provision has been added that only such deputies are to be co-opted who are not compromised as collaborators. Much depends on how that rider will be interpreted. In addition, the last Skuptchina was elected under Stoyadinovitch on the basis of a rather queer electoral law, which secured Parliamentary seats to official candidates by a ridiculously small number of votes and barred from Parliament the leaders of the Opposition regardless of the vote they received. The moral authority of the old Parliamentarians can therefore not be very high, and their chance of influencing the new regime may be slender. Yet the fact that the Serbian Democratic Party has now joined Marshal Tito's Government—its leader, M. Groll, has been appointed Vice Premier—may well be an augury of some political pacification in Yugoslavia.

Nor does the position of the Plastiras Government in Greece seem to be very stable. True, the EAM has carried out the Varkiza agreement. The ELAS has laid down its arms; and the number of the rifles handed over by its members has exceeded the stipulated figure by several thousands. But as a result of the civil war, Royalist propaganda has gained much impetus—the Regent's speeches during his recent trip to Salonika were constantly interrupted by crowds shouting Royalist slogans. Should the plebiscite be in favour of the Monarchy, General Plastiras (with his drastically Republican record) would hardly remain in office. His Government would probably not be acceptable to a victorious Royalism, but his effort to reconcile the defeated Left can hardly be regarded as consistent so far. Underhand reprisals against the EAM still continue, as is shown by the wholesale dismissal from Athens University of the Professors who adhered to the EAM. The only Balkan Government that has so far not suffered from any sharp political shocks has been that of General Miklos in Hungary. But Hungary is still a theatre of war; and consequently the political passions there have not yet come to the surface.

The nationalist moods in the Balkans have been reflected in the long list of territorial claims that have already been put on record by nearly all the Balkan Governments. The campaign for a "Greater Greece" is in full swing in Athens and Salonika. Archbishop Damaskinos' recent visit in the "northern lands" served as an occasion for violent Chauvinistic demonstrations, which marched under such slogans as "Occupy Bulgaria for 55 years," "Sofia! Sofia!" and "We want a frontier beyond the Struma!" The entry of Turkey into the war has posed the

problem of the Dodecanese Islands. The Greeks fear that as an ally Turkey will be in a position to claim the Dodecanese at the Peace Conference. At the same time the Greek demands for the annexation of Southern Albania have grown very vocal. The Greek Government is thus imprudently plunging into territorial conflicts with all its neighbours simultaneously. The new Yugoslavia turns a nationalist face towards Italy—from which it wants to annex Istria and Trieste—and an International, or rather Slavophile, face towards the Bulgarians, with whom a surprisingly quick reconciliation appears to have been arranged. The Bulgarians seem to have accepted the plan of an autonomous Macedonia within a federated Yugoslavia; but they have not yet altogether renounced the hope that Russian influence may help them to gain an access to the Aegean. The Rumanians are disappointed with the fact that the Russians have not yet allowed them to take over the administration of Transylvania which, under the Armistice terms, ought to return to Rumania. The ostensible motive for this refusal is that the Rumanians started a slaughter of the Hungarians in Transylvania; and that the transfer of the province must therefore be postponed until tempers calm down. It cannot be ruled out that the Russians want to reward Hungary for the services now rendered and to give one portion of the debatable land to the Hungarians and another to the Rumanians. To whom Southern Dobrudja will eventually be awarded is not yet known. The province still seems to be under Bulgarian domination.

The disturbing feature of this typically Balkan turmoil is that the local leaders, generals and chieftains apparently hope that they may be able to exploit possible rivalries between the Great Allied Powers in order to further their own claims. Almost automatically a situation has arisen in which the Left, on the whole, looks for assistance to Russia and the Right places its hopes on the intervention of the Western Powers. Vague political calculations are based on the most grotesque assumptions. During the fighting in Greece the extreme Right whispered about an imminent clash between Great Britain and Russia. Undoubtedly similar whispering campaigns must for a time have uplifted the spirits of those extreme "slavophiles" in Sofia who find it hard to abandon the dream of a Greater Bulgaria. In Rumania, Maniu and Bratianu are commonly regarded as the "British party," while the Communists, of course, head the "Russian Party"; and each successive reshuffle of the Government is viewed as a duel between the two parties. It is idle to deny that the policies of the Great Powers on the spot sometimes lend colour to such interpretations. Thus, in the course of the recent purges in Sofia, the victims included not only the pro-Axis Regents and politicians, but also members of the Mushanov Government which had conducted armistice negotiations with the Western Allies before Russia de-

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clared war on Bulgaria. Communist propaganda in Eastern Europe sometimes tends to label as Fascists those politicians who are suspected by the local leaders of Western sympathies. It is probably right to say that undue suspicion of the pro-Russian elements may also sometimes colour the attitudes of British or American officials on the spot.

It is not difficult to detect in these facts the symptoms of an incipient rivalry which, if allowed to develop, may bring disastrous consequences to the Balkan countries. The aftermath of the first world war in the Balkans was a series of martial adventures and minor wars, of which the Turkish-Greek war was the most important and disastrous. Will this war produce a similar aftermath? Very probably it will, if the various countries continue to multiply their territorial claims against each other without waiting for the Peace Conference. Similarly, the impression that the various political factions, Right or Left, can hope to derive profits from antagonism between the great Allied Powers is bound greatly to aggravate the chaos now pre-

vailing. Most of the disquieting symptoms were, up to a point, an inevitable by-product of the conviction, which gained ground after Teheran, that the Allies had shared out "spheres" between themselves in a spirit of complete exclusiveness. The overlapping fringes of the alleged spheres tended to become the breeding grounds of adventure and intrigue. The Yalta Agreement, if loyally carried out, ought to calm some of the political fever. The local Governments, parties and factions ought to be told quite bluntly that their hopes of benefiting from inter-Allied rivalry are futile; and they ought to hear this warning from all the Allied Powers concerned. The joint responsibility of the Big Three for the political and economic situation in the Balkan countries ought to be translated from general principles into concrete and continuous action. Recent events suggest that many political crises in the Balkan countries may still lie ahead; and there will be plenty of opportunity for the Big Three to exercise their joint responsibility in meeting trouble half-way and in surmounting crises when they arise.

NOTES OF THE WEEK

One More River

The first week of March saw battles on the Rhine and the Oder which opened the final chapter of the European war. The Allied armies in the west are reaching the Rhine on a long front, from Coblenz to the Dutch frontier. Rundstedt, hopelessly outfought, has not even been able to keep the big towns on the left bank of the Rhine as bridgeheads for the Wehrmacht. Bridgeheads have in fact not much value unless they are used as springboards for offensives or counter-offensives; Rundstedt has obviously been bent on defence and orderly retreat, and he has no prospect of hitting back. His real objective can only be to delay the establishment of Allied bridgeheads across the Rhine for as long as possible. Even some success in this would bring no real relief to Germany. But can he hope for delay? The technique of river crossings has been greatly developed in the last years; the Rhine on this sector is relatively narrow; and the fact that the Allied armies will soon be holding a very long stretch of the river will offer them many alternative possibilities for the building up of bridgeheads. In the east, the Russian approach to the Oder has now been nearly completed. Marshal Zhukov's and General Rokossovsky's sweeping advances to the Pomeranian coast have cut off large German armies in the Polish Corridor and around Danzig; and they have brought Stettin itself almost within Russian grasp. Whether the Russians will try to take Stettin is doubtful. The crossing of the Oder at its mouth would seem to present difficulties almost as great as the crossing of the Rhine at its mouth. But this week's gains in Pomerania secure the northern flank of the Russian front. The Russians, too, are confronted with the task of finding bridgeheads across the lower reaches of the Oder—they by-passed its upper reaches in Silesia long ago. The next few weeks are thus certain to see the last two great battles for river crossings in the German war.

Great Power Votes

The voting procedure proposed for the new Security Council is an attempt to give the Powers, Great and Small, the greatest possible latitude in the discussion of international difficulties and disputes. In the old League, Council decisions had to be unanimous. At Dumbarton Oaks, it was suggested that decisions should be taken by a majority of the Council, provided that majority included the five Permanent Members. The question left open was whether a Great Power should be able to prevent any dispute in which it was involved from coming before the Council. The procedure adopted at Yalta is complicated. On matters of procedure, a majority of seven out of eleven will suffice—that is, Great Powers can be in the minority, but not all of them at once. On all other matters, all five of the permanent members must be included in the majority of seven—that is, even the abstention of one of them apparently imposes a veto. But to this there are two exceptions: on motions to discuss a dispute in which a permanent member is involved, or to refer it to a regional security body, that permanent member shall not vote.

What this means in effect is that a Great Power cannot prevent the discussion of a dispute in which it is concerned, but that it can prevent any action being taken. This is an inevitable restriction, since the imposition of effective sanctions on a Great Power means a major war, in which case the machinery of international peace will in any case break down.

There will inevitably be a certain amount of discontent among the smaller Powers at the extent to which the form and content of the new League have been drawn up in advance by the Great Powers and at the manner in which a realistic appraisal of the balance of force between Great and Small Powers has found its way into the proposals. At Mexico City, 15 of the Latin American republics, while endorsing the Dumbarton Oaks proposals in general, proposed three amendments designed to strengthen the position of the smaller states. They ask that more power be given to the General Assembly, that the Security Council's powers be correspondingly reduced and its membership widened to give greater representation to Latin America; finally, they wish to see the jurisdiction and competence of the International Court of Justice extended. All these provisions weaken Great Power domination, and the line of criticism is likely to be popular at San Francisco. In this context, the decision of the French Government not to act as a convenor of the Conference may be the first step in an effort to lead the non-Great Powers in concerted criticism of the domination exercised by the Big Four. It is hard to see what final benefit the French would gain from the manoeuvre, since they, too, are to be in the praesidium of the Great; the decision was probably dictated by motives of home policy—a gesture to cover the political void. It will not interfere with French participation in the new League, and as for Small Power criticism, it hardly needs to be concerted. Each nation can produce all its own reservations without help or pressure.

Regional Bodies

One of the most interesting and intricate problems on the San Francisco agenda will be to define the scope and functions of the Regional security bodies referred to in the Dumbarton Oaks Draft. What is a region? Is membership of a region compulsory? How are regional organs to be linked with the Security Council? What will be their degree of authority? To what extent will nations be asked to accept obligations outside their own region? Or to what extent will the Security Council override regional decisions? The Dumbarton Oaks formula specifically states that no enforcement action shall be taken under regional arrangements or by regional agencies without the authority of the Security Council. The French, therefore, are already asking whether the provisions of, say, the Franco-Russian treaty covering a threat of German aggression would be automatic or whether they would depend upon a prior decision of the Security Council? In the New World, the delegates meeting at

Mexico City went further in their support of regionalism. The representatives of Peru and Chile argued that the world organisation should take cognisance of American disputes "only if the inter-American system fails" and deprecated the idea that disputes in other parts of the world should involve Latin America in a military responsibility. The Act of Chapultepec, signed at Mexico City on March 6th, is a regional instrument. It provides for the solidarity of all American States in the face of aggression from within or without. They shall concert together steps to assist the endangered state and within the scope of their "constitutional war making powers," take joint action against the aggressor. The Act will only last until the end of the war, but the proposal is put forward that the States shall extend it by formal treaty after the war.

The Act is clearly a regional agreement of first-class importance. What is not clear is its relation to the proposed world organisation. If, as Peru and Chile suggest, all inter-American disputes are to be settled regionally, and no American State need accept responsibility elsewhere, may not this pattern be adopted in other areas to the final exclusion of any universal system? The answer may well be in differentiating between Great Power and Small Power responsibility. Since this will, however, rearouse the half-stilled fears of the smaller States, the discussions in San Francisco promise to be lively.

De Gaulle and His Advisers

In his speech to the Consultative Assembly last Friday General de Gaulle dealt with the economic situation in his country. Once again he brought into relief the sombre picture of war devastation and impoverishment. As so often before, he appeared to confuse the right things with the wrong ones, in this instance the legitimate anxiety for the rehabilitation of his country with less weighty considerations of military prestige. The same mixture of motives underlay the perspective, drawn by the General, of France's future economic growth and expansion. His vision of France with a doubled industrial and agricultural potential was as appealing as it was imaginative. The General had, on the other hand, nothing to say about the immediate economic or financial measures which his Government proposed to take. This omission became the target for criticisms in the Consultative Assembly as well as in the press. The critics were even more outraged by the emphasis which General de Gaulle placed on the need to postpone all radical reforms until they can be passed by a regularly elected Constituent Assembly. The Left felt that a great opportunity for social renovation had slipped through France's hands. Paradoxically enough, the cautious policy expounded by the General met with the strongest criticisms from the veterans of the Resistance who had followed him from the first days of his struggle; and applause was forthcoming from that section of French opinion whose ties with the Resistance were fairly loose.

In spite of growing disappointment with the General's statements on home policy, his political star will neither pale nor be eclipsed. Nobody in France to-day can challenge the legend or the mystique of de Gaulle. "The General is all right; he has surrounded himself with the wrong advisers"—this is an almost typical comment. And the Consultative Assembly has recently been busy bringing to account the "wrong advisers"—the Ministers of Food and of Justice.

The Miners' Reply

For the National Union of Mineworkers to do anything other than reject Mr Foot's "Plan for Coal" would have been extraordinary, and in their statement issued last week they give very good reasons for their assertion that the Foot proposals for government of mine-owners by mine-owners for mine-owners would be no solution for the ills of the coal industry. Yet it is disappointing, after a wait of nearly seven weeks for their reply, that the miners should have so little new to say and should produce so little fresh evidence in support of their claim that nationalisation is the only alternative to completely free enterprise. It is probable that some form of public control is the only workable alternative, but Parliament, which will in the last resort decide the future of the coal industry, will need more convincing proofs than the miners have so far offered.

The statement deals with the two most important ele-

ments in the present critical coal situation: falling manpower and falling output per mine-worker, with the emphasis on the first rather than on the second factor. The industry has managed to retain its complement of around 700,000 miners only by the injection of new blood from outside the industry. As soon as the Essential Work Order is lifted, the wartime recruits will leave, and the main problem is therefore to render the status and conditions of work more attractive to existing miners and to new recruits. The miners, very naturally, are not convinced by Mr Foot's promises that, left to themselves, the owners will bring about this happy state of affairs, and they put forward their own programme for wages, welfare, working conditions and recruitment. Given conditions such as they themselves envisage, and with an assurance of steady employment in publicly-owned mines, the miners promise the co-operation of their members in any schemes for modernising and mechanising the mines. Without public ownership, it is implied, their co-operation would be withheld.

The miners maintain that the vast sums required for the re-equipment of the industry will obviously have to be found by the State. Finance is certainly the weakest link in Mr Foot's chain of argument, and the miners are justified in their scepticism about the owners' capacity to raise the necessary capital without recourse to public funds. But about the method of transfer to public ownership, and about the management of a nationalised coal industry, they have very little to say. Presumably, the details will have to be filled in when the full plan for nationalisation, now being prepared by the miners' Union in co-operation with the Labour Party and the Trades Union Congress, is published some time this spring.

Housing "Switchover" Re-defined

Mr Willink's speech on Friday added little to Mr Sandys's confused statement a week before. No mention, significantly, was made of the "switchover" from temporary to permanent houses announced by the Minister of Works. According to Mr Willink, the Government's target for permanent houses in the first two years after European victory is in fact the same as ever, neither more nor less—three hundred thousand houses, with the old afterthought "built or building" added as a textual safeguard. As for temporary houses, instead of the original target of 200,000, as many as possible up to the 100,000 allocated to local authorities are to supplement the permanent programme within the shortest possible time. In other words, Mr Willink has re-defined his colleague's "switchover" as a halving of the temporary housing programme for the first two years after victory.

Neither of the two statements alters the fact that the number of houses to be built in the first two years will be very small in comparison with the needs. This is a deplorable fact—and, in the logic of politics, anything that is unfortunate is Ministers' fault. That perhaps explains why Ministers are so coy about admitting the truth. They will apparently go to almost any lengths of equivocation to avoid a plain statement of facts. A fully documented account of



exactly what the difficulties are would pay them better in the end.

Eleventh Hour for Land Planning

Lord Woolton stated recently that long-term housing plans would be governed by the agreement reached on three matters—compensation and betterment in connection with the control of land use; the distribution of industry; and the adjustment of local government boundaries. These three factors do not, of course, in any way affect the physical task of producing enough houses; what they do determine is whether or not houses—and other buildings—will be erected in the right places.

The need for legislation on all these matters has long been recognised. The problems involved have been exhaustively discussed in the Barlow and Uthwatt Reports and in three White Papers. There has been some action on the second and third of these matters—the Distribution of Industry Bill and the decision, now approved by Parliament, to appoint a Boundary Commission—though from the viewpoint of land planning it is hopelessly inadequate. And on the first topic, there is no progress at all.

So much familiar approval has become associated with the names of Barlow and Uthwatt that it may come as a surprise to some that nothing whatever has been done about most of the suggestions which were made, as a matter of urgency, five and four years ago. Even the Government's own proposals on compensation and betterment are now nine months old—yet they have not been even debated by Parliament, and Lord Woolton recently indicated the small likelihood of the present Government making them the subject of legislation.

The urgency of the problem is shown by the resolution passed last week by a conference which included representatives of 660 local authorities. This called for an immediate Land Bill on the grounds that

We shall not get proper homes for our people without the solution of the old problem of compensation and betterment.

The urgently needed housing programme cannot wait for planning decision. If Lord Woolton's statement of the conditions governing long-term housing was intended as an excuse for further housing delays, it will not for one moment be accepted by the public. The Government cannot excuse themselves for what they are not doing in housing by pointing to what they have not done in planning. Sites are now being selected and prepared for the new houses; but the local authorities' plea for an immediate Land Bill is sufficient indication that they are not the right sites.

Second International

The season for the revival or creation of international bodies and organisations is in full swing. A new League of Nations and a new Trade Union International are coming into existence. Yet the oldest of the internationalist bodies, the Socialist International, is still lagging behind. It is only this week that a private "Conference of European Socialist Parties" has taken place in London under the chairmanship of Mr Hugh Dalton. The modest character of the gathering reflects the fact that the International is for the time being little more than a pathetic rump. No exiled German or Austrian Socialists were invited to the London Conference. In the Trade Union International the gap left by the once powerful German *Gewerkschaften* has now been filled by two such solid newcomers as the CIO and the Soviet Trade Unions. The Socialist International cannot hope to replace its losses in a similar way. The Socialist movement in the USA is still very small and its present prospects of growth are slight enough. Unity between the Western Socialist Parties and the Communist Parties of the USSR or of any other countries is not contemplated, even though the Comintern, once the formidable rival of the Second International, has duly signed its own death certificate. This week's Socialist Conference has therefore decided merely to call another gathering, of a similar "rump" character, in a few months' time; and this next conference will presumably try to clear the ground for a possible reconstruction of the International.

In spite of this, the motions accepted at last week's Conference deserve some attention. The gathering, after all, represented all the Socialist movements of the Allied countries, as well as of some neutral countries on the Continent.

The delegations consisted in part of old and venerable Socialist leaders who have no new gospels to preach and no startling political revelations to make. But the Conference also included some representatives of a new Socialist generation which has received its first schooling in the European Underground of the last few years. And newcomers may perhaps give some new twist to Socialist policies.

Socialist "Fourteen Points"

The most important resolution adopted by the European Socialists was a "Fourteen Points" programme for Germany. The fourteen points seem to be an almost deliberate reminder of President Wilson's idealistic appeal to the German nation in the last war. The reminder is not only in the number of the points, but also in the substance of the resolution. The Socialists have paid their tribute to the spirit of the time, have repeated many of the provisions for a "harsh peace" which are familiar in other political documents dealing with the issue. This is quite understandable, because the "Fourteen Points" had to be accepted by the adherents of the two orthodoxies which now compete with each other inside the Labour movement: the Orthodox Vansittartites and the Orthodox Marxian Socialists. Even so, their version of the "severe peace" is profusely diluted with the idealism that was current in 1918. It is noteworthy that Vansittartite orthodoxy has gained the least ground where it might have been expected to have won the most. The French Socialist delegation is said to have criticised very energetically the schemes for annexation of German lands by Germany's neighbours. Moreover, the French, who really have the right to speak for Hitler's victims, objected to any advocacy by the Socialists of the scheme for a separate state of the Rhineland. In their opposition they were backed by the former president of the International, M. de Brouckère, while another ex-president, M. Huysmans, was the spokesman of the "annexationist" tendency. The two orthodoxies, as it were, confronted each other in the persons of the two presidents.

The tug-of-war resulted in a compromise resolution which speaks of "no annexations," although it "does not exclude necessary changes of frontiers nor the establishment of a special regime for the Rhineland, the Ruhr and the Saar." The resolution further demands that the period of Allied military administration of Germany "be as short as circumstances permit"; that Germany should pay reparations "primarily by transfer of goods and services through the intermediary of an International Distribution Board"; and that the heavy industries of the Rhineland "be internationalised and administered by a co-operative organisation." Those who believe that Allied opinion will in the long run support annexations or dismemberment of Germany should read carefully the Socialists' "Fourteen Points."

Family Allowances

At one time it looked as if the second reading of the Family Allowances Bill, which was taking place as *The Economist* went to press, would be mainly concerned with the right person to receive the allowance—the father or the mother. The Bill as drafted seems to settle this question sensibly. In the case of a man and wife living together the allowance belongs to the man, but either he or his wife can draw the money. If, however, the court is satisfied, on representations made to it, that the man or the wife is not a proper recipient of the money, it can order the allowance to be paid to the other only. Those who press for the allowances to belong of right to the mother should remember that there are reckless women as well as spendthrift men.

But it may well be that the debate will be even more critical of the decision, announced by the Chancellor of the Exchequer on Tuesday, to make the allowances subject to income-tax. He excused this decision by saying that the present income-tax allowance of £50 a child will continue. But there is no connection between the two allowances. The former is a contribution from the Exchequer to the cost of maintaining a child. The income-tax allowance is a means of adjusting the tax liability of two families of different sizes, but with the same income. It gives no public money away, but determines how much of his own money a man may keep. It is an attempt to make the income-tax more equitable by distinguishing between differently sized families in the same way that the earned income allowance

distinguishes between earned and unearned income. If the Chancellor persists in this absurd course, the Family Allowances Bill becomes a farce. It would really be better for the Government to withdraw it and concentrate on providing for children in kind than to waste Parliamentary time in passing a measure of 28 clauses which will give such a paltry sum.

London Dock Strike

The strike of London dockers, which began on Thursday, February 28th, and came to an end exactly a week later, was a sorry affair. Like all wartime strikes, it was due rather to a cumulation of minor irritants than to any single deep-rooted grievance. Its immediate cause was the moving of a calling-on hut, where dockers have to "prove attendance," from outside to inside the gates of the Royal Albert Dock. The men opposed the move, as it meant a stricter control over their engagement. The Royal Albert Dockers' example was swiftly followed by men from other docks, who came out in sympathy with the strikers or in protest against the suspension of absentees by the National Dock Labour Corporation. Absenteeism had been increasing, and the Corporation decided to take disciplinary measures, which, according to the dockers, were unnecessarily harsh. Many of the 10,000 men who came out on strike probably treated the occasion as an opportunity for a few days' holiday; others merely wanted to show loyalty to their work-mates. The strike being unofficial, no strike pay has been paid, but since dockers have been earning exceptionally good money the financial factor presumably did not carry very much weight with them.

The dockers' strike followed the familiar pattern of wartime strikes. The union leaders condemned the men's action and tried to persuade them to resume work; an inquiry into grievances has been promised; the men at first refused to listen to their leaders, and the Minister of Labour's intervention was proposed when union authority failed to secure a resumption of work. On Wednesday the dockers accepted the recommendation of the Transport and General Workers' Union officials to return, on a guarantee that there would be an immediate inquiry into the Corporation's administration, and provided the stevedores also agreed to return. The stevedores, however, who belong to a different union, the National Amalgamated Union of Stevedores, at first withheld their agreement, but at a meeting on Thursday morning decided to return.

A strike of miners in Scotland, which began on the same day as the dockers' strike, was having equally damaging effects on the war effort, and has resulted in a loss of output estimated at about 15,000 tons a day. The cause of this strike was the claim put forward by the Scottish Colliery Deputies and Firemen's Association, which is not recognised as a negotiating body, for an increase of 3s. 6d. a shift, and the stoppage of deputies and firemen paralysed many pits in Ayrshire and Fife. The National Union of Mineworkers condemned the Association for its action in holding up coal production at this critical stage of the war.

Elections in Brazil

President Vargas has announced that elections will be held in Brazil within 90 days. Under his new constitution, all posts—the Presidency, membership of the Executive, and of Congress—are to be elective, even though the President, once elected, will exercise very wide powers. It is difficult to say what kind of elections will follow from the Presidential decision. No political parties exist in the *Estado Novo*. The constitution makes no provision for electoral machinery. In any case, 90 days is a very short period for building up an electoral machine over a country 65 times the size of Great Britain. It seems likely, therefore, that the elections, in which all persons over the age of 18 are to vote, will take place on single lists, and the only element of choice will be provided not by parties but by personalities.

The President has not yet announced his decision to stand or not to stand. He has ruled Brazil for 15 years, and although his regime is authoritarian and in the early years maintained itself only by forcibly crushing resistance from the Left and the Right, there can be little doubt that President Vargas' singularly unbrutal dictatorship suited his easy-going people. Moreover, in recent years, the country has grown greatly in international prestige and economic power. President Vargas' greatest legacy to his people may be his ambitious schemes for opening up the undeveloped areas of Brazil, particularly on the Amazon, and thereby ending the economic domination of Brazil by the two rich states

of Sao Paulo and Minas Geraes. In former days, these two states alternately provided Brazil with a central government. Vargas has fought this type of regional domination by using the resources of the richer areas to develop the more backward. By doing so he has probably changed the political balance of forces as much as the economic.

At the forthcoming elections, the Brazilians may only have President Vargas to vote for. But that does not mean that, given a wider choice, they would not vote for him just the same.

Chinese Deadlock

Marshal Chiang Kai-shek's decision to call a National Assembly on November 12th and to set up a constitutional Government will have very little effect on the stony hearts at Communist Yen-an. The Generalissimo directed an appeal to the Communists to join him, promising that

all political parties will have legal status and enjoy equality. The Government has offered to recognise the Communist Party as soon as it agrees to incorporate its army and local administration in a national army and Government

Unhappily for the future peace of China, it is precisely this last condition which the Communists will not accept. In the last months both Yen-an and Chungking have been playing to the gallery of world opinion. In their propaganda the Communists, with a model republic and a good guerilla record, have so far scored most points. The Chungking regime has been compelled, both by internal and external pressure, to broaden its basis and liberalise its policy and its leadership.

But no amount of local Communist success and achievement can cover the fact that the Communists are an armed party, controlling a state within a state, and that they do not mean to abandon power or to share it with other parties. In such a situation, no offer short of abdication from Chungking will change the situation, and that is the last step the Generalissimo either can or will take.

Commonwealth Relations

At a time when the broad structure of a world-wide security organisation is slowly being hammered out in official circles an unofficial conference, under the aegis of Chatham House, has been meeting to discuss the relations between members of the British Commonwealth within the wider international structure. A brief summary of the conclusions arrived at was issued last week. Broadly speaking, the emphasis was on an extension of Commonwealth consultation and co-operation, but against any extension of formal commitments in either foreign or economic policy, particularly with regard to British policy in European affairs. The discussion of economic relations showed a strong, though not unanimous, feeling that the principles of the Ottawa agreement should give way to more internationally-minded expansionist policies. The content of the discussions throughout showed clearly that Commonwealth relations would be closely dependent on the nature of world organisation.

The work of the conference is chiefly valuable as an indi-

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cation of the kind of problems which, now and in the future, face the members of a widely scattered association of independent states. Many of these problems—of defence and of economic policy, for instance—will already have been discussed at meetings of Commonwealth Prime Ministers. But of the results achieved the public has little knowledge save the usual assurance of full agreement and cordiality. Unfortunately, the conclusions of the Chatham House Conference cannot be taken as any sure indication of the conclusions of Government representatives, but they do serve to emphasise the dominant lines of opinion on these questions among the Dominions.

The major question underlying all these discussions concerns the effect of the new concepts of regionalism on the traditional, but unwritten, solidarity of the leading members of the British Commonwealth. For each Dominion the claims of regionalism are different, but in unequal degrees they all arise partly from reasons of defence and partly from reasons of economic policy. In Canada, the tug towards the United States is mainly for security; in South Africa, the tug of regionalism, though less insistent, is primarily an economic one.

Such forces, emerging from the enforced unity of war, are in some danger of being ignored or underestimated in this country. By acknowledging and discussing them the conference has made a useful contribution to an ever stronger and more flexible evolution of Commonwealth relations.

Commission on Poland

In an article "Verdict on the Crimea," which appeared in *The Economist* of March 3rd, it was incorrectly stated that neither the Prime Minister nor Mr Eden had given a precise definition of what they meant by "a representative Polish Government." In fact, Mr Eden's speech, which had not been fully reported at the time of going to press, laid it down clearly that the new Government

must be representative of the Polish parties as they are known and include representative national Polish figures.

These two provisions are the only basis for an acceptable regime, and it can be assumed from Mr Eden's words that the instructions which have been despatched from the Foreign Office to the British Ambassador in Moscow will give him very precise and detailed terms of reference within which to work as representative of the British Government on the Allied Commission for Poland.

If the negotiations are carried out on the basis of the "known parties," and genuinely representative figures are invited to confer with the Commission, there is every reason to hope that an acceptable solution will be achieved. Much will depend, however, on the vigour and force with which the British Ambassador carries out his instructions. Right terms of reference are a pre-condition of success, but everything turns upon the effectiveness with which they are interpreted.

Politics in Buganda

If little has been heard of Uganda in this country, it is because the protectorate seemed to be pursuing a settled contented course undisturbed by the political and economic

ferment in other parts of the colonial empire. This placidity has now been shattered. In the middle of January, there were strikes and riots, mainly confined to the Buganda kingdom, as a result of which there were nine deaths and several wounded.

There was an economic factor in the riots. Wages had not kept pace with the rise in the cost of living, which had been intensified by the shortage of piece goods. Before the strikes began the Governor had accepted a committee's recommendations for increased war bonuses for Government employees, and had also set in motion machinery for the fixing of minimum wages. He claims, therefore, that on economic grounds the strikes were unnecessary.

But he also claims that their main object was political. They aimed at bringing pressure to bear on the Kabaka of Buganda to compel him to change his Government. By the Treaty of Mengo in 1900, the British, with their passion for established dynasties, promised that the Buganda kingdom should be preserved provided British overlordship was recognised. The result is that today Buganda is still ruled by chiefs appointed by the Kabaka, who governs his kingdom with the help of a Prime Minister, a Chief Justice and a Minister of Finance. There is also a Parliament—the Lukiko—which consists entirely of an upper house of chiefs and notables. Most of the Buganda Government's powers and the appointment of the Ministers and important chiefs are subject to the approval of the Uganda Government. But from the apparent political discontent it looks as if this approval were not properly exercised. There is extremely little information available in this country about the recent events—which seem to belong to Balkan rather than African politics. But the resignation of the Finance Minister on January 22nd evidently pacified the strikers, and last week-end it was reported that the Governor of Uganda had ordered the deportation of Samwiri S. Wamala, the Prime Minister. It seems, therefore, that there were solid grounds for complain even though the resort to strikes and violence was completely unjustified. Moreover, the present Kabaka—Mutesa II, who came of age in 1942 and, according to the Governor, is "an enlightened ruler whose sole desire is to promote the welfare of his people..."—had already been considering the reconstruction of his Ministry, and last November he announced his intention to make the Lukiko more representative. There are stirrings in Uganda after all.

Food in Germany

The German food position grows more strained with each Russian advance across the food producing provinces in the East. Not only have the rations to be cut drastically, but for the first time the Nazis have been compelled to alter the distribution in a great hurry without any previous preparation. The influx of refugees has altered the balance of consumption in Central Germany and the degree of differentiation in rations between various categories of workers makes any change in the rations a major administrative operation. Normally changes in the monthly allocation were prepared months before they came into force. Now everything has had to be improvised. By extending the current four-week period to five weeks and declaring a number of coupons invalid, the Nazis have managed to reduce the total rations by about 20 per cent.

The ordinary consumers—about a third of the population—have suffered most heavily. They will receive 24 per cent less bread, 11 per cent less meat, 20 per cent less fat, 30 per cent less sugar and *Nährmittel* (semolina, etc.), and 15 per cent less potatoes. However, these rations are still higher than were the official rations in Belgium and France under German occupation. The normal consumer still receives 3.8 pounds of bread, 11 ounces of meat and meat products, 6.3 ounces of fats, 5 ounces of sugar and 6½ pounds of potatoes. There is so far no question of starvation or even of severe undernourishment.

The real problem lies ahead. How can these rations be maintained as the territory of the Reich diminishes? At present, evacuated livestock is being slaughtered for lack of fodder. For a time, there will be no shortage of meat. But all other supplies will be dangerously low until the harvest. Nor is it easy to see how the Nazis can plan the programme of spring cultivation. The peasants have been told to concentrate on foods for direct human consumption, but the plans are bound to be makeshift and the chief emphasis will be on potatoes. Meanwhile, by concentrating most of the feeding in schools and community centres, and by making each zone as nearly self sufficient as possible in the production of foodstuffs, the Nazis are trying to meet

the strain of distribution. On the food front as elsewhere, the party maintains a vigorous will to retain its power and carry through the impossible. But the whole vast improvisation cannot be maintained much longer.

Future of Merseyside

Familiar features of regional planning, with one or two interesting variations, are to be found in the Merseyside plan, prepared by Mr F. Longstreth Thompson for the Minister of Town and Country Planning. Liverpool and Bootle on one side of the River Mersey and Birkenhead and Wallasey on the other form the closely built-up centre of the region. The Wirral peninsula and part only of the St. Helen's coalfield are included. It is perhaps a pity that a larger plan has not been prepared for the whole of the South Lancashire industrial area. Liverpool has two main problems—overcrowding and unemployment. Even with rebuilding at fairly high densities, it is estimated that a quarter of a million people should leave the area. It is suggested that the majority should be accommodated by an extension of Liverpool's suburbs described as

carefully controlled extension in the form of radial spurs with wide wedges of open land separating them.

The prospect of Liverpool's further growth is not a cheerful one. Besides the danger of ribbon development, the new suburbs are likely to be filled up exclusively by working-class housing estates while the well-to-do migrate to Deeside and the coast resorts.

One reason for the plan's rejection of the idea of new "satellite towns" in favour of expanding Liverpool itself is that there are no suitable sites in the vicinity unless good agricultural land is encroached upon. But a more potent reason is the extent to which labour is tied to the docks and closely associated industries, such as ship repairing, grain milling and soap.

Undue dependence on the port resulted in a 1939 unemployment rate of 18.8 per cent (or twice the rate for the United Kingdom), and it is estimated that after the war 100,000 people must somehow be absorbed by new industries. The most suitable type are light consumers' industries which, apart from baking and biscuit-making, are at present ill-represented; but the affection felt for light industry in all parts of the country inevitably leads to the suspicion that there will not be enough of it to go round.

The Merseyside plan, quite naturally, can make no

authoritative suggestions for curing unemployment. But, though some further growth of Liverpool may be inevitable because of the way in which its industries are tied to the river, it is disappointing that the new industries for the prospective unemployed cannot be located well out of the crowded city.

Sweden Looks Ahead

The Royal Swedish Commission on Post-War Economic Planning, under the Chairmanship of Professor Gunnar Myrdal, has for some months been busily engaged in studying the problem of post-war employment. Almost simultaneously with the publication of the White Paper on Employment Policy in this country, the Commission issued a "comment" recommending that public investment should be varied in the opposite direction to private investment. Its most recent memorandum states, however, that

the question of co-ordinating municipal investments with the Government's general anti-cyclical policy has so far not been satisfactorily solved. The possibilities of fitting municipal investments into the general employment policy by expanding them during a depression and by restricting them during a boom have as yet been too limited.

The recognition of these limitations has now led to the proposal that (a) investment in housing, if incapable of anti-cyclical expansion and contraction, should at least be stabilised so as to avoid its taking part in and reinforcing general cyclical fluctuations; and that (b) every possibility should be explored of evening out the flow of private investment expenditure.

The evolution of thought in Sweden has thus proceeded along exactly the same lines as in this country. A study of the methods of co-ordinating the capital expenditures of private industry is now recognised in both countries as one of the most important problems of Employment Policy. What are the methods that might be employed? The Swedish Royal Commission proposes the immediate setting up of an "Investment Council" to study primarily three different methods: voluntary co-ordination; the creation of economic incentives by investment subsidies, tax reliefs and interest policy; and direct control. The importance for full employment purposes of industrial location and of labour mobility is as clearly recognised in Sweden as it is here. As these investigations proceed, a more intensive exchange of views between the two countries should prove of value to both.

AMERICAN SURVEY

Missouri River Development

(From a Correspondent in Colorado)

UNCERTAINTY is the curse of life in the huge Missouri River basin, whose people largely depend on agriculture, whether directly or indirectly. In the Eastern end of the basin, drought destroys the crops about one year in twenty; in the centre, more nearly ten years in twenty; and in the West, crop-farming will hardly furnish a livelihood at all, save by irrigation. This uncertainty is graphically illustrated by the crop-values for North Dakota; in the drought and depression year of 1932 the State's crops were valued at \$66 million; in the lush, high-price year of 1943 a smaller number of people produced \$660 million.

The huge, and so far uncontrollable, river during its "spring rises" annually floods millions of acres, and menaces the cities along its middle and lower course, beside annually carrying 400 million tons of the best topsoil in the region away for ultimate deposit in the Gulf of Mexico.

In 1943 and 1944 floods did more than \$100 million in reckonable damage, such as washed-out crops, flooded cities and towns, blocked transportation, etc., as well as vast indirect damage in interruption to war production. Until recently, conquering the river has been a "some day" proposition. The very size of the task, estimated to cost between \$1½ and \$2 billion, daunted the planners in days when that amount of money was still a staggering sum.

The Missouri rises in Western Montana, with its tributary headwaters less than 500 miles from the Pacific Coast. Its watercourse is nearly 2,500 miles long, and its watershed covers 530,000 square miles, the largest river basin in the United States save that of the whole Mississippi system of which it is a part. It is an empire in itself, but a relatively unpopulated empire. Only about 7,000,000 people live within it. The four states of its central tier (North and South Dakota, Kansas and Nebraska) lost an aggregate of 232,000 people in the Drought Decade of 1930-40, and this emigration has continued since, North and South Dakota each having lost some 10 per cent of their civilian population since 1940.

When, following the drought years, the great floods of 1943-44 called attention to the completeness with which the people of the Basin were at the mercy of their river, two rival federal agencies rushed forward with plans. The Army Engineers Corps proposed a relatively few, relatively large reservoirs, mostly along the main stream, to supplement the existing dam at Fort Peck (Montana), which is the largest earth dam in the world. These dams were proposed for navigation and flood control purposes, with irrigation and power development distinctly secondary. The Bureau of Reclamation, an agency of the Department of the Interior,

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proposed many smaller reservoirs, a few on the main stream and many on the tributaries, with irrigation and flood control the primary purposes. The navigation and flood control interests of the more populous Lower Basin, championing the Army plan, got a head start to the extent that the Flood Control and Rivers and Harbors Bills of 1944 contained the essence of their plan; the irrigation proposals seemed at that time to have much smaller chance of securing immediate Congressional action.

According to the Bureau of Reclamation, nearly 5,000,000 more acres of dry land can be feasibly irrigated in the Upper Basin—about an equal acreage is already irrigated. This would provide a magnificent prospect for post-war pioneering, and a stable core for the economy of the region. At a recent meeting at Billings, Montana, such facts were developed as that in a dryland county during the worst of the drought, 75 per cent of the people were "on relief," while in a neighbouring county, almost entirely an irrigation area, only 5 per cent were. But, according to the Bureau's engineers, much of this development would be impossible if too much water had to be taken (under the Army plans) to maintain an open-channel of nine-foot standard depth for navigation lower down. Thus there was a bitter and apparently insoluble conflict of purpose. Western legislators rallied in Congress to protect the rights of arid-land states. The Congressional battle might nevertheless have ended in defeat for them, but for one thing.

In 1944, and probably not without design, the nation has been flooded with books, pamphlets and articles celebrating the really magnificent accomplishments of the Tennessee Valley Authority, in rehabilitating the economy of what had been one of the nation's economic dead spots before TVA took hold. The obvious idea was seized upon in the Missouri Valley by the *St. Louis Post-Dispatch*, and the National Farmers Union, among others: Why not a Missouri Valley Authority?

Neither the Bureau of Reclamation nor the Army Engineers want to surrender any of their jurisdiction to a new authority. In this they are joined by other Federal agencies, and by the governors and other politicians of the Missouri Valley states, and by Western proponents of irrigation generally. In short, the threat of an MVA drove the feuding agencies into each others' arms. Through amendments to the Flood Control Bill, virtually the entire Army and Bureau of Reclamation plans were welded into one whole—called "an artificial Siamese twin" by MVA proponents, who also acidly characterise it as the offspring of a "shotgun wedding."

In signing the Flood Control Bill, President Roosevelt characterised it in effect as authorising the preliminary engineering work for an MVA. He also referred to his old and never-relinquished dream of Authority development of most of the great river basins of the nation. Encouraged by this, a Bill providing for an MVA has been introduced in the new Congress by Senator Murray of Montana, who forbore from pressing a similar Bill in the old Congress as an amendment or substitute for the Army-Bureau plan, only because many senators assured him they would not vote for it as such, but were open-minded as to its separate consideration later.

Agitation for an MVA has increased rather than diminished in the region. MVA Associations have been formed in St. Louis, in Montana, and elsewhere. It is only a question of time until a valley-wide organisation will be formed. Some of the more conservative organisations are also coming round, such as the Colorado Grange (Patrons of Husbandry) which in the heart of the region considered most hostile to an MVA, approved "TVA-type development" of Western river basins. MVA proponents contemplate that some concession to the hostile irrigationists must be made. Since a Western farmer is helpless and pauperised if he loses his water-right, its preservation is his central idea, and enemies of MVA have made effective use of the thesis that a river authority could override it. Effective use, on the other hand, has been made by proponents of an MVA of the contrast between the economy of the states containing the Missouri Basin, and the states containing the Tennessee Basin. Briefly, as between 1930 and 1940, that of the Missouri Basin has shown no progress, or has lagged behind the general advance of the country, in most economic respects; the TVA region, on the other hand, has progressed much faster, and its huge blocks of hydro-electric power have played a particularly impressive role in the war emergency.

Another argument advanced against an MVA is that the Basin's area—some 12 times that of the Tennessee Basin—and its vast and varied interests render it unsuitable for development by any one central authority. The outstand-

ing differences from TVA here are the intrusion of navigation into the list of purposes for which provision must be made, and the lack of opportunities for developing hydro-electric power. In the Missouri Valley, the Bureau of Reclamation estimates that, apart from the power needed by the irrigation projects themselves for pumping, etc., the Valley provides opportunity to develop only about 750,000 kilowatts, as contrasted with a present development of nearly 2,000,000 kw. in the Tennessee Valley. This is serious, because the TVA development is being carried by power revenues, whereas hydro-electricity promises no such comparable rôle in the MVA development. There are two counteracting possibilities: Power from the huge trans-divide diversions being planned to bring water across the Continental Divide into the Missouri Watershed from the Pacific Slope; and the presence in the Missouri Valley and around its western edge of what is said to be the world's largest single reservoir of bituminous and sub-bituminous coal, which, mined cheaply in large quantities, could compete with water-power in cheap electric production.

Perhaps the single most significant economic comparison, and one which shows the urgency of large-scale power projects in the Missouri Valley if it is to keep up in post-war development, is in this same electric power. In the Tennessee Valley, householders are now getting electricity for an average over-all cost of about two cents per kilowatt-hour, and industrial and commercial users for about three-fourths of a cent. In the Missouri Valley, the comparable costs are respectively more than four cents, and more than two, or from two to three times the TVA costs. In the forthcoming electrical age, such cost advantages or disadvantages may well be decisive. Overall, however, the Missouri Valley and its adjacent region are far richer in natural resources—those of the top soil, plus those of such minerals as phosphates, coal, non-ferrous metals, etc.—than is the Tennessee Basin.

American Notes

The President Reports

"Unless you here in the halls of the American Congress—with the support of the American people—concur in the decisions reached at Yalta and give them your proper support—the meeting will not have produced lasting results."

Thus President Roosevelt set the tone of his talk to the combined houses of Congress and clearly established that he recognised their responsibility and importance in international dealings. Mr Churchill had the satisfaction of an overwhelming vote of confidence from the British Commons. But the American system provides no means by which Mr Roosevelt's report could do more than establish a mood: a mood of confidence among the people and a mood of support in Congress. This he set about to do.

The stage was well set. All the techniques that have ever been used to make Americans want a new car every year had been set in motion by the State Department to make the ordinary American understand that security in terms of a job and a home and a feeling of sureness about the future was meaningless without the international security that will protect him from future wars. Teheran and Dumbarton Oaks and Yalta and San Francisco are not just place names in America now. They are symbols all tied together on the magic thread of security.

In contrast to Mr Churchill, Mr Roosevelt flitted over France and the problems of liberated areas and Poland and unconditional surrender, but he lighted with emphasis on the broad question of World Peace and on the coming San Francisco Conference as its instrument. World Peace, he said, "is not a party question any more than is military victory," and he invited an equal number of Republican and Democratic members to San Francisco. Republican Senator Vandenberg, the last to accept, did so only after the President had convinced him that he would have freedom of action at the Conference.

The President seems to have majority support in both houses and in the press for American participation in a new security organisation. True, many Congressmen were disappointed that he did not give them more news, new news. One Republican said "it was a good report of reports already reported." Some were worried about secret agreements: some could not overlook an occasion to take a dig at the Soviet Union on the matter of Poland. Those who were worried about the mystery surrounding voting pro-

cedures at least have something to criticize now. But on the whole public opinion is behind the President, so far as continued membership of the United Nations is concerned. Whether America has taken a temporary fork in the road or is prepared to change her course entirely depends on rather more than membership of any organisation, and may, therefore, not be demonstrated at San Francisco or for quite a time to come. But the acceptance of membership is at least a preliminary gain.

* * *

Tools for the Job

Mr Wallace was confirmed this week in his new post as Secretary of Commerce by a Senate vote of 56 to 32. The lending agencies, which were divorced from the Department to restrict Mr Wallace's power to put his full employment programme into effect, will be headed by Judge Fred Vinson, who has steered an uncontroversial course as head of the Office of Economic Stabilisation, and who is welcomed both by Mr Wallace and Mr Jesse Jones. Mr Wallace already has made a conciliatory gesture by inviting the co-operation of Mr Eric Johnston, head of the Chamber of Commerce.

Even so, Conservative circles are not entirely satisfied that the clipping of Mr Wallace's wings has gone far enough. The Department of Commerce provides a platform from which Mr Wallace can exert his talents for persuasion and public education; it also controls agencies, like the Bureau of Foreign and Domestic Commerce, and the Foreign Trade Zones Board, which may be used to expand imports; inland waterways, an instrument which might be used to bring down discriminatory freight rates; the Patent Office, a weapon against monopoly; and the Civil Aeronautics Administration, which may become a vehicle for federal spending on airports. Mr Wallace also becomes a Director of the Export-Import Bank, whose lending powers are expected to be expanded from \$750 million to \$5 billion.

Even more alarm has been created by Mr Roosevelt's evasive reply as to whether he intended to shift the Foreign Economic Administration to the Department of Commerce, for the FEA controls through subsidiaries preclusive buying, petroleum and rubber policies, on which Mr Wallace is known to have unpopular views. He favours, for example, the dismantling of many synthetic rubber plants in the interests of the rubber-growing countries. There is also a rumour, probably baseless, that old-established agencies like the Federal Trade Commission and the Interstate Commerce Commission may follow FEA into Mr Wallace's pocket.

All this is speculation. What is more to the point is that in his small business crusade Mr Wallace will find eager allies in Congress; that the Anti-Trust Division will assist his campaign against monopoly; and that Southern and Western Senators will support any attempt to retain the war industrialisation of their states in the interests of full employment.

* * *

Bark or Bite?

While a potentially serious strike situation, which union leaders admit they may not be able to control, still exists in Detroit, it is clear that the greatest threat to war production still lies in the coal pits. For this is the year the personal battle between Mr John L. Lewis and the Administration may come to a head. A coal strike at the present moment would be most unfortunate. Soft coal stocks held by industrial consumers and retail dealers on January 1st were down to an average of 32 days' supply. Steel production is off and war needs were never more urgent. Before negotiations with the operators had even begun, Mr Lewis, with scrupulous legality, announced that within the provisions of the Smith-Connally Bill a dispute exists between the United Mine Workers and the bituminous coal industry, and gave the required 30 days' strike notice.

This year Mr Lewis, whom even his enemies respect as one of the most effective and daring of union negotiators, is launching an enfilading attack, since he learned in his last major dispute with the War Labour Board in 1943 that frontal assaults are too easily curbed. Then his original demand for a flat \$2.00 a day was trimmed down to \$1.12 under the stabilisation formula, although an additional 38 cents were later granted by cutting lunch-time down to 15

minutes. As a substitute for a flat wage increase, this year Mr Lewis is demanding 10 cents a ton royalty on all coal that comes out of the mines, the proceeds to go to a union fund for medical service, hospitalisation, insurance, rehabilitation and economic protection. In addition, he wants full pay for all time underground, instead of the current two-thirds rate for travel time and nothing at all for lunch period. He wants time-and-a-half for everything over a seven-hour day and a 35-hour week; he wants premiums for second and third shift workers; double the present vacation pay; and full pay for six legal holidays. Among other things, he wants shoes, boots, explosives, goggles and fuses to be provided by the employers. And he demands the right to strike to prevent coal from being shipped to a consumer whose employees are engaged in a legal strike.

*

The operators estimate that at the present production rate the royalties alone would cost them \$60 million yearly and that the total of Mr Lewis's money demands would increase the nation's fuel bill by \$400 million. Mr Lewis will reply that increased production under better conditions by better paid and fed workers, and the economies that could be effected in operations, would cut down the astronomical figure considerably.

In the coal mines, as in Detroit, one cannot blink away the distrust that exists between worker and employer, each trying to establish himself in the most favourable position for the difficult days after the war. But Mr Lewis, the master bargainer, has managed to isolate the mine workers from the rest of American Labour. His sponsorship of strikes in wartime and absolute refusal to join the other large unions in a no-strike pledge has contributed as much as anything to that isolation. In Detroit it is said the workers were in a mood to welcome a Government seizure of the struck plants so they could go back to work without strengthening management's position. But in the coal fields the word has always been "you can't mine coal with bayonets."

* * *

Trial Run at New Bedford

The Bill which the Senate Military Affairs Committee hopes to substitute for the labour draft passed by the House relies on the extension and enforcement of "man-power ceilings" to free labour for critical war programmes. The past fortnight has produced a test case at New Bedford, Massachusetts, of how the Bill is likely to work. In that city there are two plants making heavy cord for tyres, one of the most urgent of present shortages. These plants desperately need another 240 skilled workers, who could most easily be found in the local mills making fine textiles.

The War Manpower Commission, after failing to secure a voluntary transfer, set man-power ceilings for the textile factories, to set free labour for the cord plants. Of 118 men then called up for interview, only 12 agreed to move, 75 refused and appealed, and the remainder failed to appear at all. In this they are openly supported by the Local American Federation of Labour Council, which has denounced the "Gestapo tactics" of the Commission, by the city's Mayor, who has appealed to President Roosevelt, and tacitly, it is said, by the textile employers.

The Manpower Commission does not, it is true, yet possess the enforcement powers the Senate Bill would confer; but as these only apply to employers, they would hardly solve New Bedford's problem, which is one of persuading workers to move. The city's Mayor has insisted that a labour draft would be instantly obeyed; and certainly in the strained labour-management relations which exist, and not only in New Bedford, the granting to employers of the right to decide which workers they will dispense with when quotas are fixed, seems calculated, not only to secure the least satisfactory workers for the war plants, but to increase labour resentment.

The New Bedford story underlines the inadequacies of the state Bill. Whether a real programme of labour conscription would meet with a better reception, as the Mayor insists, is open to some doubt. A reporter on the spot, while admitting the part played by mishandling on the part of government agencies, by wartime strains and by mutual suspicion between labour and management, says that the main trouble is that "contact seems to be missing between Iwojima and New Bedford." If the genteel approach of the Manpower Commission is confused with Gestapo tactics, that link probably would not be supplied by more forceful methods.

THE WORLD OVERSEAS

Nigeria's Constitution

THE framing of a new constitution for Nigeria must have caused many a headache. A White Paper (Cmd 6599), giving the Governor's dispatch to the Colonial Secretary on the subject, points out that there is not one colony involved but four. There are the Northern Provinces, which include three-quarters of the total area of the territory and over half its total population. For the most part they consist of highly organised Hausa Emirates, which are Moslem in religion and culture, but they also contain important pagan communities. In the forests of the south-west, in the so-called Western Provinces, there are other highly organised native states, but they are completely different in structure from the Moslem Emirates. In the south-east, in the Eastern Provinces, there are numerous tribes whose social organisation is based on the family unit. Finally, there is the Colony of Lagos and its hinterland, where the people have had much closer contact with European influences.

In framing his proposals for a new constitution the Governor says he had three objects in view: to promote the unity of Nigeria; to provide adequately within that unity for all these diverse elements; and to secure greater participation by Africans in the discussion of their own affairs. At present, the Legislative Council, which is the only means the Africans have of discussing measures affecting them, has an official majority. Moreover, it contains no representative from the Northern Provinces; nor does its legislative powers cover them.

The Governor proposes that under the new constitution the Legislative Council should be widened in scope and membership, and that it should have a direct link with the Africans of the villages through three new Regional Councils to be established in the three provinces, and under them through the Native Authorities. For instance, the Northern Regional Council would consist of two chambers. There would be a House of Chiefs, presided over by the European Chief Commissioner of the province; first-class chiefs would sit as of right and other chiefs would select a panel from their own numbers. The lower chamber would be a House of Assembly. It would consist of 19 officials, including the proposed new deputy heads of the principal departments of government, and 20 unofficial members. Fourteen of the latter would be selected by native authorities from their members other than major chiefs, and six would be nominated by the Governor to secure the representation of the pagan community and other interests. The other two regional councils would consist of a House of Assembly only. They would have a similar membership to the one

described, except that, in the case of the Western Provinces Council the unofficial members would include three chiefs nominated by the Governor.

The Regional Councils would, to begin with, have no legislative authority, though a committee is to consider whether any legislative powers should be devolved on them. But all Bills, except urgent Bills, would be discussed in the councils before being submitted to the Legislative Council, and amendments could be suggested. The councils would also be given some financial responsibility. Regional budgets would be drawn up, on which would be borne the cost of all Government services in the region, including salaries, except central services. Regional revenue would consist of the share of the direct tax at present paid to the central government and also of block grants from central revenue. The regional estimates would be debated in the councils and amended if desired, after which they would be submitted for the Governor's approval. But for the time being, and until they are given legislative powers, the councils would have no power of appropriating expenditure, which would remain with the Legislative Council.

Local Finance

These proposals are not intended to detract from the existing responsibility of native authorities for operating their local services and financing them from their own revenues. They would share the direct tax with the regional councils, and the representation of the native authorities on the councils should ensure the co-ordination of regional and local expenditure. The Governor points out that the relation between the native authorities and the regional councils is as important as is the relation of the latter with the Legislative Council.

His proposals for reconstituting the Legislative Council would reduce the number of official members from not more than 30 at present to 20. The unofficial membership, on the other hand, would be increased from 21 to 29. Of the latter, the Governor would nominate four members—presumably Europeans—to represent banking, shipping, industry and commerce, and mining, and an African member for the Colony of Lagos. The remaining 24 would also be Africans. The three members for Lagos municipality and the member for Calabar would be elected by ballot as at present. But the others would be nominated by the regional councils which would thus serve another function as electoral colleges.

This summary of the Governor's very interesting constitutional experiment shows that his proposals have borrowed from reforms in other colonies. Regional councils of Africans have been tried out in Northern Rhodesia. There are Provincial Councils of chiefs in the Gold Coast Colony. A suggestion that the regional Houses of Assembly should form committees to deal with such matters as education and development also has a familiar ring. It is a method that has been used in Ceylon and is being introduced in Jamaica, under its new constitution, to give colonial peoples a training in the practical work of administration. But the new constitution proposed for Nigeria would still leave the colony a very long way behind those two islands. It would give the Africans slightly more powers but hardly any more responsibility. They would still not be able to initiate legislation. Nor would they be given even a limited franchise, except where it exists at present—as the Governor points out, the use of the ballot would be beyond the comprehension of the mass of the population at present. But to construct a Nigerian Federation out of such diverse elements; to break down the parochialism of the people and create in them a sense of Nigerian unity; to hold the balance between the communities; and to give new life and purpose to indirect rule—all this, which is a pre-condition of self-government, the new constitution makes a bold attempt to do.

Irish Cows

[FROM OUR DUBLIN CORRESPONDENT]

IN spite of the great accumulation of sterling assets which has been piled up during the war, the necessity for increasing exports in the post-war period is fully realised in responsible circles. The possibility of founding industries capable of exporting their products is under consideration. In the immediate post-war period, however, reliance will continue to be placed upon the export of animals and animal products, which have always constituted the bulk of the Irish export trade. In the years 1934-40, exports of cattle and dairy produce amounted to 45.6 per cent of total exports and to 58.8 per cent of total agricultural exports. Since the establishment of the Department of Agriculture in the year 1900, great attention has been paid to increasing the output and improving the quality of Irish livestock products. As a result of the activities of the Department and of the legislation regarding the breeding of livestock and the manufacture and packing of dairy produce, great advances have been made. The possibility of further improvement has been investigated by the Committee of Inquiry on Post-Emergency Agricultural Policy, which has recently issued an interim report on the subject.

This committee found that a very great improvement has taken place in the quality of Irish store cattle, particularly in regard to their potentialities for beef production. A corresponding improvement has not taken place in dairy cattle, as is shown by the failure of milk yields to rise. The average milk yield in the whole country is about 400 gallons, which is insufficient to render production profitable, either for the export trade or for the home market. The main cause of the low milk yield is stated to be inadequate feeding, both in quantity and quality. Adequate feeding alone would raise the milk yield by at least 150 gallons per annum. Breeding, as well as feeding, is of course important. The committee therefore recommends that breeding policy should be directed more specifically to the production of cattle of higher milking strains. The elimination of bovine diseases and the provision of better housing would also help. The committee is not in favour of departing from the dual-purpose shorthorn breed. The fact that Irish agriculture has to pay equal attention to beef and milk production creates problems absent in purely dairying countries such as Denmark.

In making detailed recommendations regarding breeding special attention is directed to the development of cow-testing. Of the total number of cows in the country, only 4.2 per cent are being tested for yield of milk and butter fat. Yields have shown very little improvement in the last 15 years. The principal factors which have militated against cow-testing are stated to be, first, the low plane of nutrition; second, the retention in dairy herds of very low-yielding animals; and, third, the conditions of employment of cow-testing supervisors. The committee recommends that payment of fees to cow-testing associations by farmers should be discontinued and that a levy should be made on all milk delivered at creameries at the rate of twopenny per hundred gallons. The annual proceeds of this levy would amount to about £15,000. The state should provide double this amount and the total thus realised should cover the total cost of the cow-testing scheme. The cow-testing associations should, in future be known as dairy cattle improvement associations, and should be responsible for the improvement of the dairying industry in every respect.

The Beef Industry

Beef production has in recent years been faced by intensive competition, owing to the advance in chilling and refrigeration in overseas countries. The fat cattle subsidy paid to British farmers applies to cattle imported for fattening, provided that they are at least two months in the country before being offered for sale as fat animals. The subsidy on fat cattle is, however, less than on home-bred animals. This British subsidy has affected the Irish cattle trade in several ways. There is an increased demand for forward stores requiring the shortest time to fatten on British farms. This concentrates demand upon the better quality of store cattle, with the result that many cattle which were formerly exported as young stores or as calves are retained in the country for a longer period. The demand

for the food- and fodder-producing resources of the country is therefore increased. There has recently been a severe slump in the market for cattle not suitable for export. Large number of calves are being killed and their carcasses sold at completely unremunerative prices. The committee recommends that the present policy regarding beef breeds should be continued and that the standard for the licensing of bulls of the beef breeds should be progressively raised. It is further recommended that consideration should be given to the compulsory dehorning of all male calves which are not to be used for breeding purposes. The absorption of a possible surplus of calves in the future by the development of a trade in veal should be considered.

Improved breeding will not raise the milk yield without proper feeding. Even the most efficient factory must have adequate raw material. The lack of winter feeding is producing devastating results both on dairy and store cattle. The Irish dairying industry is extremely unbalanced throughout the year, comparing in this respect most unfavourably with its Danish rival. A better distribution of the existing food consumed would in itself be beneficial, but there is also need for additional food. The committee states that:

A radical change in grassland husbandry is required so as to produce better grazing over a longer period of the year, and during winter to make available, in the form of silage and high-quality hay, a considerable portion of the grass produced so abundantly in summer. In addition, or as an alternative to silage, green forage crops and roots must be used more extensively. Cattle are specially suited by nature for the conversion into human food of pasture, silage, hay, roots, straw and green forage crops, and on the maximum utilisation of these farm-produced foods together with a proportion of cereals and other home-produced concentrates the economic production of milk, store cattle and beef depends.

The technical problems involved in securing this extra supply of food for livestock will be considered by the committee at a later stage and will form the subject of a separate report.

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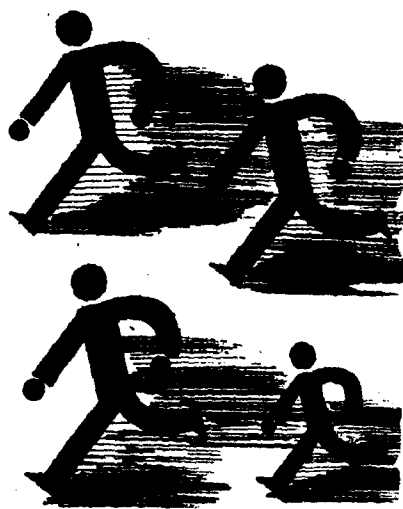
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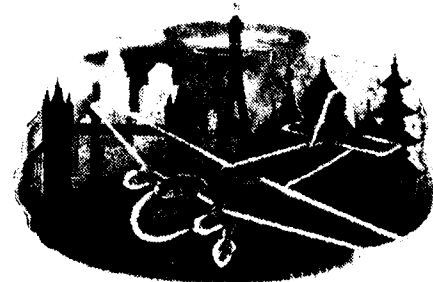
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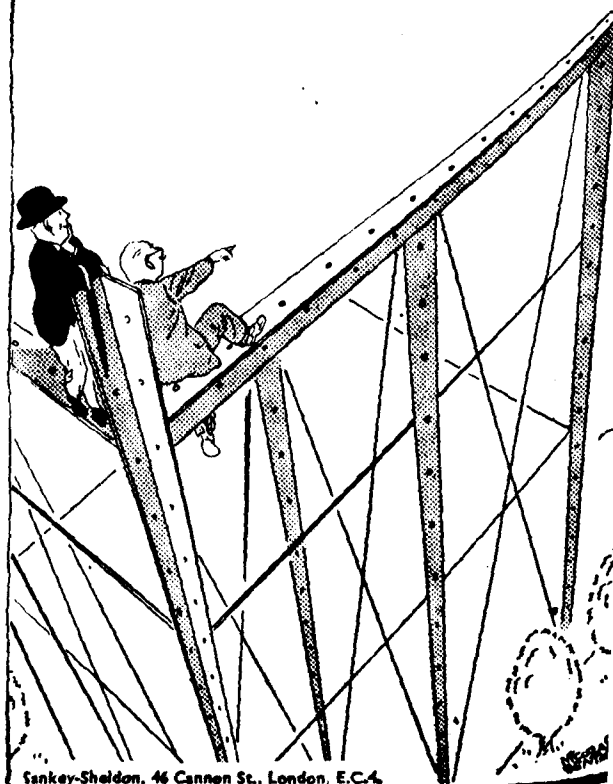


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THE BUSINESS WORLD

Railway Charges

THE feature of the railway meetings has been the preliminary warning, given by the chairmen, that the railways will have to increase their fares and charges after the war. At present they are very prosperous—except that the prosperity accrues to the Government, not to the shareholders. But the prosperity arises entirely from the abnormally large war-time volume of traffic. The prices that the railways pay for labour and materials have increased by more than 50 per cent since 1939; their charges, on the average, by only 15 per cent. The railway companies are clearly anxious to make it known that, when traffic falls to more normal proportions, they will not be able to support this disparity between what they pay and what they receive. Charges will have to be raised to meet the higher expenses.

Those who like to have the story in facts and figures will find it summarised in the accompanying table. Between 1937 and 1943 the combined gross receipts of the controlled railways and of the London Passenger Transport Board rose by nearly 90 per cent; as the average increase in charges since then has been only a fifth (5 per cent in October, 1937, 10 per cent in May, 1940, and 6½ per cent—excluding certain traffics—in October, 1940), the volume of traffic must have risen by about two-thirds. Expenditure, on the other hand, rose by only 67 per cent between 1937 and 1943, despite the marked advance in the price of labour and materials. Consequently, the excess of gross receipts over expenditure in 1943 was two and a half times that of 1937 and nearly twice the famous "standard" revenue laid down in the Act of 1921. Since the income of the railways has been fixed for the war years by the agreement with the Government which came into operation at the end of 1940, they did not benefit from this increase in revenue; in 1943, the Government's share of the revenue—eyed with some envy by the railways—substantially exceeded that of the railways themselves. Although statistics for 1944 have not yet been published, the scissors of gross receipts and expenditure probably began to close again in that year. Traffics have reached their peak, while expenditure is probably still rising. This, as much as the approach of peace, may explain the chairmen's anxiety to ventilate the matter. None of the railway chairmen has ventured to name the rate of increase in charges that they consider necessary, though Sir Charles Hambro, of the Great Western, said that

on the quantum of traffic which we carried in the years immediately preceding the war, the pre-war level of our charges would have to be raised by about 50 per cent to cover the increased costs and yield the pre-war net revenue, and by about 60 per cent to give us our "standard" revenue.

In an attempt to sort out the figures, it has become customary to go back to 1937—when the volume of traffic was above that of an average of pre-war years—and to assess the increase in charges that would be necessary to produce the net revenue of that year if costs remained 50 per cent above the pre-war level, while the volume of traffic sank back to that of the pre-war year. (The year 1937, it should be recalled, was an exceptionally good pre-war year, for which revenue was almost as high as the fixed war-time income, though it was well below the "standard" revenue of old but persistent memory.) In 1937, the expenditure of the railways and of the LPTB was £163 million; with a 50 per cent increase in costs it would have amounted to £245 million. On the other side of the account, gross receipts were £202 million; at present rates and fares they would have been £240 million. In other words, gross receipts would have fallen £5,000,000 short of expenditure and £44 million short of the amount required for the maintenance of net revenue at the level of 1937. To bring gross receipts up to the required amount—that is £284 million—fares and rates would therefore have to be raised by about 18 per cent above the present level. The overall rise in charges since October, 1937, would then be about 40 per cent, a figure which is still slightly below the average rise in the general price level, and below that calculated by Sir Charles Hambro from a different set of assumptions.

The question is, first, whether this is a sound basis of calculation and, secondly, whether it is a rational approach to the problem.

There is reason to believe that, exceptional though the year 1937 may have been in the thirties, the volume of traffic in the post-control period may be higher, especially if control is maintained during the difficult period of reconversion. (The agreement between the railway companies and the Government provides that control is to be continued for a minimum period of one year after the cessation of hostilities; but the Parliamentary Secretary to the Ministry of War Transport, Mr Noel-Baker, stated last December in the

RECEIPTS AND EXPENDITURE OF THE CONTROLLED RAILWAYS AND LPTB FOR 1940-1943, COMPARED WITH 1937

(The Railways include the four Main Lines and six Minor Railways)

	1937 (Estimated)	1940	Index 1937 = 100	1941	Index 1937 = 100	1942	Index 1937 = 100	1943	Index 1937 = 100
	£	£		£		£		£	
Gross Receipts:—									
1. Passenger	105,869,000	104,785,000	98.98	132,106,000	124.78	163,544,000	154.48	186,281,000	175.95
2. Freight	94,550,000	140,498,000	148.60	158,826,000	167.98	176,658,000	186.84	190,908,000	201.91
3. Miscellaneous	1,664,000	2,709,000	162.80	2,903,000	174.46	3,285,000	197.42	4,490,000	269.83
4. Total Gross Receipts	202,083,000	247,992,000	122.72	293,835,000	145.40	343,487,000	169.97	381,679,000	188.87
5. Expenditure	163,256,000	203,480,000	124.64	226,636,000	138.82	251,715,000	154.18	272,247,000	166.76
6. Net Receipts	38,827,000	44,512,000	114.64	67,199,000	173.07	91,772,000	236.36	109,432,000	281.85
7. Other Items of Receipts and Expenditure included in the Pool (net) (Steamships, docks, hotels, collection and delivery of goods, rents, interest and other items)	3,385,000	Dr. 1,749,000	51.67	Dr. 2,074,000	61.27	Dr. 2,646,000	78.17	Dr. 3,864,000	114.15
8. Net Revenue of the Pool	42,212,000	42,763,000	101.31	65,125,000	154.28	89,126,000	211.14	105,568,000	250.09
9. Government Share	•	•	•	21,656,000	•	45,657,000	•	62,099,000	•
10. Controlled Railways and LPTB Share	•	•	•	43,469,000	•	43,469,000	•	43,469,000	•
11. Net Revenue accruing to the four Main Line Railway Companies and LPTB (including non-pool items)	43,265,000	43,419,000	•	44,606,000	•	44,977,000	•	44,994,000	•
12. Standard Revenue	56,900,000	56,900,000	•	56,900,000	•	56,900,000	•	56,900,000	•
13. Capital Receipts	1,211,400,000	1,211,400,000	•	1,211,400,000	•	1,211,400,000	•	1,211,400,000	•
14. Net Revenue (accruing to the four Main Line Railway Companies and LPTB) per cent of capital receipts	3.57%	3.58%	100.28	3.68%	103.08	3.71%	103.92	3.71%	103.92
15. Net Revenue (accruing to the four Main Line Railway Companies and LPTB) per £ of gross receipts ..	4s. 3d.	3s. 6d.	82.35	3s. 0d.	70.59	2s. 7d.	60.78	2s. 4d.	54.90

* Present agreement operated from December 31, 1940.

House of Commons that this period is more likely to be two years than one). On a very modest set of assumptions, the national income may well be some 10 per cent higher after reconversion than before the war; on more sanguine—but still justifiable—assumptions, it would be about 20 per cent higher. If, for the sake of argument, it be assumed that the volume of traffic will show a roughly proportionate increase, the picture changes. A volume of traffic 10 per cent higher than that of 1937, would have yielded gross receipts, at the level of charges in that year, of £222 million; a 20 per cent increase would have lifted them to £242 million. With present charges the lower figure would become £264 million, and the higher one £288 million. True, costs would go up, too, but in nothing like strict proportion to the rise in the volume of traffic. Assuming a rise in costs half that of the increase in traffic—this may be an underestimate—they would amount to £257 million, with a volume of traffic 10 per cent higher, and to £269 million, with one 20 per cent higher. On the smaller assumption of the prospective rise in the volume of traffic, the amount to be found to maintain the net revenue of 1937 would be £32 million, and on the bolder assumption it would be only £20 million.

All this, of course, is mere playing with figures. Although it seems reasonable to assume that the volume of railway traffic will be higher after reconversion than it was before the war—unless there is another marked shift in traffic in favour of the road—the nature of the traffic may be different. About the level of wages and material costs two or three years hence, it is equally difficult to make precise assumptions at this stage—that is to say, assumptions that would justify serious calculations about the relation between gross receipts and expenditure two or three years hence. A further rise in the price of labour and materials might throw all calculations out of gear.

Nor is this approach to the problem necessarily a rational one. Presumably the railway companies, like other enter-

prises, are anxious to maximise their profits. And since, on the average, their costs rise less than proportionately to any increase in traffic, their profits increase—given their existing capacity with an increase in the volume of movement. (The war years have given the most sensational proof of this principle.) A rational policy with respect to charges must therefore take account both of the elasticity of demand for transport in general, and of the proportions of the whole that can be secured by road and rail. It is quite conceivable, and even probable, that, by comparison with pre-war cost relationships, the railways will be more favourably placed than the road transport industry. For example, the expenditure of road operators contains a bigger element of prime costs than those of the railways. It is an advantage, in a period of rising prices, to have a heavy burden of fixed money charges. Or, again, petrol, an important item in road costs, is unlikely to be cheaper. By pursuing a bold—and low—price policy likely to attract traffic, the railways might, therefore, possibly gain more than by one that sets out in advance to achieve a given net revenue by raising charges in accordance with some rigid formula based on past experience. It may be that the railway companies have become so accustomed to the diversion of traffic from rail to road in times of peace that they can no longer visualise the possibility of a movement from road to rail.

It is, of course, quite conceivable that the railway chairmen are merely preparing the ground for a rise in charges as a matter of precaution, and that they have no real intention of pressing for so large an increase. Some increase may well be necessary, and it will be more readily accepted if it falls below expectations. It may also be, on the other hand, that they are thinking in terms of something very different from the pre-war revenue, possibly the "standard" revenue. The present stage is merely that of tuning up the instruments. What tune is to be played has not yet been disclosed.

Standard Production

A VEIL of secrecy hangs over the efficiency of British industry. There are no efficiency statistics. Even the methods for compiling such statistics have not been fully worked out. Sometimes some corners of the veil are lifted, as by the Report of the Cotton Textile Mission to the United States. The Report caused something of a sensation. It showed that the gap between American and British production per man hour is not only large, but widening; and not only widening, but widening at an increasing rate. Similar information about the coal industry has been collected but not published. Fragmentary information about a number of other industries exists and, though incomplete, points in the same direction.

It is, of course, true that not all American industry is highly efficient, nor all British industry inefficient. There are large sectors in the American economy where efficiency is low and living standards are poor. The *per caput* income of the United States in 1934-5 was only 7 or 8 per cent higher than that of the United Kingdom; in 1937 it was 10 per cent higher, and at present it may easily be as much as 30 or 40 per cent higher. Relatively higher unemployment in America is part of the explanation of the small difference in the earlier years, but the main reason why the superior productivity of American industry is not reflected in an equally higher figure of *per caput* income lies in the fact that Britain had about 45 per cent of her workers in industry, compared to only about 25 per cent in pre-war America. If the comparison is restricted to manufacturing industry alone, the superiority of American productivity per man-hour of labour is very large. What is it due to?

Some new light is thrown on this question in a recently published book* by Mr Lewis C. Ord, a consulting engineer with wide experience of production in the United States, Canada, Australia and the United Kingdom. Mr Ord has many shrewd things to say about British methods of production, few of them palatable. He insists that it is mass production, above everything else, where America scores and Britain loses. But

mass production is not merely a mechanical means or part of a system of factory operation which enables work to be produced more cheaply than in any other way. Factory layout, system and methods of operation are only a part, and often a small part, of the methods of business management and of

company policy which must all be combined to produce really efficient mass production.

Without steadily rising volume of work there is not likely to be the falling costs, the rising confidence, the readiness to adventure and to spend so necessary to achieve the highest results.

The fight for volume is the main characteristic of modern American industry. Large output with small profit margins is felt to be a more secure and more defensible basis for high profits than high margins on a small output.

Even more important to the success of mass production than great volume is lack of variety. American firms did not achieve that great output of a single product, without change of design or type, which has been the foundation of their greatest success, merely by realising its value and desirability. Their customers, whether the public or other companies, wanted variety. They disliked the obvious limitations of standardisation. They would only drop their insistence on variety at a price. It was only by reducing the price of the standardised article so far below the price of variety that customers were won over. Where the public and the trade demand variety; where the profit margin is high and variety is catered for in generous measure, real mass production is quite impossible.

There can be little doubt—although Mr Ord refuses to admit it—that the American development of mass production has been assisted, if not made possible, by the large, protected home market which the United States possesses, and that the relative inferiority of British industry is partly due to the relatively much smaller "free trade area" represented by the British home market. A large market often has room for a large number of standardised products, combining the advantages of standardisation with those of variety. But it would be dangerously complacent to argue that this applies to all lines of production.

Nor does this argument explain the high efficiency attained by many industries in Canada and Australia, and in other countries with much smaller protected markets than are open to British industry. There can be no doubt whatever that, even after the different size of the market is allowed for, American industry has pushed standardisation very much further than British industry—that, in fact, the British manufacturer frequently imposes upon the public a degree of variety that is utterly uneconomical, satisfies no genuine consumers' wish, and restricts even further the volume of sales possible within the British home market by the high prices it causes.

The American National Bureau of Standards published

some years ago a "Circular Letter" setting out the reduction of varieties effected by standardisation. The most frequent percentage reduction quoted ranges from 80 to 90 per cent—that is to say, the number of varieties before and after simplification were as 8 or 9 to 1. Every type of product can be found on the list, with a high preponderance of production goods, tools and materials. To say that standardisation necessarily limits consumers' choice is erroneous. There is a wide field for it in respect of articles used for production rather than for direct consumption.

This simplification is the essential pre-condition of efficient mass production. The savings it effects are only partly savings in the amount of "productive" labour required for a given output; they are mainly savings in "unproductive" labour:

To the manufacturer: Less capital tied up in slow-moving stocks, simplified inspection requirements, longer runs with fewer changes, less idle equipment, less stock to handle, larger production units, less special machinery, more prompt delivery, less chance of error in shipment, and less obsolescence in material and equipment. To the jobber, wholesaler, and retailer: Increased turn-over, elimination of slow-moving stock, staple lines—easy to buy and quick to sell—greater concentration of sales effort on fewer items, decreased capital invested in new stocks and repair parts, less storage space required, and decreased overhead and handling charges. To the consumer: Better values than otherwise possible, better service in delivery and repairs, and better quality of products.

This is also Mr Ord's principal thesis. The greatest achievement of American production methods is the reduction of overhead costs and of all costs arising out of "unproductive" labour. About Ford's mass production methods he says this:

The new motor-car assembly line contained only one new principle which was an advance, production-wise, over its freight-car assembly line predecessor—continuous movement. The reduction in overhead charges was enormous. The material handlers had literally disappeared out of the shops. . . . All the paper controls were dropped. . . . No tickets were issued. . . . There was no piecework. There was no detail costing. . . . There was no inward store, no sub-store, no finished part stores. There were no truckways, trucks or truck drivers. There were no material racks, containers and shelving for production material. There were no production stores attendants. There were no job cards, time cards or move cards. One man could run the whole production control for one shop. There were no machine change-overs and machine setters once the job was under way.

In England, Mr Ord and his colleagues found "an almost universal belief that as efficiency of production improved overhead charges must go up." But his thesis, on the contrary, is that "mass production was devised to prevent overhead charges from rising in such circumstances," and could usually lower overheads per unit of output. That is, in his view, the secret of the successful firm—something more than just the physical machines, plant, layout and method of manufacture. "The machines, the tools, and all the equipment may be purchased anywhere. The layouts and the methods may be copied by anyone wishing to visit them." Machine cutting-time cannot be reduced to make the difference between failure and success. Other costs have to be reduced.

A check of a dozen British motor firms, twelve or fourteen years ago, disclosed the following condition. Not including advertising, sales or service departments, for every hundred productive workers these firms employed from a low of 35 to a high of 140 non-productive personnel. . . . A check of some American motor firms made about the same time and on the same basis approximated 25 non-productive personnel to each hundred productive workers.

To achieve this is the really difficult job—"a much greater strain on the knowledge and experience of management" than the mere introduction of new machinery. "Is it surprising," he asks, "that such (successful) firms do not disclose how low a non-productive ratio they have achieved nor the means by which it was attained?"

There are thus two essential conditions for real productive efficiency. One is standardisation and, with it, an organisation of the distributive mechanism that ensures, through the "bulking" of orders, continuous production processes without an undue amount of re-setting for variety. The other is scientific management inside the factories. Along both these lines a large part of American industry has achieved outstanding successes. To attain the conditions for repetitive mass production within the relatively smaller British market, a high degree of conscious

* National Bureau of Standards, Letter Circular LC 501, September 3rd, 1937. Cf. also Temporary National Economic Committee Monograph No. 22, "Technology in Our Economy," pp. 225-27. (Washington 1941.)

organisation may be required. The close connection between size of market and efficiency of production also suggests that new methods may have to be tried in the organisation of the export trade, so that export markets may become more nearly equivalent, in terms of risk and predictability, to the home market. The introduction into wider sectors of British industry of scientific management is long overdue, and its delay represents one of the major failures of private enterprise in this country. More efficient management, as the American example shows, tends also to improve, not merely working pace, but, what is more important, working morale. "Because of better leadership," says Mr Ord,

working men of British birth and training now living in the United States work better for higher wages, enjoy a higher standard of living and are happier under that system than are British workers in their homeland. . . . No other country has men who take greater pride in their work or who are easier to work with. Britain is fortunate in her working men.

But on the quality, energy, enterprise, training and method of selection of men for leading positions in British industry, Mr Ord has not much to say that is positive and reassuring. His general dictum that the superiority of American industry is primarily due to the fact that "the United States alone of all the great industrial nations has striven to keep her industries sharply competing"—that it is due, in other words, to the American Anti-Trust legislation—has considerable truth in it, but not enough (in view of what has become known about monopolistic practices in America) to bear the weight that Mr Ord puts upon it. But it is none the less certain that American firms do compete much more vigorously amongst themselves than British firms; that American private enterprise is more daring and aggressive, more prepared to try new methods, both of production and of distribution. Explanations for this discrepancy can no doubt be found that are not wholly discreditable to British industrialists. But the discrepancy cannot be explained away. And the future of Britain will largely depend on its reduction or elimination. Mr Ord himself is no pessimist: "Perhaps I am, biased when I say that British industrial efficiency can once more be made equal to any other. I believe it to be not only possible, but urgent and necessary."



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* "Secrets of Industry," by Lewis C. Ord, with an introduction by Sir George Usher. Allen and Unwin. 8s. 6d. net.

Business Notes

Anglo-Swedish Monetary Agreement

The main purpose of the financial agreement concluded this week between the British and Swedish Governments is to re-establish more normal economic and financial relations between the two countries. Its chief advantage for Great Britain is to make possible, during the difficult years after the war, an import of goods from Sweden in excess of British exports to that country. Great Britain will need substantial imports of materials, such as timber and timber products, including prefabricated houses; but—and this is by now commonplace—it is short of gold and foreign exchange and will require some time to raise the volume of its exports to a level at which it can balance its accounts with other countries. (Since the outbreak of war, and especially since the spring of 1940, Great Britain has financed its adverse balance of trade with Sweden with gold; this, obviously, has hitherto been more satisfactory than a credit arrangement that would presumably have been extended to Germany to avoid discrimination between countries at war.) Sweden, in its turn, will benefit from the agreement; the country will be able to resume more normal transactions with the sterling area and to import commodities it requires from that area. Sweden is badly in need of coal and oil, though, for a period, it may be difficult to meet these requirements to the full. Discussions between the two countries are proceeding to ensure a speedy revival of trade.

Technically, the new agreement is analogous to that concluded by this country with Belgium. There are some special features. No ceiling has been fixed to the amount of sterling Sweden can hold—or to that of Swedish currency Great Britain can hold—though, in practice, Great Britain will presumably confine its imports from Sweden to essentials. Sweden, in turn, can use its sterling holdings to finance imports, not merely from Great Britain but also from other members of the sterling area. Further, the rate of exchange between the currencies of the two countries has been fixed at Kr. 16.90 to the pound sterling; capital transfers that “do not serve direct economic or commercial purposes” are to be prevented. The agreement, which is subject to review and adjustment, is to run for five years—unless previously terminated—with effect from January, 1945; there is nothing in it that would preclude it from being fitted into a world agreement.

Quoter Markets

Far from showing the hoped-for broadening, as a necessary prelude to more active conditions, the volume of business in the stock markets this week has tended to fall off. The undertone is still described as very firm, but large investors are finding the task of estimating the remaining duration of the European War as difficult as ever, and are even more reluctant to take chances than they were before the Allied advance to the Rhine began. Price movements have been of the isolated “news headline” kind, with some demand for brewery shares and to a lesser extent for stores shares, on presumably favourable earnings prospects. Gilt-edged have been slightly reactionary, while home rail stocks have disappointed their sorely-tried supporters by their stoic refusal to show any appreciably favourable reaction to voices from Euston. King's Cross and Paddington prophesying higher post-war fares.

Prices as a whole have been holding up well. The latest figures of the Actuaries' Investment Index, indeed, which carry the story to the penultimate day of February, and are analysed on page 328, show that the trend of almost all markets is still upward. Progress which is almost invisible viewed from day to day, becomes satisfyingly perceptible when measured over the last month. Between the end of January and of February, for example, the Actuaries' Index (December 31, 1928 = 100 throughout) of 2½ per cent Consols prices rose from 146.4 to 147.5, while the Ordinary Share Index for industrials of all classes rose from 86.4 to 87.0. The greatest beneficiaries from February's markets were building materials shares (with an improvement from 101.5 to 104.0), electrical manufacturing (173.6 to 175.4), oil shares (96.8 to 99.0) and stores and catering shares (90.1 to 93.6). Clearly, it is difficult for even a jaundiced eye to read into this any suggestion that a “bear market” now prevails. In fact, there appears to

be nothing wrong with underlying conditions, except the extreme disinclination of professional investors—who, as distinct from day-to-day private buyers, are the markets' standby—to make up their minds about what the relatively near future may bring.

Shipping Replacement Costs

The British merchant navy will have to make a large claim on the nation's savings after the war if it is to replace its obsolete and worn-out tonnage and to make good war losses.

Some four years ago Sir Amos Ayre, who has long been intimately connected with shipping problems, suggested that 13 million gross tons of shipping would have to be built within ten years if the British merchant navy were to maintain its efficiency. He estimated that, at pre-war prices, this would involve an expenditure of about £300 million. Since shipbuilding costs have virtually doubled, the cost at present prices would amount to the huge sum of £600 million.

At the end of 1943, the actual deficiency in tonnage, in terms of vessels of 1,600 gross tons and over, was about 4,000,000—that is to say, after allowing for ships returnable to other flags, the gross tonnage flying the British flag was down from 17½ million to 13½ million. A programme of 13 million gross tons would thus include 4,000,000 tons for losses and some 9,000,000 tons for replacement. It is probable that the calculation made by Sir Amos will need revising in the light of present facts; indeed, a fresh estimate of the new tonnage needed to restore the size and efficiency of the merchant navy should be prepared—if it has not already been prepared—as soon as possible.

The problem of reconstituting the merchant navy has two aspects: First, shipowners may not be able to finance the programme without assistance; secondly, the heavy claims upon the national savings of a programme of speedy reconstruction—and there are many other claims—nor merely underlines the need for devoting to physical capital a bigger proportion of the national income than before the war, but also that for planning a combined programme of capital expenditure and for ensuring that the requisite proportion of the national income is made available for its fulfilment.

Stock Exchange Council Ballot

The feeling of many Stock Exchange members, on reading this week's announcement of a ballot on March 20th to appoint thirty ordinary members of the new Stock Exchange Council, must have been that the more the “House's” constitution changes, the more its elections are the same thing.

During the Stock Exchange year now closing, the proprietors have taken the first steps towards a revolutionary change in Stock Exchange governance, which promises, ultimately, the complete extinction of the dual control system, under which the trustees and managers were responsible for finance, and the Committee for General Purposes for the regulation of dealings on the Floor. From March 25th there will be a single Stock Exchange Council of 39 members (to be reduced to 36) on which the personnel of both the former bodies will serve, though the representatives of the quondam trustees will still enjoy separate powers analogous to those they exercised in the past.

But the ballot for the “ordinary” members follows wholly traditional lines. As before, thirty members are to be elected. Ballot papers will contain the list of candidates in alphabetical order with members of the retiring Committee for General Purposes distinguished by an asterisk. Members will have to put a cross against a minimum of twenty-five names if their voting papers are to be valid. Many members will, as usual, find that they know personally only a minority of the gentlemen indicated, and will fill in the rest by one or other variant of the theory of chance. In point of fact, this first election of the new Council is the last to which the old balloting method will apply. Subsequently, only one-third of the ordinary Council members will retire each year, and the maximum number to be elected at any one time will be ten—and, later, nine

Courtaulds' Earnings

There is a welcome loquacity about the preliminary statement of Courtaulds' profits for the calendar year 1944 which should please, among others, the Stock Exchange authorities who have lately been doing their best to educate companies in the virtues of frank and adequate disclosure in such statements.

Profits before taxation were £3,202,434, compared with £3,687,422 for 1943. Of the reduction of £484,988, some £348,281 relates to trading profit, and is very largely due to the reduction (last March), with the approval of the Board of Trade, of selling prices of viscose rayon staple. Wartime controls have prevented the increased volume of production and sales which otherwise would have restored the position. The remaining £136,707 of reduced trading profit is attributable to a drop in investment income following a recent and temporary setback in the profits of a subsidiary company whose position, it is stated, is now considerably improved.

Taxation takes 71 per cent of the profits, against 69 per cent in 1943. Large as the proportion is, from the company's viewpoint it has its compensations, since the decrease in trading profit is absorbed by the EPT “cushion,” and does not affect the amount available for stockholders. Actually, the balance of profit for 1944 available for dividend purposes is only £924,183, against £1,133,123 for 1943, representing earnings of slightly over 6 per cent on the ordinary capital—on which an unchanged total distribution of 7½ per cent is being paid. The directors declare that a substantial provision in the accounts for deferred repairs and renewals to properties, plant, etc., has been disallowed as an expense under the present income-tax regulations. As and when the corresponding expenditure is actually incurred, however, it will be allowable, and for that reason the directors feel justified in drawing on the carry-forward for £175,817 to maintain the ordinary dividend.

Altogether, the Courtaulds' statement can be taken as illustrating, in a converse way, the moral brought out some weeks ago by the British Celanese statement—that in these days of high taxation mere distributable profits figures (and, even more, mere rates of dividend) may give a wholly misleading impression of changes in earning power unless they are supplemented by detailed figures of tax transactions. Far from being a “bear point” for Courtaulds' stockholders, the company's experience in 1944 is of definitely good augury. The amount of the disallowed deferred repairs provision will be recouped in future years (subject to any intervening change in the standard rate of income-tax), while in the matter of viscose rayon staple selling prices the company appears to have had decidedly the best of it in its relations with the authorities. The step, which is in line with the company's long-term policy, should bring increased sales when controls are lifted. Meanwhile, the financial impact falls, not on stockholders, but on the Treasury, which is collecting less, *pro tanto*, from the company in EPT.

Lend-Lease Aid for France

An agreement recently concluded between the United States and French Governments will enable France to obtain badly-needed materials and equipment on special terms. It is reported that the agreement includes two schedules.

First, the United States is to supply France with primary products for manufacture into munitions and into goods for civilian consumption on lend-lease terms. After the termination of lend-lease deliveries the French Government will be able to take over any stocks remaining in the country; their purchase is to be financed by a 30-year loan to the French Government, carrying interest at the rate of 2½ per cent.

Secondly, the United States is to supply France with capital equipment. There is to be a cash payment of 20 per cent of the price of such equipment; the remainder will be financed by a 30-year loan, on the same terms as the purchase of materials under the first schedule.

The chief problem, as M. Jean Monnet pointed out last week in Paris before his departure for the United States, is now to secure a bigger shipping tonnage to carry supplies to France.

Building Societies in 1944

The accompanying table gives comparative statistics, for 1943 and 1944, for the results of some 90 building societies, whose combined assets are equivalent to about three-quarters of those of the movement as a whole. The outstanding feature of the results is the doubling of advances on mortgage during the past year; this is a reflection, not so much of an expansion in new building as of a higher rate of transfer of the ownership of existing houses. Advances made by the building societies as a whole

RESULTS FOR 90 SOCIETIES

	1943	1944	+ or -
Advances on mortgage.....	20,196,881	40,200,200	+ 20,003,319
Mortgage assets.....	437,360,053	427,541,706	- 9,818,347
Investments and cash.....	153,283,601	184,692,374	+ 31,408,773
Other assets.....	5,989,312	6,459,866	+ 470,554
Total assets.....	596,632,966	618,693,946	+ 22,060,980
Reserve funds.....	37,198,153	38,379,244	+ 1,181,091

probably totalled about £50 million; this is still only a third of those made in the best pre-war years, but it is five times as high as in 1941. Mortgage assets showed a further, though much smaller, decline than between 1943-1944, when the fall was £23 million; for the 90 societies the fall was equivalent to about half the increase in the volume of new advances.

Swedish Shipyards

Compared with the position at the end of the last war the capacity of the Swedish shipbuilding industry has virtually trebled. (The tonnage of merchant ships of 100 gross tons and over launched in 1938—the highest recorded up to that year—was 166,000.) This increase has been achieved more through modernisation of shipyards and shops, provision of modern machine tools and a general rationalisation than through an increase in the number of building berths. The most far-reaching modernisation work was necessitated by the introduction of electric welding in the yards, which demanded far more space both in the workshops and around the berths, a different stock of machines and more powerful lifting gear at the berths and in the welding departments. For vessels of the larger type, that is over 5,000 deadweight tons, the number of berths increased from 14 to 25, and a small number of additional berths are planned or are under construction. In the end the physical capacity rose by 50 per cent. The largest Swedish yards are at the moment working at only 50 per cent of their capacity.

Shipbuilding orders in hand are substantial. Yards constructing larger ships could have their berths occupied until the beginning of 1948, which is a record. But anxiety about obtaining materials clouds the picture, for requirements are not covered with certainty beyond the summer of this year. Allocation of domestic steel for the shipbuilding industry is small. In the four years 1940-43 the industry secured in all 250,000 tons of steel, equivalent to 62,500 tons a year, compared with a normal annual consumption of 100,000 tons in the inter-war period and 150,000 tons which could be used if capacity were employed fully. Of the 250,000 tons only about 90,000 came from Swedish steelworks. If the raw material problem cannot be solved before current stocks are used up there may be serious difficulties next summer. Repair works could be carried on with much smaller supplies than new construction. The industry hopes for a good flow of repair work after the war, as that part of the Swedish merchant fleet strenuously engaged in traffic outside the blockade during the war would need a thorough overhaul.

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The outlook for the Swedish shipbuilding industry will largely depend on factors outside its control, for it is heavily dependent on foreign orders; but it is confident of building ships of specialised types, that is, fast liners, fruit carriers and tankers.

Cotton Yarn Shortage

Discussions about the prospects for the clothing ration when the next allocation of coupons is due have drawn attention to the inadequate output in the spinning of yarn. Current cotton yarn production covers only about two-thirds of requirements, limited though these are to war needs and, on the civilian side, by rationing. The Cotton Controller had hoped that output would be raised by the working of four hours' overtime a week during the summer months, as was done last year. A ballot among the 90,000 or so workers has, however, turned down the proposal by an overwhelming majority.

While at first sight it is tempting to condemn the refusal of spinning mill operatives to raise their hours to 52 a week, it must be remembered that their average age is high, and a large proportion of them are married women with domestic responsibilities. It is possible that the gravity of the situation was not sufficiently stressed. Another attempt might be made to induce the operatives to work longer hours, possibly for fewer months than was originally contemplated.

Meanwhile, other more determined steps must be taken to increase yarn output by drafting workers into the mills. The labour force six months ago was only 60 per cent of that of 1939. The registration of women ex-cotton workers of the autumn of 1943 and other measures have been insufficient to offset normal labour wastage. The Minister of Labour recently said that measures "are in preparation for augmenting the number of workpeople in the spinning section of the cotton industry." These measures must be pursued with speed and vigour, to widen the spinning bottleneck. The time-lag between spinning yarn and production of finished garments is so long that unless more labour is immediately found for cotton spinning the consequences for war needs, civilian clothing and the export trade will be lamentable. Unless the position in the other textile trades is carefully watched, they may possibly find themselves in the same boat as cotton.

Gas Companies

The publication of the accounts of gas companies, which has been prohibited for four years for security reasons, has now been resumed. The accounts for 1944 of four companies which operate in and around London all tell a sad tale of wartime difficulties, created by bombing and evacuation, although the varying extent to which this has affected their financial position is indicated by the following table:—

	Ordinary Dividend				1944 Sales of Gas as percentage of 1938 Sales
	Average 3 years 1936-38	1941	1943	1944	
South Metropolitan	5.5	Nil	3	2	77
South Suburban	6	4	5	5	92
Commercial Gas	4.8	Nil	Nil	Nil	58
Gas Light & Coke	5.6	Nil	4	5	†

† Not available.

Gas sales as a whole have picked up from their very low levels of 1940-41, and two of the companies have resumed dividend payments on something approaching a pre-war scale. The Gas Light and Coke Company, which normally serves a population of about 4,600,000 living in an area stretching from Windsor to Southend, is easily the largest of the four companies. Last year, its governor, Sir David Milne-Watson, mentioned the company's success in recovering from the difficult position in which it found itself after the blitz. But the Commercial Gas Company, which covers a highly industrialised area of the East End that has suffered extensively from bombing, is not only unable to resume dividend payments, but shows a deficit on carry forward of £368,000 for 1944, compared with a credit of £7,000 for

1939. By contrast, the South Suburban reports an increase in its industrial load.

The gas companies are faced with a rise in costs, which for the future will be more important than bombing problems. Two companies report that the cost to them of coal, a major item in total costs, has more than doubled. The rise in coal costs has, of course, equally affected electricity undertakings. One gas company puts the rise in labour costs at 40 per cent, and mentions that the quality of labour has deteriorated. Against this, the prices charged per therm of gas are in the neighbourhood of 14-16d., against pre-war prices of around 10d.-12d. These prices are controlled by the Government, and some resentment is felt that greater increases have not been allowed. The chairman of Commercial Gas, Mr Jones, points out that his company has in effect subsidised the sale of gas at prices well below cost.

The gas industry, in common with all public utilities, has still not been told the Government's intentions with regard to war damage. It is impossible to gauge how well placed the companies are for undertaking post-war re-equipment. The gas companies are at present facing the new and difficult problem of providing supplies for temporary housing programmes. The future of the industry, and the possibilities of developing and cheapening post-war gas supplies, are at present being reviewed by a Committee under the chairmanship of Mr Geoffrey Heyworth.

Retail Stores in North and South

The preliminary results for the year 1944, published recently, of three companies owning large London department stores all tell a tale of little change over the last year. Swan and Edgar's show net profits as being £3,000 lower. Harrods and John Barker both show a rise in profits, of £31,000 and £39,000 respectively, but these increases are more than swallowed up in increased taxation allocations. The ordinary dividends of all three companies are unchanged, and it may be of interest to compare recent payments on equity shares:

	3 Years Average (1936-38)	1941	1943 and 1944
Harrods	18	4	8
John Barker	15	10	10
Swan & Edgar	6.5	3	4

The eclipse which London stores suffered at the beginning of the war, and from which they have not yet recovered, has not been shared to the same extent by large multiple or department stores operating in the North of England. The main reason for this is undoubtedly the lower incidence of bombing in the North and the fact that, latterly, many large Northern towns have been reception rather than evacuation centres. This fact is illustrated by the continued rise of profits after tax shown in the accounts of Lewis's for the year ended February 1, 1945. The payment of Lewis's deferred ordinary shares, which are privately held, has been maintained throughout the war at its pre-war level of 275 per cent, with the exception of 1942 and 1943 when 250 per cent was paid.

Lewis's operate large clothing and general stores in Birmingham, Liverpool and Manchester. It possesses its own clothing factory and in addition controls subsidiaries, one of which operates stores in Leicester and the Midlands, while another conducts wholesale and retail dairy trade in the Liverpool area. The executive chairman of Lewis's, Mr Tringham, mentions the high profits which have been earned by the company's subsidiaries, although in most cases these have been negated by unfavourable standards for EPT. Lewis's prosperity is said to be founded on a basis of low stocks and high turnover, and this fact should facilitate the post-war task of improving the quality of its goods. Mr Tringham makes a plea for an early improvement in the quality of goods as well as their quantity, and instances toys in particular. Few will dispute his contention that the majority of toys at present being produced are of excessively high price for their poor quality.

Workers' Earnings in July, 1944

The Ministry of Labour survey of the average weekly earnings of 6,000,000 workers in July, 1944 (published in

the February Ministry of Labour Gazette), shows that there was only a slight increase over earnings in January, 1944, from 95s. 7d. to 96s. 8d., but that the level of earnings had risen by 82 per cent over the level of October, 1938, when the weekly average was only 53s. 3d. A table on page 328 shows the increases in the various industrial groups covered by the survey. Its most significant features are the high earnings of men in the metal, engineering and shipbuilding group (139s. 1d. a week), an increase of 85 per cent over October, 1938, women's earnings in this group having increased by 113 per cent. Building and civil engineering, with an average of wage of 99s. 1d., comes relatively low in the list in view of the fact that builders worked well above the average hours (51.4 hours per week compared with the average for all workers of 48.6). Textile and clothing workers are the lowest on the scale, and are the only groups earning below 70s. a week. If the labour shortages in these industries are to be remedied, it would appear that greater financial inducements will have to be offered.

The principal industries excluded from the survey are coal-mining, railway service, docks, distribution, catering and entertainment, commerce and the banks. Information supplied from sources other than the Ministry of Labour shows that the average weekly cash earnings of miners in July-September, 1944, were 108s., an increase of 90 per cent over the same period in 1939, while earnings per manshift at 22s. 3d. had increased by 96 per cent over 1939. The proportionate increase over 1939 in the earnings of railway workers was considerably lower (66 per cent); for all grades of railway workers the average weekly earnings in March, 1944, were 114s. The most interesting fact—especially in view of its bearing on the London dock strike—is that dockers were the highest paid of any industrial group. From April to June, 1944, their earnings averaged 161s. a week, rising to 172s. 2d. during the week of the invasion.

Fish Landings

Statistics of fish landings in Great Britain have been released for the first time since the beginning of the war. They are for 1944, with 1938 for comparison, and for January, 1945, with January, 1938. The salient figures are given in the accompanying table. They reveal a number of interesting facts. Foremost is that total landings in 1944 were rather less than one-third the weight of those of 1938. The value, on the other hand, was only a fraction lower in 1938. Thus prices in 1944 were about three times above the level of 1938. Consumption has not been reduced to the same extent as landings, since exports during the war have been negligible, while before the war they were substantial. The total quantity available for consumption is augmented by imports. An official guide to civilian consumption is to be found in the War Effort White Paper

FISH LANDED IN GREAT BRITAIN BY BRITISH FISHING VESSELS

	England & Wales		Scotland		Total	
	'000 cwt.	£'000	'000 cwt.	£'000	'000 cwt.	£'000
1938	15,533	12,233	5,381	3,827	20,913	16,060
1944	3,445	10,066	3,034	5,776	6,478	15,843
Jan., 1938	1,059	1,027	263	278	1,322	1,304
" 1945	201	629	120	254	321	882

KINDS OF FISH

Cod, 1938	6,446	4,239	548	507	6,994	4,746
" 1944	1,033	2,762	477	1,124	1,510	3,886
Hake, 1938	639	1,184	34	59	673	1,243
" 1944	509	1,360	54	147	563	1,507
Plaice, 1938	461	1,189	70	175	531	1,364
" 1944	352	2,105	56	327	408	2,432
Total demersal, 1938	12,645	11,301	2,504	2,742	15,149	14,043
" 1944	3,207	9,793	1,538	4,035	4,745	13,828
Herrings, 1938	2,587	804	2,801	1,063	5,388	1,867
" 1944	130	144	1,405	1,648	1,535	1,792

(Cmd. 6564). The latest figure relates to 1943, when civilian consumption per head was just under three-quarters of the average for 1934-38.

For some time after the war demand will exceed supply—meat will still be scarce—and fishermen will be able to sell all the fish they can catch. The long-term outlook, when supplies of all foodstuffs are again plentiful, is not so rosy. It is important that fishermen and the Government should not be blinded by early post-war prosperity into thinking that the fishing and fish trades will need no

rehabilitation. Plans for herrings are already well under way. Last year the Herring Industry Act was passed and the Herring Industry Board set up. The white fish branch of the industry had fallen on evil times in the inter-war years. It, too, will need to look to its equipment and methods of distribution—there is scope particularly for a great development in the use of refrigerators. Demand for fish, when meat is no longer rationed, will be a fickle thing unless actively encouraged.

US Silver Operations

The centre of gravity of the world silver markets has during the war inevitably shifted to the United States, and the annual review of Messrs Handy and Harman, the New York bullion dealers, now provides the fullest available information on the course of the silver market. Even in its information on the London market this review is less constrained than those of the London bullion brokers. It points out that silver imports into the UK on private account were small, consisting of refined bullion from New Zealand and lead concentrates from Australia. On Government account substantial quantities were imported under Lend-Lease from the United States, plus a few hundred thousand ounces from Canada. There were no exports on private account. Silver for industrial uses was restricted entirely to war purposes, the required supplies being released from Government stocks.

Dealing with conditions in India, Messrs Handy and Harman point out that official sales of silver by the Reserve Bank which commenced in early August had, in the 15 weeks ending November 22nd, been estimated to aggregate between 8,000,000 and 9,000,000 ounces. The absorption of silver by India for the whole of 1944 should amount to about 38 million ounces.

In the United States silver may be divided into three separate classifications. First, there is foreign silver, for which the OPA has maintained a price of 45 cents per ounce. Imports declined last year, but were more than sufficient to meet requirements for the uses specified by the War Production Board. These are industrial uses with high preference ratings. Much of the imported silver has been bought by the Metals Reserve Company, which at the end of October had 5,803,000 ounces of such metal on hand. Secondly, there is Treasury silver which has been released for essential war purposes under a WPB order. Thirdly, there is domestic silver. During 1944 less than 200,000 ounces of this output was acquired by the US Treasury. The bulk of the output of 34,500,000 ounces was bought by industry for civilian purposes as permitted by the WPB. Most of this silver goes into jewellery and other articles which Messrs Handy and Harman define as "so-called non-essential." The greater part of the review is, in fact, devoted to proving that the silver made available to these "so-called non-essential" uses has been entirely inadequate and that the available quantity of domestic silver would fail to meet even the rational civilian demand. The review makes a plea for the release of stocks of Treasury silver to meet this severe stringency in domestic silver.

Agricultural Mechanisation

Reduced manpower and the need to increase agricultural production during the war inevitably led to a greater use of machinery on farms. The number of tractors in use in Great Britain is now about 150,000, nearly three times as many as in 1939. If agriculture is to raise its productivity and produce cheap food, it will have to turn more to machinery than it has done in the past.

One of agriculture's handicaps is the small size of the average farm, which puts the capital outlay for machinery and their running costs outside the reach of the small farmer. The compelling force of war has led to schemes designed to get over the difficulty by the joint use of machines. Pooling schemes are operated all over the country. These do not work to a set of rules laid down by the Minister of Agriculture. The procedure is that County War Agricultural Executive Committees call farmers together in suitable districts, and the farmers themselves elect a committee to run a machinery pool. The arrangements consequently vary from county to county and pool to pool. Very often a scale of charges for equipment lent by one farmer to

(Continued on page 327)

LONDON MIDLAND AND SCOTTISH RAILWAY COMPANY

RESULT OF YEAR'S WORKING

LORD ROYDEN'S SPEECH

The twenty-second annual general meeting of the London Midland and Scottish Railway Company was held at Euston Station, London, N.W. 1, on Friday, the 2nd inst.

The Right Hon. Lord Royden, C.H., chairman of the company, presided, and in the course of his speech said:

The total net revenue for the year amounted to £15,679,000, or £6,000 less than for the year 1943. The main item in the net revenue is the fixed annual sum of £14,750,000 received from H.M. Government under the Railway Control Agreement, the principal remaining earnings outside the Control Account being the £511,000 (a fairly constant figure) received from the company's investments in road transport undertakings, and the £226,000 which accrued from the earnings in 1944 of our Northern Counties Railway in Ireland.

The revenue of the Northern Counties Railway during the war years has been exceptionally good, but has now commenced to show signs of a falling-off, and with the changing phases of the war and increased cost levels we must not expect that the recent high earnings will continue. After covering the interest and dividends on the pre-ordinary holdings, and setting aside £400,000 for war-time contingencies (an item which I will refer to again later), the balance available for ordinary dividend is £2,453,000. Out of this the board recommend the payment of a dividend of 2½ per cent., which will absorb £2,380,000, leaving £73,000 to be carried forward.

BALANCE SHEET ITEMS

Our renewal fund balances continue to grow, and now total over £35,000,000, the cause of this increase being that we have been unable to carry out the normal amount of renewal work. The same applies to repair work, and a large part of the £15,487,000 shown under "Liabilities, Miscellaneous Accounts" is for arrears of repairs. The monetary arrears in respect of both renewals and repairs have their counterpart in the assets figure of approximately £28,000,000, representing our payments to date into the trust fund set up under the Railway Control Agreement.

Contingency Fund: The contingency fund now stands at £2,512,000, and includes the £400,000 I have already mentioned as having been set aside in 1944 for wartime contingencies, which is the same as for the year 1943. The reasons I gave last year for strengthening this fund still obtain, and the financial position with regard to the war damage to the railways of Great Britain still remains obscure. The precise intentions of Parliament in this respect have not yet been declared, and your board feels it is essential to adopt a conservative policy in the matter.

One final word on the balance-sheet; during 1944 our cash position improved to such an extent that it was found possible to acquire a substantial holding of tax reserve certificates. The accounts show that we have taken up £4,500,000 of these.

RAILWAY CONTROL AGREEMENT

Last year, following on the annual general meetings of the four main line companies, the chairmen submitted to the Minister of War Transport a memorandum giving the reasons why, in the opinion of the proprietors, the agreement should be further considered. In particular they pressed for—

- (i) An increase in the net rental; and
- (ii) an adjustment in the basic figure for maintenance, to cover the inevitable addi-

tional depreciation of the maintainable assets due to vastly increased user.

This memorandum was discussed very fully at a meeting between the Minister and the chairmen on April 20th last. At the conclusion of the meeting the Minister stated that he could not agree to any increase in the annual net rental, but that he was prepared to examine, with the representatives of the companies, the question of whether some allowance should be made to cover abnormal wear and tear. The point here is that Article 11 of the Railway Control Agreement limits the amount payable for maintenance to the average sum charged in the basis years 1935, 1936 and 1937 adjusted for changes in quantities of assets, and for price levels except in so far as the Minister may agree to an additional allowance for wear and tear that can be shown to be abnormal as compared with the base period. After further discussions, in the course of which it was shown that there was a substantial amount of abnormal wear and tear to date, the Minister has informed the chairmen that he is prepared to make an allowance to cover the cost of such abnormal wear and tear as shall be shown to his satisfaction to have accrued over the whole period of control. The actual amount cannot be definitely ascertained until the end of control and the final figures are available.

RESTORATION OF STATUTORY MACHINERY

Continuance of Government control; and restoration of statutory machinery governing the level of charges: Article 33 of the Agreement provides that control is to be continued for a minimum period of one year after the cessation of hostilities, but, as stated last December in the House of Commons by the Parliamentary Secretary to the Ministry of War Transport, control is more likely to last two years than one year after hostilities have ceased. Mr Noel-Baker also pointed out that a definite meaning has yet to be given to the phrase "cessation of hostilities," bearing in mind the two wars in which we are now engaged.

The same article provides that—
"Before control comes to an end (i.e., before all statutory rights and obligations as they exist at that time again apply to the controlled undertakings) time will be given for the operation of any statutory machinery governing the level of charges."

AN IMPORTANT PROVISION

I have previously explained to you the importance of this provision; it raises fundamental questions affecting the railways, which will have far-reaching consequences. The existing statutory rights and obligations which are suspended are contained in Sections 35 and 59 of the Railways Act, 1921; these deal with the general level of charges in relation to the standard revenue. Unless Parliament decides otherwise (and the article I have quoted recognises that it may do this), these Sections of the Railways Act will be automatically restored, at the end of control, when we shall resume the annual revisions of charges. As you know, in 1939 the Government announced their decision to grant a substantial relaxation of the regulations governing freight charges, and this decision will doubtless be reviewed in dealing with the matter, together with the subsequent discussions we have had with the Minister in the last two years on major questions of post-war policy. Once the charging machinery for peace-time operation is decided upon, it will require a considerable period before it can be put

into force, so that the time is approaching when the Agreement will need to be implemented in this respect. There is the further important point that, whereas since 1939 railway charges have with certain exceptions been increased by 16½ per cent. only, the cost of labour and material have risen much more steeply, and, assuming higher costs of operation will continue after the war, it will be necessary to adjust charges accordingly to cover increased costs. Further, regard must be had to the net revenue in relation to the standard revenue which Parliament has decided it is in the public interest that the company should earn a reasonable return on its capital.

SPECIAL TRAINS ON GOVERNMENT ACCOUNT

The number of Services and Government stores trains in 1944 reached the highest level yet attained in any one year; 57,605 special passenger and freight trains were run over our line, compared with 39,211 in 1943—approximately 47 per cent. increase.

Freight Train Traffic: The net ton miles for 1944 totalled 10,522,000,000, an increase of 3,585,000,000, or 52 per cent, over the 12 months before the war. The loaded wagon miles were 1,725,000,000, an increase of 410,000,000, or 31 per cent, compared with pre-war. General merchandise traffic, which is mainly responsible for the station handling work, continues to increase, and in 1944 was about double that of pre-war.

ABNORMAL OPERATIONAL DIFFICULTIES

The exceptional nature and volume of the Government priority traffic, together with the large increase in ordinary passenger travel, played havoc with the time-keeping of many of our passenger trains, and to add to our troubles, we experienced in the early weeks of this year most adverse weather conditions. To add to our difficulties, sickness among our staff during the winter was greatly in excess of the normal for the time of the year. In spite of all these difficulties, our railway machine never ceased to function. At times it was delayed but it never stopped—and it never will stop, even when victory, now happily in sight, has been won.

I think in all modesty we may claim that the nation has good cause to be satisfied with our performance, and notwithstanding all the problems of operation I have mentioned, the railway still functions 24 hours a day, seven days a week. The report and accounts were adopted.

JEREMIAH ROTHERHAM AND COMPANY, LIMITED

The forty-seventh annual general meeting of this company was held, on the 7th instant, in London.

Mr Joseph Hockley (chairman and managing director) addressing the shareholders said: I would like to take this opportunity of stressing the importance of the wholesaler who has played an important part in the distribution of the clothes rationing scheme. I do not think the public realise the vital work which wholesalers are called upon to do. A wholesaler's function is to anticipate the requirements of the retail trader, by placing orders a long time in advance, to carry a representative stock, to forecast the trend of fashion and run risks of a fluctuating market. The advantage to the retailer is that he is able to obtain his sources of supply from wholesalers whose stocks consist of up-to-date manufactured goods from all markets, instead of his having to deal direct with many manufacturers.

This enables the retailer to be in a position to make early display of seasonal goods to meet the demands of the consumer. Some of the successful retail businesses of today were assisted by the wholesaler at the start of their business career. The report was adopted.

GREAT WESTERN RAILWAY COMPANY

POST-WAR POLICY

SIR CHARLES HAMBRO'S SPEECH

The annual general meeting of the Great Western Railway Company was held, on the 7th instant, in London.

Sir Charles J. Hambro, K.B.E., M.C., (the chairman), in the course of his speech, said:

The expectation of an early cessation of hostilities brings into prominence the need for an early decision on the question of the future of all forms of internal transport.

The achievements of the railways in meeting the unprecedented demands made upon them during the war are an eloquent tribute to the efficiency of their organisations and to the high pre-war standard at which their lines and equipment were maintained. Our view, therefore, is that the main line railways should continue as four separate entities and that co-ordination of all forms of internal transport should be effected in such a way as to secure to users as far as practicable a free choice of alternative facilities, with competition on a fair basis.

CO-ORDINATION OF ROAD AND RAIL FACILITIES

The main problem is to determine the best means of co-ordinating rail and road facilities, but little progress can be achieved in this direction until we know what arrangements are being made to put the road haulage industry on a properly organised basis.

We are not concerned in regard to road hauliers operating purely local services but, in our opinion, co-ordination of competing transport industries cannot be effective until all parties are subject to similar obligations and responsibilities with respect to the provision of reasonable facilities for traders, the regulation of rates, and their application without discrimination between traders and between routes. The whole position is one which is no doubt engaging the attention of the newly formed National Road Federation, and we have indicated our desire to meet their representatives at the earliest possible date for an exchange of views. Meanwhile, I am glad to say that the Road-Rail Conference, set up at the instance of the Transport Advisory Council in 1939, is making good progress with the preliminary work of preparing a common classification of freight traffic, uniform conditions of carriage and new rate structures.

HEAVY ARREARS OF MAINTENANCE

After the cessation of hostilities our first consideration must be the overtaking of the heavy arrears of maintenance which have accumulated during the many years of war. We are anxious not only to restore the pre-war standards of passenger and freight traffic at the earliest possible date, but also to introduce many improvements. We have in contemplation a large programme for the construction of new locomotives and carriages over a period of five years and in carrying out this work, many improvements will be incorporated. Our programme includes new and up-to-date designs, more comfortable carriages with more attractive upholstery and improved lighting, better buffet, dining and sleeping cars, etc., our aim being to provide the public with the finest service in the world.

The rapidity with which we can carry out these long-term programmes for new and improved facilities must necessarily depend upon our being able to secure an adequate supply of labour and materials in the post-war period, and in view of the fact that so many post-war developments are dependent upon the provision of adequate transport we hope that special arrangements will be made to release the 15,000 members of our staff now serving with His Majesty's Forces at the earliest possible date.

RATES, FARES AND CHARGES

The provisions of the Railway Control Agreement provide for the continuance of control for a minimum period of one year after the cessation of hostilities, and, before it comes to an end, time is to be given for the operation of any statutory machinery governing the level of rates, fares and charges. The Parliamentary Secretary to the Minister of War Transport recently stated in the House of Commons that control was more likely to continue for two years than one, and, in view of the difficulty which is likely to be experienced in fixing the level of charges under post-war conditions and in dealing with other problems, I am afraid we can hardly hope for its termination at an earlier date. The post-war level of charges will, of course, depend on the company's traffic and costs, and these are obviously matters for speculation. The present earnings of the railways do not afford any guide to the probable post-war position. They are largely derived from war-time traffic and they benefit in consequence of the existence of restrictions which although justified now would not be tolerated in normal times.

Equally, our receipts in the years immediately before the war cannot be regarded as indicative of the probable post-war earnings. We may assume that by then road motor competition will be properly regulated, and we anticipate considerable benefit from increased employment, the arrangements proposed under the Distribution of Industry Bill, and the development of holiday and tourist traffic. On the expenditure side we have to face the fact that the cost of salaries, wages and of materials, which prior to the war represented nearly 90 per cent. of our total expenditure, has increased considerably. While, as I have said, we hope for an improvement in our post-war earnings, I think it well to point out that on the quantum of traffic which we carried in the years immediately preceding the war, the pre-war level of our charges would have to be raised by about 50 per cent. to cover the increased costs and yield the pre-war net revenue, and by about 60 per cent. to give us our standard revenue. The increase since 1939 is broadly speaking 16½ per cent. only.

AIR TRANSPORT

As you probably know, the four main line railway companies have submitted to His Majesty's Government a comprehensive plan for air transport within this country and to the Continent of Europe. The bases of the proposal were:—

(i) A separate air company to be formed to operate regular services in Great Britain (including Northern Ireland, the Channel Islands and the Isle of Man) and to Eire and the Continent of Europe, and to undertake charter business.

(ii) The new company to offer partnership to any independent air operators who provided regular services in this country before the war, and to those short-sea shipping lines who had a community of interest in traffic to the Continent.

(iii) The new company to operate the services without subsidy assuming that neither subsidies nor special advantages will be given to other air services, including foreign air lines entering this country.

The ultimate aim is to provide a comprehensive network of air services in and from the British Isles to the principal cities and holiday resorts of Europe, and a cardinal feature of our plan is the use of British aircraft.

Certain conversations have taken place recently with the Minister of Civil Aviation, and it is understood that a White Paper will be issued at an early date outlining the Government's policy on post-war air transport throughout the world. The report was adopted.

LONDON AND NORTH-EASTERN RAILWAY

INCREASED TRAFFICS

The annual general meeting of the London and North-Eastern Railway Company was held, on the 2nd instant, in London.

Sir Ronald W. Matthews (the chairman) in the course of his speech, said: The net revenue for the year 1944 was £10,753,279, which is an increase of £97,838, or 0.92 per cent., compared with the year 1943. The net revenue is made up of £10,136,355, which is the company's share of the annual payment for the use of the railways by the Government in accordance with the Railway Control Agreement, and an amount of £616,924 obtained from items excluded from the Railway Control Agreement and consisting mainly of interest and dividends from our investments in omnibus and road haulage companies. The directors recommend the payment of final dividends of 2 per cent. on the 4 per cent. first preference stock and 2½ per cent. on the 5 per cent. redeemable preference stock (1955), and a final dividend of 1½ per cent. on the 4 per cent. second preference stock, making 2½ per cent. for the year, the same dividend as for 1943.

COMPARATIVE FIGURES

We are still unable to publish a full review of the company's activities during the year, but I am able to give you a few figures which will afford some indication of the remarkable increases shown by the 1944 traffic, as compared with those for the 12 months immediately preceding the outbreak of hostilities. During 1944 the number of loaded wagon miles run on the company's lines was 1,395 millions, 349 millions more than in the twelve months before the war. Empty wagon miles, at 551 millions, were 29 millions less. The net ton miles worked totalled 8,200 millions, compared with 5,726 millions, an increase of 2,474 millions, or 43.2 per cent. Freight engine mileage run was 99 millions, an increase of 17 millions. All these figures show the burden of war-time freight traffic that has fallen upon the railways. Passenger miles have increased by at least 60 per cent. compared with the pre-war year, but the passenger train mileage was 30 per cent. less.

POST-WAR PLANS

The trading community and the travelling public have suffered serious inconvenience during the war years, but I wish to make it perfectly clear that no blame attaches in any way to the railway companies, who have rendered inestimable service to the community throughout the war. The pressure has been intense, but railway organisation, railway track and rolling stock have stood up magnificently to the stresses and strains they have had to bear. Naturally there will be a great deal to be done after the war is over before the railways can achieve that high standard of service to traveller and trader which is their objective. Our plans are all laid, we know what we want to do and how to do it.

The speed at which we carry out those plans must be, and will be, conditioned by the supplies of labour and material. But I have every confidence that provided the railways receive from Parliament and the nation the fair treatment in relation to other forms of transport to which their great services to the community indisputably entitle them, and which the national interest demands, it will not be long before they reach that triple goal—the finest possible service to the travelling public and the trader, regular employment for the staff at a fair level of wages and under the best possible conditions, and last, but by no means necessarily at least, for those who have provided the capital to make these great services possible a fair and reasonable return on their investments.

The report was adopted.

SOUTHERN RAILWAY COMPANY

CONTRIBUTION TO "D" DAY

The annual general meeting of the Southern Railway Company was held, on the 8th instant, in London.

Colonel Eric Gore Browne, DSO, OBE, ADC (the chairman), said that the net revenue for the year at £7,000,052 was £866 more than 1943. The balance available for dividend on the deferred ordinary stock was £711,879, which would enable them to pay a dividend of 2 per cent., the same as for 1943.

1944 had surely been the greatest year in the history of their undertaking, for it was from the coast of Southern England that the vast armies of Great Britain and the United States had set forth to liberate Europe. What a task and what an honour for the company to be an integral part of it!

MEASURE OF THE TASK

He would like to give a few figures as a measure of the task. The number of Service personnel conveyed on duty—but not on leave—was 5½ million. In comparison, that number was about five times as many as conveyed in 1941. The total number of special trains they had had to operate for Government requirements last year was over 26,000, nearly 2½ times as many as in the previous year. At the same time—even on "D" Day itself—they had maintained, with a few modifications, their full service of trains morning and evening for travel between home and business.

The men, the munitions, the tanks and the stores of the Armies of Liberation had been conveyed to the ports along the permanent way and in the trains provided over the years under a system of private ownership with the stockholders' money. Eighteen of the Southern Railway steamships had played their part in the invasion, and their modern train ferry vessels had made a special contribution. Those major operations of war, on the success of which our national existence depended, would not have been possible unless, in the years between the two great wars and before, the board and its officers had ploughed back annually into the undertaking large sums of money which might have been distributed in dividends, but which it was thought well not to distribute, and to devote to keeping the undertaking up to the highest possible standard of efficiency and maintenance. That was a cold, hard fact, and was often forgotten by some of the political leaders of to-day. Surely it was a great achievement of private enterprise, and one of which they might well be proud.

POST-WAR PLANS

Speaking of the future, they were in the transport business in all its forms, and their aim would be to see that the public had the most efficient service possible by rail, road, sea and air.

Next must come the job of making good the arrears of maintenance which had arisen during the war. They must, for instance, restore their permanent way to a condition capable of withstanding heavy loads not only at pre-war speeds, but faster still. Then new rolling stock would have to be provided. They were also planning an extension of electrification for both passenger and freight trains. In full knowledge of their duty to the public, to the staff and to the stockholders, they would do their utmost to keep their flag flying whatever wind might blow. They were confident that the Southern Railway Company under the proved system of private ownership could continue efficiently to serve the country and its people, and in that confidence they faced the future.

The report was adopted.

MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION LIMITED

PROGRESS SINCE 1939

SIR ALEXANDER ROGER'S REVIEW

The forty-seventh ordinary general meeting of the Midland Electric Corporation for Power Distribution, Limited, will be held at Liverpool on the 14th instant.

The following is a summary of the statement of the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts:—

The last annual accounts sent to you were in respect of the year 1939, and these were reviewed at the ordinary general meeting held in April, 1940. Since that date you have been required to possess yourselves in patience and trust as to the operations of your company. This was due to an Order made under the Defence Regulations whereby public utility undertakings were prohibited from publishing accounts. I am pleased to say that this Order has now been withdrawn.

COMPARATIVE FIGURES

The accounts now submitted show comparative figures for the year 1943, and shareholders may obtain the accounts for the years 1940 to 1943 inclusive upon application to the secretary at the company's registered offices.

Shareholders have been furnished with a summarised statement of the results of the past five years, which cannot be reproduced in full owing to the exigencies of space. The comparative figures for 1943 and 1944 are:—

	1943 £	1944 £
Profit, including interest and dividends receivable	167,231	169,568
Add balance brought forward from previous year	49,047	49,646
	£216,278	£219,214
Absorbed as follows:—		
Provisions for taxation	73,132	82,299
Debt interest	19,500	19,500
Transfer to reserve account	25,000	20,000
Net dividends on Preference and Ordinary shares (7% and 9% respectively)	49,000	49,000
Balance carried forward	49,646	48,415
	£216,278	£219,214

A SATISFACTORY ACHIEVEMENT

In addition to the maintenance of the ordinary dividend at the rate of 9 per cent, it has been possible during the five years to place to reserve account the sum of £155,000, while in 1941 £12,750 was transferred to special purposes and contingency fund. I think you will agree that this is a very satisfactory achievement. The cost of electricity, mainly due to rises in the price of coal, has shown substantial increase over the war period. Industrial consumers have been required to bear a part of such increased cost, but the price of domestic supplies has remained unchanged. Revenue from sales of electricity has shown a progressive increase and in the year 1944 reached the record total of £1,184,527.

Throughout the period, depreciation by means of sinking funds, has been charged against revenue at the rates provided by the company's order. War-time restrictions on development have naturally been reflected in much reduced capital expenditure,

which for the five years 1940-44 was £357,171 or an average of approximately £71,500 per annum, as compared with an average of over £240,000 per annum for the previous five years. In the post-war period, however, your directors have every intention of continuing their policy of vigorous expansion, and plans have been completed awaiting only the release of labour and materials, for the further development of the company's area, both urban and rural.

CONTRIBUTIONS TO WAR EFFORT

In reviewing the company's assistance to the war effort, I am expected to keep to generalisations, but I can indicate the avenues in which we have served and their effect on our past and future operations. In such a highly industrial area there have been many and varied opportunities open to our consumers to assist to a marked extent in production vital to the war. On the other hand, some of our consumers have had production seriously curtailed, but their products will be in great demand in the post-war years. Notwithstanding these restrictions our progress has been maintained, as will be seen by a comparison of annual sales and connections:—

	Units sold	Total kw. connected
1934	101,666,794	110,143
1939	190,162,042	204,710
1944	313,634,766	314,116

This progress reflects the normal type of production of consumers but which has been directed to war requirements. The plant provided entirely for war purposes is small compared with expansion of normal products. We share the general feeling of our consumers that there will be a period of industrial activity as soon as the removal of restrictions permit.

In the domestic field we have suffered considerably. During the pre-war period we were connecting new consumers at a rate of between 7,000 and 8,000 a year, while from the outbreak of war in 1939 to the end of 1944 the total connected is much below the number normally connected in a single year. This arose from instructions issued to the industry due to the necessity to conserve materials and labour. Under this regulation we have refused thousands of applications, and there is every indication that the domestic demand will show an increase over the pre-war basis of expansion when restrictions are removed.

CO-OPERATION WITH PUBLIC UTILITIES

The company's area, taken as a whole, has suffered comparatively little from air raid damage. The early war damage incidents showed the desirability of closer co-operation between the public utilities than was visualised in the regional scheme. Our managing director therefore called a conference with our friends in the gas, water and other utility services, and together they formed an association for mutual help in war emergencies.

Fortunately this has not had to operate to any extent, but suggestions from that conference proved their worth in regional tests and were adopted in general outline, as accepted practice, in the area. We hope this friendly association will continue in peace-time conditions.

LOCAL AUTHORITIES AND THEIR OFFICIALS

During the war we have continued our close association with the councils whose administrative districts form the area we

serve. We have always accepted, and the councils recognise, the position that, as an essential part of their public service, there rested on us a special obligation to co-operate and assist in the service and development of the area.

We had exceptional opportunities of contact with the officials of the respective councils, and observed the many and unusual additional duties placed upon them. There is a general tendency by the public to take these additional services for granted, and we desire to pay tribute to the cheerful and efficient manner in which these duties have been carried out.

We have continued to assist industrial consumers beyond the usual boundaries of giving supply, and in return they have done their utmost to co-operate with the company. When the fuel position deteriorated and appeals were made by the Minister of Fuel and Power to reduce load, our consumers, at great inconvenience to themselves, met the request; a large number of them voluntarily closing on Saturday mornings to enable the maximum advantage in fuel saving to be obtained from the reduced load.

During the war our load increased by 50 per cent. and our staff and employees were reduced by 30 per cent. The bulk of those who have left us are in His Majesty's Forces, but help was also given by releasing technicians for war industry. Your directors have remained in the closest touch with the area, and I have personally paid periodic visits, except during the time I was engaged on a special mission abroad on behalf of the Government. I am sure you will desire to thank our managing director, Mr C. Heathcock, and his staff for bringing the company through so difficult a period in so satisfactory a manner.

BOVRIL, LIMITED

The 48th annual general meeting of Bovril, Limited, will be held in London on Monday, 12th instant.

The following is an extract of the statement by the Lord Luke (chairman) circulated with the report and accounts:—
In the profit and loss account, the profit before taxation amounts to £494,389, a decrease of £87,893 as compared with the previous year. This result was reached after a considerable increase in sales had been

(Continued from page 323)

another is drawn up. The County Committees, too, own machinery which they hire to individual farmers.

Another aspect of mechanisation is the development of new machinery. This is kept under review by the Agricultural Machinery Development Board, which was set up in January, 1942, and which has recently been re-appointed. Its main functions are to make recommendations on the types of machinery which farmers want, to advise manufacturers and to test new machinery. It is assisted in its work by the National Institute of Agricultural Engineering. The Institute is at present engaged, in addition to its other work, in conducting a farm mechanisation enquiry in order to get accurate information about the way machines are actually used on a representative sample of farms.

Lead Supplies

Following a United States War Production Board reminder recently that the lead supply position this year would be "very much worse" than last, some restrictions on United States consumption have now been ordered. In this country the supply position shows little change. Because the United Kingdom supplies, apart from those from Canada, had to come from distant sources—mainly from Australia—the Ministry of Supply has kept a tight grip on lead allocations. In the United States, however, lead was the only non-ferrous metal which had not entered the "critical list," and which has been, in the main, in comparatively easy supply.

Most other metals are becoming more abundantly available, and the shortness of lead supplies appears to be due to three factors. First, there is a shortage of labour and, in

counterbalanced by a greater rise in the cost of production. The estimated provision for taxation, including excess profits, arising on the profits to December 31, 1944, is £304,000, a reduction of £91,429 as compared with last year. The net profits after taxation are therefore £3,501 up, at £165,765.

Your directors recommend a final dividend on the Deferred Stock of 6½ per cent., making 9 per cent. for the year, a transfer to reserve of £35,000, leaving £108,993 to be carried forward to next year.

PEARL ASSURANCE COMPANY, LIMITED

RECORD OVERSEAS NEW BUSINESS

The annual general meeting of this company will be held, on the 22nd instant, at the registered offices, High Holborn, London, W.C.

The following is an extract from the statement of Sir George Tilley, F.C.I.I. (president and chairman), circulated with the report and accounts:—

New business in the ordinary branch was £6,521,469 in sums assured, with an annual premium income of £388,204. This is a meritorious achievement by a depleted staff. It is worthy of mention that our overseas branches produced a record amount of new business. There has been an increase in death claims of nearly £100,000, the total amount paid being £1,028,440. War claims have again increased, the amount paid during the year being £122,596. Maturities at £3,239,187 are slightly less than last year. The expense ratio has reached a new low level of 9.78 per cent.

INDUSTRIAL BRANCH

There is continued expansion in the industrial branch, the premium income of £11,771,043 showing an increase of £497,667. The lapsing of policies remains at a satisfactory low level. Death claims at £3,399,261 show an increase of £169,155, of which nearly £100,000 was due to heavier war claims which total £231,327. Maturities at £2,690,032 continue to rise and illustrate the growing importance of

endowment assurance in this branch as well as the increased extent to which we are serving the public and the nation in the encouragement of thrift.

The expense ratio is 25.03 per cent., showing a further fall. We have now reached a level of expense which is commendably low and which should help to refute one criticism of the conduct of the business. Moreover, we are confident that it would be impossible for a Government-controlled organisation to maintain a similar service to the public at so low a cost.

The total amount paid in war claims in the life branches since the beginning of the war is nearly £1,200,000.

FIRE AND OTHER DEPARTMENTS

In the general experience, as compared with the previous year, fire losses in the United Kingdom are estimated to have increased by 28 per cent., those in U.S.A. by 13 per cent., and those in Canada by 31 per cent. The total of premiums has increased—not through increases in rates, but through the increase in insurable values—but the increase in premiums has not kept pace with the increase in losses.

The premium income in the accident branch amounted to £418,175, a satisfactory increase of £46,296. The personal accident account has once again been very profitable and contributed £35,000 to profit and loss account.

In the employers' liability account a satisfactory profit has been secured and this account contributes £5,000 to profit and loss account. In the motor account there is a profit of £27,997.

The total surpluses in the life funds emerging from the valuations as made by the actuary, Mr H. A. Lane, including £4,890,741 brought forward, amount to £7,546,835. These have been allocated by the Directors as follows:—To policyholders, £422,631; to profit and loss account, £431,032; to staff pension fund, £190,000; industrial branch investments reserve fund, £250,000; leaving £6,253,172 to be carried forward.

The balance of the profit and loss account at the end of the year was £424,824. After the addition of the amounts to be transferred from the life branches, there will be a balance of £855,856, out of which it is proposed to pay £240,000 as a final dividend to the ordinary shareholders.

the United States, a lack of reserves. Secondly, the war-time use of lead as a substitute for scarcer raw materials absorbs a sizeable tonnage; and, thirdly, some standard uses for lead are coming into their own again. The second factor creates the least difficulties, since most of the emergency uses can fairly easily be dispensed with. The demand for lead to meet the revival of building and for electrical purposes will become increasingly pressing. On the other hand, military lead consumption, mainly in ammunition, battery plates and tetra-ethyl lead, has lately been greatly increased and is near its war-time peak. When war and industrial programmes have been readjusted, a large tonnage of lead will become available to the building industry.

Lead production has not been expanded to the same extent as that of other metals owing to the previous adequacy of North American supplies and the distance of other producing areas. Moreover, in the United States production of lead is seriously handicapped by the growing scarcity of rich ore reserves. Lead, indeed, was the only major base metal in the United States whose war-time peak output (467,367 short tons in 1942) did not overtake the pre-war maximum (the 1925-9 average was 660,525 tons).

Undoubtedly, given adequate labour, lead production in and outside the United States could be raised by a substantial tonnage, but there is a prospect—admitted last month by the secretary of the United States Lead Industries' Association—that the United States will permanently need imports. While the statistical evidence is not full enough to allow a correct assessment of the world lead supply outlook, it is safe to assume that, in the years following the war, in contrast with the majority of other metals, there will be no serious surplus problem. On the contrary, an effort may have to be made to meet the demand for lead, which, in view of the expansion in building and of industrial development, is likely to be heavy.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange : London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Ord. Consols	Ord. Shares
March 1....	5,899	4,412	115.3	136.9	3.02	3.71
" 2....	5,723	4,921	115.3	136.9	3.01	3.71
" 3....	7,214	6,179	115.2	137.0	3.00	3.71
" 4....	6,098	4,654	115.3	137.0	3.00	3.71
" 5....	5,788	4,679	115.3	137.0	3.01	3.71

* July 1, 1935=100. † 1028=100. 30 Ordinary shares, 1945: highest, 115.4 (Feb. 28); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.0 (Feb. 15); lowest, 136.3 (Jan. 2).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

(1926=100)

1945	Average Holiday	Transactions Holiday	1945	Average	Transactions
Feb. 22....	138.0	1,320,000	Feb. 26....	137.6	1,260,000
" 23....	138.1	620,000*	" 27....	137.3	1,190,000
" 24....	139.1		" 28....	138.5	1,960,000

1945: High, 138.4 (Feb. 20). Low, 129.2 (Jan. 23). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1945		Feb. 14, 1945	Feb. 21, 1945	Feb. 28, 1945
	Low Jan. 24	High Feb. 28			
354 Industrials	108.6	117.3	114.6	116.3	117.3
20 Rails	116.1	127.8(a)	124.6	127.8	126.8
28 Utilities	93.2	97.5	96.4	97.2	97.5
402 Stocks	106.7	114.8	112.4	114.1	114.8
Av. yield %†	4.63	4.30	4.41	4.34	4.30

(a) Feb. 21. † 50 Industrial Com. Stocks.

WAGES IN INDUSTRY

AVERAGE EARNINGS IN JULY, 1944, COMPARED WITH EARNINGS IN 1938 AND JANUARY, 1944

Industry Group	Average Earnings in the last Pay Week of July, 1944					Average Percentage Increases between Oct., 1938, and July, 1944†					Percentage Increase or Decrease (—) between Jan., 1944, and July, 1944.				
	Men (21 years and over)	Youths and Boys (under 21 years)	Women (18 years and over)	Girls (under 18 years)	All Workers	Men	Youths and Boys	Women	Girls	All Workers	Men	Youths and Boys	Women	Girls	All Workers
	s. d.	s. d.	s. d.	s. d.	s. d.	%	%	%	%	%	%	%	%	%	%
Iron, stone, etc., mining and quarrying	99 1	53 9	†	†	93 5	65	78	...	...	65	3.2	5.2	...	...	2.6
Treatment of non-metallic minerals and quarry products	112 7	52 9	61 9	34 6	101 11	70	70	108	93	67	1.8	4.1	0.2	0.2	1.7
Bricks, pottery and glass	107 11	44 2	50 8	30 9	80 7	71	60	82	107	69	2.6	2.3	4.4	—0.5	3.6
Chemical, paint, oil, etc.	120 5	44 5	64 11	32 11	93 8	74	51	99	81	70	—1.9	1.7	—0.5	4.5	0.7
Metal, engineering and shipbuilding	139 1	50 11	71 0	37 4	110 3	85	95	113	98	85	—1.9	0.8	—0.9	0.6	—0.8
Textiles	101 10	44 4	55 7	37 5	87 10	78	85	75	90	79	4.3	6.2	3.6	4.7	4.5
Leather, fur, etc.	104 10	42 9	52 11	32 1	87 10	64	69	52	83	69	4.4	2.5	4.9	3.2	2.8
Clothing	105 3	41 4	53 4	31 10	88 10	64	67	63	82	68	2.4	3.2	0.2	0.2	4.5
Food, drink and tobacco	106 6	42 3	53 11	32 2	87 10	63	67	63	82	68	4.7	3.7	1.9	0.1	1.7
Woodworking	107 4	38 11	58 11	34 6	83 0	62	67	75	98	60	1.3	1.0	0.8	0.1	5.9
Paper, printing, stationery, etc.	120 8	34 9	53 9	29 4	85 7	43	41	58	72	49	6.3	1.6	2.6	...	...
Building, contracting, etc.	107 11	43 0	61 11	†	99 1	64	68	...	...	62	...	...	...	...	...
Miscellaneous manufacturing industries	126 6	48 8	62 5	36 6	88 11	83	83	97	98	91	0.2	0.5	0.5	0.7	1.7
Transport, storage, etc. (excl. railways)	114 3	48 8	79 1	†	104 3	63	80	126	...	59	5.6	5.4	5.9	...	5.7
Public utility services	94 6	38 9	50 2	29 5	85 0	50	40	81	37	42	5.0	5.2	4.5	4.7	4.3
Govt. industrial estab.†	138 7	51 4	85 2	43 2	114 8	84	58	90	...	63	3.0	0.2	1.4	7.1	3.2
All the above	124 4	47 4	64 3	34 11	96 8	80	81	98	88	82	0.5	1.1	0.8	0.2	1.1

* In calculating the averages for women and for all workers, given in this table, women employed as part-time workers for not more than 30 hours a week have been included, on the basis of two part-timers taken as representing one full-timer. † The number returned in this group was very small. ‡ In the case of the Government industrial establishments, the comparisons between the average earnings in October, 1938, and January, 1944, are materially affected by the fact that the returns for the latter date covered a number of establishments, employing large numbers of workers, which were not in operation in October, 1938.

Capital Issues

Week ending March 10, 1945	Nominal Capital	Conversions	New Money
To Shareholders only	3,115,000	3,125,000	...
Particulars of Government issues appear on page 329.			
Year (to date)	237,098,640	210,389,864	...
1944	182,582,499	172,289,843	...

Destination* Nature of Borrowing*

Year† (to date)	U.K.	Brit. Emps. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1945	210,230,437	34,177	125,250	209,815,191	146,250	428,423
1944	172,171,593	118,350	Nil	171,542,943	488,750	258,250

* Conversions excluded. † Includes Government issues to Feb. 28, 1945, only. Above figures include all new capital in which permission to deal has been granted.

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields			
	June 25, 1940	July 25, 1944	Jan. 1945	Feb. 1945	June 25, 1940	July 25, 1944	Jan. 1945	Feb. 1945
24% Consols	125.2	141.1	146.4	147.5	3.53	3.04	3.02	3.02
Home Corps. (4)	123.0	141.5	143.2	145.2	5.79	3.25	3.25	3.25
Ind. Debts. all classes (42)	103.7	122.5	123.6	123.8	4.58	3.82	3.81	3.81
Ind. Pref. all classes (101)	82.3	114.5	116.8	117.3	5.52	4.16	4.14	4.14
Insurance Coys. (10)	66.8	123.0	118.9	120.2	6.23	3.54	3.49	3.49
Investment Trusts (9)	36.3	51.8	53.0	53.4	6.64	4.37	4.35	4.35
Building Materials (6)	33.7	110.8	101.5	104.0	11.63	2.95	2.88	2.88
Coal (8)	64.8	109.2	102.8	102.2	9.00	6.09	6.14	6.14
Elec. Light & Power (16)	76.9	121.4	124.1	125.0	6.75	3.77	3.74	3.74
Elec. Manufacturers (13)	67.0	104.3	110.4	110.4	7.51	3.68	3.64	3.64
Gas (8)	67.8	104.3	110.4	109.7	7.09	3.56	3.57	3.57
Iron and Steel (18)	31.6	73.6	71.9	72.7	11.14	3.55	3.50	3.50
Oil (4)	34.6	104.8	96.8	99.0	10.74	3.40	3.32	3.32
Total Productive (90)	40.8	86.6	86.0	86.5	9.35	4.42	4.38	4.38
Home Rails (4)	25.9	77.7	75.7	74.5	11.64	5.81	5.94	5.94
Stores and Catering (17)	31.1	87.3	90.1	93.4	9.55	2.94	2.84	2.84
Total Distributive (28)	24.7	82.3	82.4	84.2	8.73	3.72	3.67	3.67
Total Miscellaneous (40)	45.0	93.9	93.7	93.6	8.46	3.89	3.91	3.91
Industrials (All Classes) (158)	38.9	86.7	86.4	87.0	9.01	4.16	4.14	4.14

INDUSTRY AND TRADE

Trade Disputes.—The number of working days lost in January was 104,000, compared with 65,000 in December, 1944, and 236,000 in January, 1944. There were 173 stoppages, compared with 160 in December and 230 the year before. The

(Continued on page 330.)

GOVERNMENT RETURNS

For the week ended March 3, 1945, total ordinary revenue was £107,760,000, against ordinary expenditure of £173,459,000 and issues to sinking funds of £2,526,069. Thus, including sinking fund allocations, the deficit accrued since April 1st is £3,607,733,000 against £2,557,713,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April 1 to Mar. 4, 1944	April 1 to Mar. 3, 1945	Week ended Mar. 4, 1944	Week ended Mar. 3, 1945
ORDINARY REVENUE					
Income Tax	130,000	107,389	118,296	48,873	60,082
Sur-tax	80,000	66,322	63,681	2,210	2,800
Estate, etc.	100,000	89,728	101,569	1,878	3,035
Duties	19,000	15,500	14,430	260	700
Stamps	500,000	29,795	30,514	590	590
N.D.C.	437,156	445,892	7,648	7,267	7,267
E.P.T.	1,000	858	562	130	130
Other Ind. Rev.	200,000	171,324	183,954	61,589	74,604
Total Ind. Rev.	564,900	514,901	535,404	16,581	13,883
Excise	472,900	451,790	469,885	12,783	18,485
Total Customs & Excise	1037,800	966,691	1005,289	29,364	32,368
Motor Duties	27,000	27,171	23,538	251	...
P.O. (Net Receipts)	4,850	4,340	4,420	...	430
Wireless Licences	800	980	880	...	...
Crown Lands	7,500	6,390	7,096	...	...
Sundry Loans	24,000	70,329	84,991	250	358
Miscell. Receipts	310,800	278,918	297,058	91,454	107,760
Total Ord. Rev.	112,370	103,850	109,650	1,700	2,400
SELF-BALANCING P.O. & Broadcastg.	321,417	289,298	308,021	93,154	110,160
Total					

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments* (£ thousands)			
		April 1 to Mar. 4, 1944	April 1 to Mar. 3, 1945	Week ended Mar. 4, 1944	Week ended Mar. 3, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	354,455	403,794	29,577	42,153
Payments to N. Ireland	9,000	7,882	8,822	553	596
Other Cons. Fund Services	7,000	6,931	7,007	6	8
Total	436,000	369,268	419,623	30,137	42,755
Supply Services	550,139	496,312	514,374	113,600	130,704
Total	593,739	532,390	556,367	143,737	173,459
SELF-BALANCING P.O. & Broadcastg.	112,370	103,850	109,650	1,700	2,400
Total	604,979	546,240	567,301	145,437	175,859

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £192,388 to £2,739,020, the other operations for the week (no longer shown separately) increased the gross National Debt by £67,933,283 to £22,188 million.

NET RECEIPTS (£ thousands)	
Title Act, 1936	100
NET ISSUES (£ thousands)	
Housing Act, 1914	...

FLOATING DEBT

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of Eng. land		
1944						
Mar. 4	1170.0		Not available			
Dec. 2	1470.0		"			
" 9	1470.0		"			
" 16	1470.0		"			
" 23	1470.0		"			
" 30		38.06.0	587.7	59.2	1794.5	6247.4
1945						
Jan. 6	1470.0		Not available			
" 13	1470.0		"			
" 20	1460.0		"			
" 27	1450.0	2341.8	489.3	"	1799.5	6080.6
Feb. 3	1440.0		Not available			
" 10	1430.0		"			
" 17	1430.0		"			
" 24	1430.0	2309.2	542.4	"	1801.0	6082.6
Mar. 3	1430.0		Not available			

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

12 U.S.F.R. BANKS	Mar. 2, 1944	Feb. 15, 1945	Feb. 23, 1945	Mar. 1, 1945
RESOURCES				
Gold certifs. on hand and due from Treasury	19,303	17,695	17,694	17,725
Total reserves	19,894	18,592	18,587	18,610
Total cash reserves	349	272	267	264
Total U.S. Govt. sec's.	11,624	19,181	19,231	19,439
Total loans and sec's.	11,671	19,416	19,529	19,764
Total resources	33,472	40,391	40,272	40,434
LIABILITIES				
F.R. notes in circ.	17,339	21,950	22,065	22,162
Excess mr. bank res.	1,200	1,000	900	900
Mr. bank res. dep.	12,380	14,022	13,999	14,228
Govt. deposits	140	547	517	460
Total deposits	14,334	16,218	16,188	16,270
Total liabilities	33,472	40,391	40,272	40,434
Reserve ratio	62.8%	48.7%	48.6%	48.4%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,712	20,507	20,506	20,506
Treasury & bank currency	4,091	4,124	4,124	4,123
LIABILITIES				
Money in circulation	20,823	25,533	25,652	25,750
Treasury cash and dep.	2,490	2,936	2,901	2,817

BANK OF FRANCE

Million francs

ASSETS	Jan. 25, 1945	Feb. 1, 1945	Feb. 8, 1945	Feb. 15, 1945
Gold	75,151	75,151	75,151	75,151
Private discounts and advances to State	41,700	41,398	42,033	41,845
Total	480,512	491,112	488,212	488,662
(a) Inoccupation costs	426,000	426,000	426,000	426,000
(b) Treasury advances	10,600	10,600	7,700	8,150
(c) Fixed advances	54,512	54,512	54,512	54,512
LIABILITIES				
Notes	562,412	569,958	569,718	568,959
Deposit total	43,234	47,675	38,571	38,789
(a) Government accs.	743	765	765	716
(b) Other accounts	42,491	47,910	37,806	38,789

AUSTRALIAN COMMONWEALTH BANK—Million £A/s

ASSETS	Jan. 24, 1944	Jan. 15, 1945	Jan. 22, 1945	Jan. 29, 1945
Gold and English ster.	41.79	50.86	50.86	50.86
Other coin, bullion, etc.	10.85	22.82	21.18	21.18
Call money, London, etc.	50.61	131.27	126.31	130.95
Securities and Treas. bills	245.85	248.95	251.93	256.43
Discounts and advances	24.85	22.53	21.21	24.68
LIABILITIES				
Notes issued	163.26	195.24	193.74	193.24
Deposits, etc.	174.95	201.61	215.16	204.13

BANK OF BELGIUM

Million Belgian Frs.

ASSETS	Jan. 25, 1945	Feb. 1, 1945	Feb. 8, 1945	Feb. 15, 1945
Gold	32,094	32,094	32,094	32,094
Foreign exchange	910	1,020	1,050	1,040
Private loans and discounts	2,446	2,427	2,025	1,724
Loans to State	33,916	35,216	36,901	37,191
LIABILITIES				
Notes	44,329	45,514	47,392	47,944
Current accounts:				
(a) Govt. accounts	5	6	4	1
(b) Private accounts	3,529	3,843	3,694	3,444

CENTRAL BANK OF IRELAND

Million £'s

ASSETS	Feb. 26, 1944	Feb. 10, 1945	Feb. 17, 1945	Feb. 24, 1945
Gold	2.65	2.65	2.65	2.65
British Govt. sec's.	22.91	27.34	27.84	27.84
Sterling balances	1.60	2.03	1.45	1.34
LIABILITIES				
Notes in circulation	27.65	32.15	32.05	31.94

SWISS NATIONAL BANK

Million Swiss Frs.

ASSETS	Feb. 15, 1944	Jan. 15, 1945	Jan. 31, 1945	Feb. 15, 1945
Gold	4226.7	4560.2	4576.7	4570.7
Foreign exchange	85.5	107.3	94.9	97.6
Advances, etc.	100.4	78.2	167.8	165.8
Securities	64.7	64.3	64.4	64.4
LIABILITIES				
Notes in circulation	2829.0	3378.9	3409.2	3370.7
Other sight liab.	243.0	240.0	243.0	244.2

BANK OF CANADA

Million Can. \$'s

ASSETS	Jan. 26, 1944	Jan. 10, 1945	Jan. 17, 1945	Jan. 24, 1945
Reserve: Gold	0.56	172.26	172.26	172.26
Other	1259.26	1525.40	1527.34	1536.71
LIABILITIES				
Securities	869.55	1030.52	1025.54	1019.95
Note circulation	39.11	36.35	35.76	31.40
Deposits: Dom. Govt.	308.40	408.48	410.43	431.76
Chartered banks				

† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

RESERVE BANK OF INDIA

Million rupees

ASSETS	Feb. 11, 1944	Jan. 26, 1945	Feb. 9, 1945	Feb. 16, 1945
Gold coin & bullion	444	444	444	444
Rupee coin	137	153	144	133
Balances abroad	1,176	3,716	3,583	3,525
Sterling securities	7,638	9,263	9,363	9,493
Ind. Govt. rup. sec's.	82	175	203	215
Investments				
Notes in circulation	8,706	10,340	10,429	10,542
Deposits: Govt.	518	2,942	2,788	3,707
Banks	568	673	719	720
Reserve ratio	91.8%	93.2%	93.3%	93.6%

CENTRAL BANK OF TURKEY

Million Turkish pounds

ASSETS	Jan. 8, 1944	Dec. 2, 1944	Dec. 23, 1944	Dec. 30, 1944
Gold	202.7	276.4	276.4	276.4
Clearing and other exch.	96.8	56.1	52.7	128.3
Treasury bonds	131.6	128.2	128.2	583.7
Commercial bills	466.6	576.5	584.0	466.2
Securities	61.3	48.0	46.2	265.1
Advances	251.2	262.7	255.8	265.1
LIABILITIES				
Notes in circulation	806.5	971.1	960.6	964.4
Deposits	215.1	198.7	208.3	213.3
Clearing and other exch.	31.3	29.5	30.2	28.5

COMPANY RESULTS (February 21, 1945, to March 7, 1945)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Bent's Brewery Co.	Dec. 31	724,265		112,627	186,507	21,000	88,325	30		+ 3,302	590,610	Dr. 37,403	25
Walker (Peter) & Cain (R.)	Dec. 31	586,931		372,562	513,616	160,000	204,300	9		+ 8,262	561,798	395,302	8
Coal, Iron and Steel													
Fife Coal Co.	Dec. 31	206,670		206,670	280,125	10,445	85,708	14	100,000	+ 10,517	148,043	148,043	14
Shireoaks Colliery Co.	Dec. 31	21,191	26,151	3,027	Dr. 20,771					+ 3,027	23,798	Dr. 26,728	Nil
Electric Lighting and Power													
Midland Counties Electric Supply	Dec. 31	639,848		275,901	301,016	81,250	120,000	8	75,000	- 349	633,227	267,779	8
Financial, Land, &c.													
Clarendon Property Co.	Sept. 30	57,746		3,494	Dr. 8,901					+ 3,494	48,102	Dr. 4,761	Nil
Colldene Consolidated Co.	Dec. 31	8,710		3,986	6,177		2,129	34	2,000	+ 143	7,784	4,343	34
Mortgage Co. of the River Plate	Dec. 31	90,758		19,638	92,864	7,792	10,937	7		+ 909	91,340	19,211	7
N. Queensland Mortgage & Investmt.	Sept. 30	17,596		7,352	10,137	7,358				+ 6	18,348	7,206	Nil
Properties Selection & Invest. Trust	Sept. 30	24,954		4,861	5,278		2,616	6	1,100	+ 1,145	22,081	2,225	5
Tobacco Securities Trust	Oct. 31	397,400		397,400	553,980		396,667	14		+ 733	415,238	415,238	154
Motor, Aviation, &c.													
S.S. Cars Limited	July 31	196,168	16,943	24,664	29,603	6,500	12,000	10	5,849	+ 315	154,416	20,084	10
Rubber													
Djemmer Rubber Estates	Dec. 31	1,433		Dr. 618	870					- 518	1,458	1,458	Nil
Krian Rubber Plantations	Dec. 31	977		126	8,895					+ 126	880	87	Nil
Kuala Kangsar Plantations	Oct. 31	1,566		82	874					+ 82	1,209	Dr. 62	Nil
Kuala Pilah Rubber	Dec. 31	274		Dr. 322	44					- 322	167	Dr. 545	Nil
Telok (F.M.S.) Rubber	Dec. 31	212		Dr. 187	3,127					- 187	120	Dr. 267	Nil
Shops and Stores													
Lennards Limited	Dec. 30	90,231	7,907	17,786	43,520	4,312	3,125	25	10,000	+ 349	70,868	15,764	25
Public Benefit Boot Co.	Dec. 31	142,577	8,224	24,528	33,764	16,314	7,500	10		+ 714	129,030	22,631	10
Rotherham (Jeremiah) & Co.	Jan. 15	93,461	1,242	45,317	76,084	10,000	30,000	5		+ 5,317	141,559	60,854	7
Whiteley (William)	Jan. 31	201,706	20,166	33,016	105,417	11,250	8,716	3	10,000	+ 3,050	193,191	31,469	Nil
Textiles													
Aristoc Limited	Dec. 31	92,341		38,984	85,565	5,000	20,000	20	10,000	+ 3,984	89,827	38,001	20
Barracks Fabrics Printing Co.	Dec. 31	29,042	2,328	11,139	22,218	3,000	5,625	74	3,000	+ 486	23,286	11,586	64
Bennett (James) & Co. (Warrington)	Dec. 19	32,556	1,479	9,556	9,767	8,000	10,000	10	1,500	+ 56	32,708	9,568	10
Wolsey Limited	Dec. 31	149,319	34,138	45,861	87,430	28,125	16,875	444		+ 861	150,697	46,575	444
Tramway and Omnibus													
Buenos Aires Town & Docks Trams	June 30	4,607		Dr. 209	322					- 209	4,299	Dr. 1,294	Nil
West Riding Automobile Co.	Dec. 31	298,570	23,512	50,465	74,870	6,939	20,489	10	21,000	+ 2,037	304,976	48,114	10
Trusts													
American Trust Co.	Jan. 31	88,328		27,031	40,314	12,700	10,160	6	4,000	+ 171	80,478	25,266	6
Asbdown Investment Trust	Nov. 30	43,471		21,285	45,539		17,357	44		+ 3,928	42,658	20,877	44
Average Trust	Dec. 31	1,280		Dr. 910	225					+ 910	1,413	Dr. 104	Nil
Birmingham & Dist. Invest. Trust	Dec. 31	390,740		185,837	565,144	25,190	48,770	84	20,000	+ 91,877	383,565	182,553	84
British Maritime Trust	Dec. 31	81,787		37,883	73,867		37,500	74		+ 383	81,592	36,547	74
Broadstone Investment Trust	Dec. 31	66,249		15,529	71,231	16,312				+ 783	65,930	16,270	Nil
Debenure & Capital Investment	Jan. 15	138,499		36,630	87,175	14,991	18,321	54		+ 3,318	136,950	35,731	54
Equatorial Trust	Dec. 31	30,240		10,695	40,479	9,698	34	2,247		+ 1,250	29,225	10,028	34
Gen. Consolidated Investment Trust	Dec. 31	160,422		34,366	61,626	9,750	16,000	8	5,000	+ 3,616	94,584	30,811	8
General Investors & Trustees	Jan. 31	58,518		35,409	39,473	10,209	20,419	9	5,000	+ 219	54,439	31,001	9
International Investment Trust	Jan. 31	68,555		37,054	107,035	14,512	17,200	8		+ 2,842	64,309	33,535	7
London & Clydesdale Trust	Feb. 1	97,789		36,372	115,523	11,719	12,500	8	35,000	+ 6,509	442,332	153,842	10
Mercantile Investment & Gen. Trust	Jan. 31	449,401		156,040	281,174	44,844	89,687	10	5,250	+ 1,012	24,746	8,207	2
Midland-Caledonian Investment Trust	Dec. 31	25,834		8,958	15,467		7,812	26	2,001	-	136,179	31,357	26
Premier Investment Co.	Jan. 31	138,808		33,250	33,250	23,437	7,233	34	5,000	+ 1,109	104,372	26,047	34
Scottish Central Investment Trust	Jan. 15	108,794		28,842	49,323	15,500	15,120	6		+ 8,700	134,876	37,155	5
Scottish United Investors	Dec. 31	143,907		49,312	46,950	6,400	22,400	21	6,000	+ 12	94,709	32,797	21
Second Scottish American Trust	Feb. 1	96,339		34,869	123,220	25,369	19,987	64		+ 4,013	124,205	48,463	64
Share & General Investment Trust	Jan. 15	124,859		14,178	37,627	5,512	5,145	7	4,000	- 479	39,691	13,379	7
United States Invest. Corporation	Dec. 31	41,154											
Waterworks													
Bristol Waterworks Co.	Dec. 31	508,585		180,716	233,448	68,002	37,735	64	42,500	+ 32,479	492,615	160,821	64
Newcastle & Gateshead Water Co.	Feb. 1	435,876		149,340	257,182	75,263	76,169	94		- 2,092	437,004	149,418	94
Southend Waterworks	Dec. 31	329,519		85,252	154,463	48,134	38,533	3		- 1,415	324,192	90,526	3
Other Companies													
Atlas Stone Co.	Oct. 31	21,830	7,500	1,036	28,755		4,583	5		- 3,547	14,035	Dr. 4,638	5
Barratt & Co.	Dec. 31	82,577		64,177	225,929	19,500	35,100	27	9,500	+ 77	79,977	65,077	27
Bowdell Limited.	Dec. 31	494,389		165,765	266,993	40,500	82,500	74	35,000	+ 7,765	582,282	162,255	74
British Industrial Plastics	Sept. 30	240,107	15,417	20,674	28,842	1,482	17,196	8		+ 1,996	327,852	20,629	8
British Wagon Co.	Dec. 31	99,568		22,778	67,290		16,250	25		+ 6,528	97,866	22,217	25
Broom & Wade	Sept. 30	256,685	20,809	36,632	70,350	3,450	16,875	224		- 1,385	237,533	22,576	224
Churchill & Sim.	Dec. 31	53,413		22,675	27,961	5,500	4,000	8	12,500	+ 675	40,239	27,553	8
Coulter Mills Paper Co.	Dec. 31	42,254		31,074	43,346		16,406	124	10,000	+ 4,668	46,344	31,431	124
Craigton Cemetery Co.	Dec. 31	8,779		3,314	3,939		3,250	64	170	+ 106	9,143	4,020	64
Cornwall Building Products	Jan. 31	13,677		11,351	45,806	5,100	6,000	8		+ 251	17,903	14,840	10
Darnell (J.) & Son	Dec. 31	70,141	716	12,175	18,129		11,000	11		+ 1,175	55,040	11,061	11
Devas, Routledge & Co.	Dec. 31	15,731	468	6,162	28,864		5,250	74		+ 912	12,681	8,653	74
Field Sons & Co.	Dec. 31	58,773	100,000	434,984	497,615	73,830	235,915	10	100,000	+ 25,239	570,582	419,346	10
International Combustion Limited	Sept. 30	139,969	7,123	27,839	66,360	2,727	17,657	224	5,000	+ 2,455	98,875	23,583	224
Jackson Bros. (of Knottingley)	Dec. 31	222,368		91,007	152,820	4,500	57,150	324		+ 29,357	216,249	36,389	324
Johnson & Slater	Dec. 31	69,932	4,064	13,185	55,854	1,950	9,781	25		+ 1,454	68,193	16,387	25
Leeds Royal Polytechnic	Dec. 31	47,389	5,888	20,886	30,580	4,219	9,375	124		+ 7,292	59,833	40,519	124
Pascall (James) Limited	Feb. 8	40,682	6,000	33,633	47,763	2,500	30,750	25		+ 383	48,259	28,201	25
Phillips (J. & N.)	Dec. 24	121,688	9,820	28,576	53,297	22,941	4,217	47		+ 1,418	110,929	70,422	47
Pullin (R. B.) & Co.	Jan. 19	115,876	8,090	80,328	82,983	60,666	16,500	3		+ 3,152	131,786	13,155	20
Robinson (Thomas) & Son	Sept. 30	90,618	8,015	13,646	14,708		8,750	174	5,000	- 104	143,742	31,155	174
Selincourt & Sons	Dec. 31	61,848	9,570	29,955	70,513	11,250	16,619	74		+ 1,726	143,432	31,155	74
Squirrel Confectionery Co.	Nov. 30	78,985		20,451	37,192	4,375	5,500	20	5,000	+ 16,076	65,005	17,238	20
Universal Asbestos	Dec. 31	32,625	978	9,662	75,655	2,797	10,000	20		+ 4,719	123,222	19,544	20
Variety Theatres Consolidated	Oct. 1	120,295	1,738	7,663	46,240	6,004			2,500	- 841	29,606	13,027	Nil
Wenesta Limited	Dec. 31	21,645		51,769	112,186	14,000	21,971	10		+ 15,198	485,592	72,479	10
Wembley Stadium	June 30	552,662	17,630	54,269	62,523	17,875	25,000	25	10,000	+ 17,394	125,421	47,796	20
Whiteway's Cyder Co.	Nov. 30	274,961		21,177	68,210	4,500	22,500	224		- 5,823	270,104	43,871	224
Totals (6000's):													
February 21, 1945, to March 7, 1945	No. of Cos.	11,808	383	4,322	7,487	1,136	2,288		600	+ 298	11,527	4,054	
January 1, 1945, to March 7, 1945	79	69,559	1,780	26,121	52,447	4,337	18,094		2,652	+ 1,093	54,746	23,865	
Gas Light & Coke Co.													
Midland Electric Corporation	Dec. 31	4,352,253		825,673	1,195,581	145,660	523,120	5		+ 156,893	3,360,889	772,048	4
	Dec. 31	338,126		67,769	117,415	7,000	42,000	9	20,000	- 1,231	335,944	74,599	9

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies

The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.

Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application. The Bank also undertakes Trusteeships and Executorships.

Head Office: 38, BISHOPSGATE, LONDON, E.C.2

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 51, MOSLEY STREET
New York Agency: 65, BROADWAY, NEW YORK CITY

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Mandala	Mombasa	British E.A.
Bombay	Delhi	Nuwara	Nairobi	
Calcutta	Kandy	Ellya	Nakuru	
Cawnpore	Karachi	Rangoon	Entebbe	
Chittagong	Lahore	Tuticorin	Jinja	Uganda
Dar-es-salaam	Mwanza Tanga	Zanzibar	Kampala	
				Tanganyika Territory

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

INVESTORS

should

TRANSACTION THEIR BUSINESS

through a Member of

THE STOCK EXCHANGE

A list of Members who act as Brokers and the Official Scale of Commissions may be obtained on application to the Secretary, Stock Exchange, London, E.C.2.

All Contracts must be completed in accordance with the Rules and Regulations of The Stock Exchange.

Persons who advertise as Brokers or Share Dealers are not Members of The Stock Exchange or under the control of the Committee.

"The Work of The Stock Exchange" may be obtained on application to the Secretary: price one shilling post free.

NATIONAL BANK OF INDIA, LIMITED

NOTICE IS HEREBY GIVEN that the ORDINARY GENERAL MEETING of shareholders will be held in the Bank's Premises at 24 Bishopsgate, London, E.C., on Tuesday, 27th March, 1945, at Twelve o'clock noon, to receive the accounts to 31st December, 1944, with the relative report by the Directors; to declare a Dividend; to elect Directors; to appoint Auditors; and for general purposes.

By Order of the Board.

T. T. K. ALLAN, London Manager.

26 Bishopsgate, London, E.C. 2. 6th March, 1945.

PERSONAL

SENSE AND A SENSITIVE PALATE. As you possess both, you should try T.T.T. Magnums Cigarettes made by WHITMORE & BAYLEY, 92, Wigmore Street, W.1. Established 1823. 100, 13/4; 500, 65/6; 1,000, 130/-. Post Free. Sample flat 50 for 6/8.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Chief Manager: A. Mousa, O.B.E.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED,

9, Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

COMMONWEALTH BANK OF AUSTRALIA

Guaranteed by the Australian Government. Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted.

Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Western Australia, the Government of the State of Tasmania, Commonwealth Savings Bank of Australia, 3,948 Agencies at Post Offices in Australia.

As at 30th June, 1944—General Bank Balances ... £399,100,000

Savings Bank Balances ... 800,250,700

Note Issue Department ... 197,536,045

Rural Credits Department ... 1,473,000

Mortgage Bank Department ... 1,800,400

Other Items ... 12,500,511

£993,076,900

A. H. LEWIS, Manager.

London Office: 8, OLD JEWRY, E.C.3.

Also at AUSTRALIA HOUSE, STRAND, W.C.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £85,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

THE ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT.

NOTICE IS HEREBY GIVEN that the sixty-seventh ORDINARY GENERAL MEETING of the shareholders will be held at the company's offices, 61 Avenue Fouad 1er, Alexandria, on Thursday the 5th April, 1945, at five o'clock in the afternoon for the transaction of the ordinary business of the company, pursuant to Act of Parliament.

Holders of share warrants to bearer desiring to attend or to be represented at the meeting must deposit their share warrants in London before the 22nd March, 1945, or in Alexandria before the 2nd April, 1945, until after the meeting, at the National Bank of Egypt, 6 King William Street, London, E.C. 4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

Dated, Alexandria, Egypt, the 26th January, 1945.

By order of the Board.

T. D. KEY } Joint Managers.

R. WALTON }

A TRANSPORT Undertaking invites applications from experienced Accountants over 30 years of age for a Post as an Assistant for special financial duties. The essential qualifications are a good general education, sound experience of Accounting and Costing practice, and ability, without detailed oversight, to undertake and supervise financial investigations and to draft clear and concise reports thereon. Possession of a recognized professional qualification in Accountancy is essential. The successful candidate will be required to pass a medical examination and to serve satisfactorily a probationary period. Applications from ex-Service men will receive special consideration.

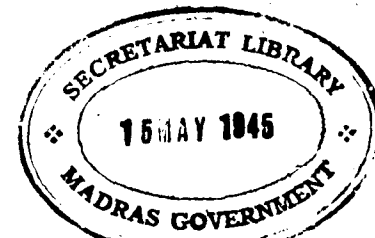
The initial salary will be a minimum of £600 per annum plus war wage and will be subject to periodical review. There is a contributory superannuation scheme.

Applications, stating age and giving full particulars of qualifications and past experience, with special reference to the essential qualifications stated above, should be forwarded so as to reach Box 58, THE ECONOMIST, Brettenham House, Lancaster Place, London, W.C.2, not later Saturday, 24th March, 1945.

BRAINS TRUST. "A United States of Europe?" Beverley Baxter, Dr. Joad, F. L. Josephy, Sir Walter Layton, Lord Strabolgi. Question Master: Leslie Mitchell. Friends House, Euston Road, Monday, March 12th, 6 p.m. Tickets, 3s. 6d. 2s. 6d. Is., from Federal Union, 3 Gower Street, W.C.1.

SEALE HAYNE AGRICULTURAL COLLEGE, NEWTON ABBOT, DEVON. Required immediately, Assistant in the Department of Agricultural Economics under the Ministry of Agriculture Advisory Scheme. Salary £300 per annum, plus War Bonus. Degree or Diploma in Economics and/or Agriculture necessary. Applications to be made to the undersigned. —C. C. CATERMULL, Secretary and Bursar.

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THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3

Post-War Taxes

AT this season of the year, in normal times, the air is thick with Budget prophecies. The Estimates are out, the yield of taxes is easily calculable, the prophets sharpen their pencils and enter with zest into the joyful pastime of adding a million or two here or subtracting sixpence there on the way to their conclusions of hope or gloom. This year, nothing of the sort can be heard. By tacit consent between the taxpayer and the Chancellor of the Exchequer, the rates of taxation are assumed to be as high as they can be pushed. And it would take a particularly hardy brand of optimism to foresee the possibility of any relief from the load in the Budget which is no more than a month ahead. Lest there were any risk of optimism breaking out, Sir John Anderson took occasion in the House of Commons a fortnight ago to say that, so far as he could foresee, "the very high rates of direct taxation which have been in operation now for a considerable period of years" are likely to continue "for some considerable time to come"—though, in the context, the remark clearly referred to the general level of taxation rather than to the particular rates now in force, and should therefore be classified rather as a platitude than as a statement of policy.

Heavy taxation is, indeed, likely to be the lot of the British people in any foreseeable future. The proportion of the national income represented by the Government's

expenditure on goods and services will be swollen after the war by the higher commitments for defence forces, for schools and hospitals, for teachers and doctors, for houses and public utilities. The statisticians, in their calculations of national income, take no account of the service of the National Debt or of the cost of Social Security, on the ground that these disbursements are merely transfer payments which do not absorb any goods and services but simply transfer the power to consume from one set of individuals to another. But the Chancellor of the Exchequer cannot make any such comfortable simplification. He has to raise the money not only to employ manpower and materials on public work but also to effect the transfer payments. And to the toad beneath the harrow, the tooth point of a tax for transfer payments is as painful as any other. If the Government is to take a higher proportion of the national income for its real expenditure, and if transfer expenditure is also to be higher, then it follows, as the night the day, that the burden of taxation must be higher than it was before the war, and that it will continue to be higher until the policies that produce those circumstances are changed—that is to say, until health and education are given a lower priority, until international security without arms is attained, until the National Debt is repaid or repudiated, and until Social Security is deemed unnecessary.

Various attempts have been made to make precise estimates of the task that will face the post-war Chancellor and of the rates of taxation that will solve his problem. It is not intended to contribute another such estimate here. It must be enough to say that rates of taxation will be higher than they were before the war and lower than they are now—and perhaps to add that, as a working hypothesis, the assumption that they will be about halfway between seems about as good as any other. This is, it must be admitted, less hopeful than many other estimates that have gained currency. Mr Kaldor, for example, in the estimates appended to Sir William Beveridge's book (to which reference was made in these columns three weeks ago) reaches the heart-warming conclusion that a standard rate of income tax of 5s. 10d. in the £, and a corresponding increase in the taxes that existed before the war, will be enough. But the optimism that is apparent throughout Mr Kaldor's estimates reaches its culmination in this figure, for to a very high estimate of national income he applies an almost incredibly low estimate of Government expenditure (providing, for example, an increase—at constant prices—of only £100 millions a year above the pre-war figure, and of only £16 millions in expenditure by local authorities). To say that these prophecies are wrong would be to do less than justice to an honest attempt to give quantitative shape to the various possibilities of the future. But it would be as well to regard them as considerably better than can be reasonably expected to materialise.

Public discussion can be more usefully concentrated on a different order of questions—not on the size of the post-war tax burden but on its shape. To say how high taxes will be involves knowing the unknown. But to ask what sort of taxes should be levied, by what sort of fiscal means the future Chancellor is to raise his revenue, is a much more worthwhile proceeding.

It may also have a certain urgency. Strict economic logic, it is true, would not justify any reduction in taxes when the European war is over. The need to limit consumption expenditure will, for a time, be as great as ever. But Budgets are not based on strict economic logic alone and, in an election year, another logic may have equal force. Taxation has hitherto been based on the illogical rule of thumb that it should cover about half of expenditure, and when expenditure falls after the end of the fighting in Europe there will be pressure to continue the "50 per cent rule" and accord some interim relief to the taxpayer. It is therefore not too soon to be thinking about where these concessions should be made.

It is disconcerting to see, in several of the discussions of the subject that have appeared, the bland assumption being made that the Excess Profits Tax will continue—at a reduced rate, no doubt, but still at a high rate. This would be wholly wrong. The principle of EPT is of very doubtful equity in wartime and would be quite outrageous in peacetime. EPT is a tax on growth and on enterprise as such. When the conduct of the war dominates the whole economy, it is possible (but only just) to assume that any increase in profits above a pre-war level is due to the war and therefore properly taxable. But no such assumption can properly be made in peace, and it follows that EPT should disappear as quickly as possible. It would be a great pity if anybody were deceived by its title. It should be realised that companies which were making excess profits before the war and have continued to make them during the war have not paid a penny of EPT. It is not, in fact, a tax on excess profits, but on rising profits. It should be reduced in the transition period and then swept away.

EPT has overshadowed its puny elder brother NDC. This is a straight 5 per cent levy on all corporate profits. Unlike EPT, it does hit the company with high but stable profits harder than the company with low profits. It is therefore much more equitable. But it would be a great pity if the decision were therefore taken to retain it. The need of the times is to lighten the burden of taxation on the

profits of business, so long as they are kept in the business. So far from retained profits being taxed more heavily than other forms of income, they ought to be taxed more lightly. NDC also should therefore pass away. If past history is any guide, it will be an economy to abolish these two taxes promptly before profits start falling below the standard levels and giving rise to claims for repayment of tax which, after the last war, cost the Exchequer very large sums indeed.

The other great fiscal innovation of wartime has been the Purchase Tax. In so far as Purchase Tax is levied on the necessities and simple comforts of the people, it ought to go. Any indirect tax on consumption expenditure inevitably has a regressive element, and when the need to hold purchasing power in check has disappeared, it would be wrong to tax this sort of expenditure. There may, however, be a case for retaining part of the Purchase Tax. At present, it is levied at three rates, at 33½ per cent (of the wholesale price) on necessities such as clothing, at 66½ per cent on an intermediate list of goods and at 100 per cent on luxuries. The lowest rate ought clearly, in peacetime, to be reduced to nil. So, probably, should the intermediate class. But there is something to be said for retaining the highest class—not, of course, at 100 per cent—as a general luxury tax. If this were combined with any form of nutrition subsidies, or with other means of stimulating the consumption of necessities, there would be little risk of any harmful regression, and a very useful contribution to the revenue might be secured.

With this possible exception, however, the path of wisdom would seem to be to abandon the new wartime taxes and to revert to reliance on the old standbys, Customs and Excise, Income Tax, Surtax and Death Duties. This does not, however, mean that there is no need for any overhaul of these familiar taxes. Income Tax, in particular, needs some very careful examination—the more so since it will have to be levied at higher rates than were ever known before the present war. The British income tax has always been recognised to be most effective in combining high yield with comparatively little damaging effect on the economic activities of the community. But not even its most devoted adherents would argue that it has no harmful effects at all, and it is obvious that the higher the tax the greater the harm done. There are really three separate purposes to be served by direct taxation. There is, first, the levying of a universal basic contribution to the revenue from virtually all incomes. This cannot be considered apart from the universal benefits of social security, and there might be large dividends in simplicity and ease of administration to be earned by considering them together. There would at least be no such farcical procedures as the granting of family allowances with one hand and taxing them with the other. Secondly, there is the object of levying steeply progressive taxation on large incomes. At present, it is virtually impossible for any individual to enjoy a net income of more than £4,000. In a community which still relies so heavily on the incentive of private gain, this is too low a limit. But what figure can more appropriately be substituted? If in its first aspect direct taxation has a part to play in fixing the minimum below which no income can fall, in its second aspect it has a very direct rôle to play in determining the maximum above which no income can be allowed to rise. Both involve far-reaching social judgments, too important to be allowed to emerge as accidental by-products of fiscal technique. And thirdly, there is the very vexed question of the taxation of industrial reserves. It is here that taxation probably has its maximum economic effect and it is here that the old doctrine, that the tax-gatherer need not concern himself about effects so long as he collects the money, can least easily be tolerated.

All these are complex questions of high policy. They are believed to be under review by the Inland Revenue. But they will have to be decided, in the last resort, by public opinion and it is as well that public opinion should begin to concern itself about them.

An Independent Rhineland?

GERMANY could not fight an aggressive war without control of the heavy industries of the Ruhr and the Rhine. Nor, without their industrial capacity, could it even use force to reunite the lost provinces with the main body of the nation. It can therefore be argued that a stable peace would be achieved by the creation of an independent Ruhr-Rhine state. Rump Germany might not be reconciled to such a settlement, but it would be powerless to undo it.

This stability would, however, depend upon the Allies' determination to see that no voluntary amalgamation or *Anschluss* of the Rhineland with the Rump took place. In other words, the settlement would have to rest not only on the Germans' inability to use force, but on the Allies' readiness to use it to check all efforts—peaceful, voluntary, or disguised—to restore the separated areas to the Reich. This clearly is a much more difficult proposition. Dismemberment of national territory is not a solution which either Britain or the United States or indeed many liberal elements on the Continent can accept easily, without any twinge of conscience. The opposition of the French to the proposed Customs Union between Germany and Austria in 1931 was severely criticised in this country and had the Germans persisted and the French mobilised, no urging on earth could have brought the British to support the use of force to maintain this particular separatist provision of the Versailles settlement.

The policy of creating an independent Rhineland is not, therefore, one that can safely be tried just on the off-chance that it might work. If it did not work, it would leave the general position far worse than if it had never been tried. To create an independent Rhineland, and then to allow it, after a few years, to merge itself once more in Germany, would be a disastrous policy. It would encourage the Germans to believe that, if this provision of the settlement could be undermined, all others—including the vital disarmament provisions—would also yield to a little sapping and mining, a little bluster and blandishment. It would also inevitably create discord and distrust among the major Allies, one party criticising the other for destroying the settlement, the other criticising the first for clinging to it too rigidly. This is no idle apprehension. It is in both respects—both in the encouragement of the Germans and in the disruption of the Allies—exactly what happened to the Treaty of Versailles. The only safeguard is to enter upon nothing that will not be carried through, to adopt no policy merely on the outside chance that it might prove effective.

The independent Rhineland policy should therefore be adopted only if it stands a more than even chance of working. And this in its turn means that it must not outrage too far the accepted principles and beliefs of the Western democracies who will be responsible for it. They are not likely to continue for long to make the effort of supporting it if the people of the Rhineland are actively hostile, or if it involves a radical impoverishment for what was one of the richest areas of Europe. It is not that the Rhineland Germans have an inherent right to liberty or prosperity; the governing fact is that the democracies are incapable, in the long run, of enforcing a regime of tyranny or starvation. A state seething with frustrated patriotism, a victim of mass unemployment, a permanent centre of unrest and misery, would hardly allay the uneasiness which the mere fact of dismemberment would have aroused. Such a state would be a constant reminder that the settlement was not working and a constant and potent plea for the modification of its terms.

It would be wrong, at this stage of the argument, to conclude that the "independent Rhineland" solution would not work. But it is right, before going into details,

to insist that an essential condition of its working would be some degree of acceptance by the Rhinelanders themselves. That Rump Germany would never accept it may not be an entirely conclusive objection—though it would certainly increase the difficulties. But that the liberal democracies of the West would be prepared to be directly responsible, over an indefinite period, for the government of a large, skilled and well-educated population who persisted in being outraged by their own compulsory independence, is clearly out of the question. At least passive acceptance is an essential condition of any positive policy of state-building even with Allied troops in occupation. And the acceptance would have to be active before the troops could be withdrawn and the independent Rhineland state could take its place in a new stable alignment of European forces. The argument, therefore, turns on the prospect of securing some degree of acceptance among the Rhinelanders.

It is difficult to feel very optimistic about this prospect. The experiment of lopping off provinces from a modern centralised highly nationalist state and giving them independence has not yet been tried. The only close analogy is the behaviour of national groups and minorities who are separated from the parent nation. In Europe most of these are German and certainly their recent record suggests an overwhelming preference for union in one Reich. Austria, after the last war, the Saar in 1935, do not offer much hope for the quick political pacification of a Rhineland state. Quite apart from the original grievance of dismemberment, the Rhinelanders would—at least for a time—lack many of the attributes of full sovereignty. The Allies would presumably control their foreign policy and their trade policy. Yet who can deny that the desire for full self-government is a political passion in the modern world second only to nationalism itself?

Much would obviously depend upon the economic settlement. It is possible for a country to be economically prosperous and politically discontented. It is absolutely certain that a ruined country will feel even more bitterly its political discontents. The chances for the economic development of a separate Rhineland-Ruhr state are particularly difficult to assess at this moment. It is possible to give production figures for the area before the war when, with a population of fourteen or fifteen millions, it produced about 150 million tons of coal, 38 million tons of coke, 57 million tons of brown coal, 15 million tons of pig iron, 18 million tons of steel ingots, and nearly 20,000 million kwh of electricity. These figures represent a very high proportion of Germany's total output—81.2 per cent of its coal, 87.5 per cent of its coke, 29 per cent of its brown coal, 84 per cent of its pig iron, 87.5 per cent of its steel ingots, and 40 per cent of its electricity.

All these figures, however, have been made rather meaningless by Bomber Command. The Ruhr towns have been pulverised. According to official estimates, over 60 per cent of Cologne and Duesseldorf have been destroyed, 50 per cent of Essen, over 80 per cent of Bochum. The Nazis are said to be adding to the ruin by flooding and firing the coal mines. Many thousands of workers have been transferred to Central Germany. Many others are retreating with the Nazis. The Allies are likely to find a Rhineland which is little more than an empty derelict shell. The problem may well be not to control the German economy but to keep the people alive without one.

The fact of so much destruction may, in the very first stages of the peace, give the Allies a means of reconciling the Rhinelanders to independence. If a measure of reconstruction in the devastated Ruhr-Rhine area is given a far higher priority than any reconstruction work in other parts of Germany, the sheer need to live and eat may

encourage the peoples of Western Germany to accept independence and even move into the independent zone. In Austria after the last war, enthusiasm for the *Anschluss* was at its lowest in 1923 and 1924 when Germany was going through its great inflation. There is also a direct Allied interest in achieving some measure of reconstruction in the Ruhr-Rhine area. Europe is desperately short of coal and the next winters are likely to be even harder than the last. The immense Ruhr-Rhine coal reserves will be needed so urgently that the measures necessary to reopen the pits and get the men back to work will probably have to be taken quickly. And these measures might have the political consequence of making the Rhineland for a time the most economically attractive area in the whole devastated and disorganised Reich.

No one, however, would pretend that a temporary programme of partial reconstruction in certain industries would provide a permanent foundation for the proposed state. Its economic problems will be formidable enough. If it be assumed that something like the pre-war number of people remain in the area, there would be a density of population made possible in other countries only by intensive industrial activity. The basis for this will have been very largely destroyed by the war. How much of the Rhineland's industrial structure will be restored, apart from urgent needs such as the coal industry? And, when restored, how much of it will find a market? It is quite clear from the experience of liberation so far that all Europe will be crying out for industrial reconstruction and that, until the end of the war with Japan and for some time after, the physical means of reconstruction will be in very short supply. The Russians will naturally claim the highest priority, both in goods and loans. The claims of the Western countries—France, Belgium and Holland—will be quite as pressing. Where, on this strained list, will the Rhineland stand?

After the last war the Germans had at least their economic system intact. They could immediately play a considerable part in their own reconstruction. Even so, they needed—and received—over 7,000 million Reichmarks in long-term loans between 1924 and 1930 and at the same price they received an even higher figure in short-term loans. In each year between 1924 and 1929, they had a deficit in their balance of trade. They were importing more than they sold to the extent of 3,688 million RM in 1925; in 1927 the deficit stood even higher at 4,093 million RM. After this war, the German economy both in the Rhineland and the Rump will hardly be in a position for much self-help. Left to their own resources, the Rhinelanders would face ruin. But if loans and goods on such a scale were necessary to help a functioning economy after 1918, on what scale ought the assistance to be given after this war, to restore a totally disrupted system? Will the Rhineland be given the necessary priority? Will the Allies think it a matter of urgency to restore some semblance of economic activity, when other calls on their physical and financial resources are so pressing?

Indeed, is it envisaged by Allied policy that any form of assistance at all will be given? The Crimea Agreement speaks, on the contrary, of reparations. They are, it is true, to be reparations in kind, but this may well result in a heavier effective burden being placed upon the German economy than after the last war. There is reason to believe that the Big Three are thinking in terms of exacting reparations to the tune of about £1,000 million a year for twenty years, in addition to the restitution of what has been stolen. Is any part of this burden to be put on the new Rhineland state? And if so will it make possible the attainment of a standard of living that will breed even passive acceptance of their lot among the Rhinelanders? The asking of these questions does not imply that there is anything necessarily wrong or impracticable about reparations. It does lift into very clear relief the difficulties that lie in the way of combining a reparations policy with any constructive attempt to build a new stable equilibrium in Europe—one, that is to say, that will stand

of its own strength when—as must happen some day—the compulsive force of the victors is withdrawn.

Even if it is assumed that the necessary capital investment and imports are forthcoming and that the Ruhr-Rhine state is restored to something like its pre-war productivity, very difficult economic problems would still have to be met. The most urgent would be to find markets for the great output of coal, steel and chemicals which were formerly absorbed by the whole Reich. Rump Germany would presumably not continue to be a market on the same scale, because the whole purpose of the Rhineland scheme is to break up the German nexus. If the engineering works of Central Germany were still fed, although perhaps at slightly higher prices, from the heavy industrial output of the Ruhr-Rhine, then German economic dominance in Europe would be unchanged. The policy of a separate Rhineland demands special tariff arrangements—quotas, export duties—to see that the flow of the Rhineland's exports is diverted from Rump Germany to new channels. But where would they be found?

If no special arrangements were made to replace the German hinterland, Rhineland goods would have to compete on a world market which would have shrunk by the amount of Rump Germany's lost capacity to consume. Rhineland coal and steel and chemicals would therefore compete with British and Belgian and French supplies, all of which would in their turn be trying to find buyers in international markets. Under such conditions, the Rhineland could probably maintain a certain economic activity, although it would probably be much lower than the pre-war level and might well entail widespread unemployment. After the last war, Czechoslovakia, cut off from its old markets in the Austro-Hungarian Empire, managed to compete on the markets of the world, but there was prolonged depression in the German-speaking areas—and in any case, Czechoslovakia was a much more self-sufficient area than the Rhineland could ever be. In the Rhineland such a limited degree of economic prosperity would probably offer little compensation for the people's continuing political grievances. No stability would be achieved, no genuine rearrangement of the European pattern.

There remains one other possibility, the integration of the Rhineland into a European, or at least a West European, structure that provides for substantial freedom of movement both of goods and of men, and for substantial pooling of national sovereignty, within its borders. If the Rhineland were not left to make its way as best it could in a Europe of nationalist economies, a Balkan state in a Balkanised continent, if it could form part of a large area within which the principle of the division of labour was allowed to operate with some freedom, the problems of markets and employment might be solved. If the major issues of security and diplomacy were taken over by some super-national body, the Rhinelanders could safely be given a wide degree of political autonomy. If, in short, Western Europe is to be an integrated area—politically and economically—then there is some prospect that the independent Rhineland state would serve the purposes for which it is intended. In those circumstances, the Rhinelanders could reconstruct a life of economic prosperity and political liberty that might well come to be more attractive than the war economics and Prussianism they have known in Germany. In those circumstances, the industries of the Ruhr might face West rather than East and play their part in enriching a pacific Western Europe rather than in strengthening an aggressive Greater Germany. It might then eventually be possible to withdraw the coercive force of the present victors without the whole structure collapsing. But these are the only circumstances in which all these fortunate results can reasonably be expected or in which the establishment of an independent Rhineland can be counted on to be a positive contribution to European stability.

The next task, which will be attempted in the following article, is to enquire whether these attractive circumstances are likely to be translated from dreams into reality.

Policy for Aviation

LORD SWINTON, the Minister for Civil Aviation, has presented Parliament and the country with a White Paper (Cmd. 6605) on Government policy for civil air transport. It is a brief, ten-page document, covering the organisation which will carry passengers, freight and mails on domestic and overseas air-routes. As such it is complementary to the other White Paper on civil air transport, brought out before Lord Swinton's appointment in October, which dealt with Government policy in international air transport. Since then the Chicago Conference of 54 nations has decided—temporarily, at least—on the limits of international co-operation and exchange of transit and commercial rights. It is now clear that this British policy cannot at the moment be incorporated in a multilateral international agreement, but that it must first be tried out, in a small way, in bilateral and tri-lateral agreements. The present White Paper outlines the organisations to be entrusted with putting that policy into practice. It is the Government's answer to the hotly-debated question of free enterprise or "chosen instrument" in air transport.

That Lord Swinton has chosen to use both—to accept, in fact, the third and too often ignored alternative of a workable intermediate organisation—is a tribute to the very real contribution which each has to make in the development of air transport. The critical period of world-wide reconversion demands, more plainly than ever before, a unity of organisation and a planned expansion which no possible collaboration between private enterprises could hope to achieve. It demands an organisation large and competent enough to meet foreign competition on an at least equal footing. And for the good name of air transport, it is vital that British airlines should have both unquestionable financial stability and the highest possible labour standards. All these needs could be fully met by a chosen instrument, but the enterprise and the spirit of initiative and adventure rightly associated with private airline operators would still be lacking. The organisation would be starting up after the war, in hot competition with foreign airlines, with only the limited and none-too-effective experience of commercial transport methods inherited, through British Overseas Airways Corporation, from Imperial Airways and, in the European continent, from British Airways.

The way in which the Government proposes to combine the chosen instrument with private enterprise is ingenious and says much for the confidence of the interests concerned in the future of British air transport. Instead of the single body—felt to be too unwieldy for real efficiency—three new Corporations are to be set up, in which the common denominator, linking them together, will be

the participation of British Overseas Airways Corporation. In the immediate post-war period, BOAC's most important contribution, as the only major organisation operating during the war, will be its physical assets. The other participants, presumably, will make their subscription to the Corporations mainly in cash. The White Paper makes it clear that no payment will be made for goodwill or for past development expenditure.

The routes which British aircraft will fly in peace are to be divided up between the three Corporations. The first Corporation, which in effect is to consist of BOAC itself, will serve all the Commonwealth routes and, connecting with them, other foreign long-distance routes—to North America and the Far East, for example. Many of these routes may, for legal or other reasons, have to be flown by subsidiaries of BOAC, and provision is made for the participation of shipping companies in those subsidiary flying routes in which they are interested.

The second Corporation, in which BOAC will have a substantial, but not a majority, share, will serve the European and domestic routes. Instead of a rigid division, between domestic airlines and continental services, such as existed before the war, the new Corporation will be able to create new continental routes connecting smoothly with domestic timetables. This is clearly right, for the technical limits are set by the distance than can be flown in the daytime, not by the narrow borders of this island. The railways and the short sea shipping lines, whose programme for continental services was announced last October, are, together with the travel agencies, to be the other major partners in this second Corporation, but other pre-war operators are to be offered the chance either of participating in the capital of the new Corporation, or of joining with it to form joint subsidiaries to run the particular routes that the independents worked before the war. Several of them, it is understood, have accepted this arrangement, though others have not. So far as concerns new routes—that is, routes, in Europe or elsewhere, not included in the original schedules—the White Paper leaves the door ajar for the outside operator.

It is not intended to make any present commitment as to the right to operate new routes. The Government consider that any new routes should be left open to whatever operator—whether one of the main Corporations or some entirely new operator—can establish that he is best fitted to run them.

This—added to the fact that the operation of charter aircraft—"air taxis"—is to be left without restriction, is the concession that the new system makes to the merits of free competition.

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The third Corporation, in which BOAC will have the smallest of all its shares, will be responsible for the development of routes to Latin America. The shipping lines operating the sea routes have shown their anxiety to run these lines, and the majority interest in the Corporation will be theirs. By ranking this third organisation with the other two, the Government provide the key to their whole policy. In general, their object is to meet the needs for an efficient British airline service wherever it is obviously in the country's interest to do so. Supplementing this is the no less important principle that wherever outside help is willing to make, unaided, a contribution to the existing schedule of routes, it shall be given every assistance and encouragement. Whether the assistance shall include subsidy cannot be determined until it is known what other countries will do. But the British Government hopes that civil aviation can be worked without subsidy, and the policy of creating large inter-connected Corporations is regarded as a means to this end. Within each Corporation the more lucrative routes can support the less profitable ones that the Corporations are to be required to run. And the shareholding of BOAC in the European Corporation—which will undoubtedly be the most lucrative—will help to support the Commonwealth routes.

The "no-subsidy" principle generally adopted for the Corporations will, however, have certain exceptions. The subsidy for some of the Commonwealth routes will be continued, where an air service is vital to Commonwealth communications. On other foreign routes, the principle is only accepted provided that essential services are not faced with highly subsidised competition. Thirdly, the Government claim power to direct that a new route shall be flown, even if a subsidy should prove to be necessary. In brief, the Government makes plain its dislike of subsidies, but, by these saving clauses, reserves the right to retaliate if ever it should become necessary.

One of the most attractive parts of the scheme lies in the scope it offers for co-operation between the Corporations. All three will benefit from a combined organisation for the overhaul of aircraft, a uniform system of "model" working conditions and security provisions for their staffs, and a combined training establishment for air crews and ground staffs. What relation this establishment will bear to the Air College proposed by the Fedden Committee is not stated in the White Paper.

A further omission is noticeable on Government policy for the ownership and management of airports. Before the war, airports were, in general, either municipally or privately owned, only rarely by the airline operator. In the future, the United Kingdom will need more than the pre-war 48 airports of all sizes serving large towns and cities. More important, British airports will not only need enlarging and improving (except where the RAF has already seen to this) but will need considerable capital investment to make them both efficient to operate and attractive to travel to. The cost is likely to be high and, with other reconstruction demands on their resources, it is doubtful if single local authorities will be inclined to incur it for a number of years. The Minister stated in the House of Lords on Tuesday that a comprehensive review of this question is to be undertaken.

As for the aircraft to fly the scheduled routes, the White Paper is less informative than might have been hoped. If the general public needs reassuring on any one aspect of British air transport after the war, it is this: will there be aircraft enough in this country to stake a claim against foreign competition? No fact has been more widely emphasised than the lack of civilian transport aircraft, both efficient, up-to-date and economical. On the long-term principles for the supply of aircraft, plans are apparently being soundly laid for bringing the Corporations into direct contact with manufacturers and their design staffs. In the meantime, the appalling scarcity of civil transports is to be met by the Government leasing "the aircraft which they have ordered" to the Air Transport Corporations. What the nature of these aircraft are, what their

numbers and the terms of the leases, are undisclosed. Nor does the White Paper shed any light on the possibility or desirability of using converted bombers in the first few years. The railways, when first they announced their continental programme, admitted that it would be necessary, at first, to use American Dakotas. If under the new organisations, the Government will be able to help them out with an alternative, it can do the Government no harm to reveal what it hopes to achieve. The proposed leasing system would offer a method by which the heavy cost of operating converted bombers could be overcome.

Not the least important section of the White Paper is that devoted to co-operation with Commonwealth and foreign operators. It is in this field that the British policy of "ordered progress" in international air transport, unsuccessful at Chicago but still strongly held, will have the greatest opportunity of demonstrating its value in peaceful development. Where Commonwealth and international routes are concerned, it is assumed that the services of the three British Corporations will be run "in parallel" with those of other countries, frequencies, timings and fares being jointly agreed. It is stated that the Commonwealth Governments have already agreed to this principle—with the addition, in some cases, of pooling of revenue and expenditure—and that detailed arrangements for facilities are being made, presumably through the recently established Empire Air Transport Council. But it is also made clear that the British Government would welcome a further development from parallel operation to joint operation, both within the Commonwealth and with foreign countries.

This new policy, being a compromise between publicly-owned monopoly and privately-financed competition, will no doubt fail to please the adherents of either doctrine. But it should go a long way to satisfy the main body of public opinion. In two of the three geographical spheres—in the long-distance Commonwealth and inter-continental routes—the case for a chosen instrument has always been strong. On these routes, where the traffic, relatively to the miles flown, is light and where foreign competition can be expected to be very strong, the division of the task among a number of British lines would probably succeed only in ensuring that all of them were weak and inefficient.

But the case is different on the shorter routes of Europe and the British Isles. There the volume of traffic can be expected to be much heavier, and competition among British operators both more possible and more necessary. Completely unrestrained competition could hardly be permitted—the "pirate plane" would be as commercially noxious as the "pirate bus." But it is a pity that the Government has so nearly closed the door to competition. Much depends on the interpretation of the language used and on the loopholes left for competition by the schedule of routes reserved to the Railway-BOAC Corporation. There should be a definite bias in favour of competition. It would, for example, be proper to limit the schedule to those routes that the Corporation can in fact fly within a short specified period after the start. There should be no reserving to the chosen instrument of routes which it is not ready to fly but which independent operators might be ready to undertake. The Government will be pressed on this point when the policy comes to be debated in Parliament, since many Members are fully seized of the point of view of the potential competitors. Quite an impressive movement of Scottish nationalism, for example, is being grouped around the claims of Prestwick as a home port for a network of Scottish air routes. The Government will be wise to give proofs of their intention of leaving as large a field for healthy competition as can safely be permitted without undermining the basic structure of the scheme.

Subject to this, the White Paper deserves, and will probably receive, general support. Decisions were long overdue and now that they have been made, it would be a pity to lose more time in quibbling. The energies of the Minister should be set free for the tasks of finding the people to run his Corporations and the aircraft for them to fly.

NOTES OF THE WEEK

Starving Europe

Mr Attlee has returned from his tour of investigation in liberated Europe, and it is to be hoped that his findings and the Government's reactions to them will be made public as soon as possible. Gradually realisation is spreading that the plight of Europe is grave beyond words, and that a new attitude to its problems is absolutely necessary. As Sir James Grigg told the Commons during the Army Debate:

I cannot conceal from the House my fear that in the coming months the demands for foodstuffs may become almost overpowering. . . . The combined resources of the Allies may be strained to the utmost to prevent hunger and, indeed, starvation.

The first step is to impress upon the people of America and the British Commonwealth how urgent is the need; but it is even more important to tell them in concrete terms what ought to be done. Is the machinery for relief incapable of improvement? Miracles of organisation and improvisation have been achieved to direct the flow of resources into the channels of war. So far, the organisation of civilian relief has shown little of this efficiency. Has not the time come to transfer some of the first-class administrators from war to peace? Could not a new attempt be made to transcend the limits imposed by national sovereignty? The Combined Boards are in being. Is it inevitable that they should have to work through so many different agencies for relief—Civil Affairs, the national governments, UNRRA? As the year wears on, and the problems of a totally devastated Germany are added to all the others, it is surely clear that something like a European General Staff for Relief will be needed to deal with the crisis on an adequate scale.

Machinery is only one aspect of the present failure. It is even more urgent to find out from which sources the extra supplies can be secured. They can only come from the well-fed democracies. If the need were squarely put to the British people by the Prime Minister, they could probably be persuaded to forgo some of their rations, far from lavish as they are, in order to ensure that Europe did not starve. There may also still be some possibility of drawing upon stocks for a time. But the only place from which a large quantity of food can come is the United States, where the margin is so much greater and where there is very little rationing. Or again as a temporary measure, surely much more could be done to organise voluntary help under official direction. The pressure on Civil Defence and on such bodies as the WVS is slackening. Many volunteers could be found to organise a nationwide campaign to collect help for Europe—clothes, hoards of tinned goods, all the various household necessities which could, in spite of the shortages here, still be spared.

AMG in Germany

The Allies are now in occupation of nearly the whole left bank of the Rhine. In pre-war days, the area included between 3 to 4 million people, but very many Germans have withdrawn or have been forcibly evacuated. Probably not more than a third of the earlier population remains. Nevertheless, with the fall of big towns like Cologne and Krefeld, the invaded area is large enough and complex enough to foreshadow the general problems of military government. The war-torn countryside and battered cities are the shape of things to come, and one may wonder, from the meagre reports received so far, whether Allied Military Government is fully prepared to meet its problems.

The orders already issued by General Eisenhower, establishing martial law, banning all Nazi party organisations, and forbidding fraternisation, are general guides to administration, not detailed instructions for dealing with concrete problems. There is not much evidence to show how the day-to-day situation is being handled. The people are being registered, local officials are told to carry on with their duties, workers are being directed to work for the Allied armies, and it appears that local agricultural and industrial activities are to be maintained as far as possible. This amounts to a framework of strict military supervision. It gives no idea of what forces are being allowed to grow up to replace the universally banned Nazi party. In these first

dazed weeks it is very likely that nothing will stir. Correspondents have given appalling descriptions of the degree of apathy and indifference to which the inhabitants of the constantly bombed towns have sunk. They are not likely to think of self-government or of political activities when life is the barest, crudest struggle for survival. In Cologne there is not even the semblance of a local administration.

Yet this mood will presumably change in time, and it is important that the Allied attitude represented by the "no fraternisation" order should not impede the rebirth of thought and action among the Germans. In Italy, the appearance of old and new anti-Fascist groupings was immediate. In Germany it may take longer, but any new attempts should be encouraged, not crushed.

The Master Builder

Mr Churchill's speech to the Conservative Party conference on Thursday was very far from being an electioneering address. It can only be interpreted as an appeal to the Labour and Liberal parties to maintain the Coalition, which had been so successful in its prosecution of the war and had already, in a series of White Papers, laid the foundations for the future economic and social organisation of the nation. He regretted the publicly announced decisions of the Labour and Liberal parties "to resume their full liberty of action and thus bring this famous Coalition to an end," and deplored the prospect of party strife with his former colleagues in the administration. He did not, as some had hoped, indicate the date of the General Election, which would "refresh this ten-year-old Parliament," though, with typical understatement, he thought the war might be over this summer, or even sooner. The Prime Minister did, however, say that when the Coalition Government did break up it would fall to him, as leader of the largest party, to form a Government to carry on until the election, and he would call not only on Conservatives but on men of goodwill.

This statement can only mean that, as all parties are equally opposed to a snap election when the German war is over, Mr. Churchill is inviting Labour and Liberal Ministers—with or without their party—to remain with him, and he was probably directing his appeal especially to Mr. Bevin, whose assistance in demobilisation will be indispensable if the transition from war to peace is to be smoothly achieved. But it is very doubtful whether any response will be made. The Labour and Liberal parties, as parties, are committed probably beyond recall, and it is difficulty to imagine any of their leaders breaking party discipline to accept Mr. Churchill's summons. Indeed, the prospect of a return to party politics had been so generally accepted that Mr Churchill's remarks will come as a surprise to many people—and perhaps as an unwelcome surprise to the party politicians. This section of the speech was certainly the least well received by the Conservative conference, which clearly inclined more to Sir Herbert Williams's desire to throw off the "shackles of coalition." Mr Churchill was more applauded when he assured the conference that wartime controls would be relaxed as soon as conditions permitted and that there would be no "control for control's sake." Indeed, the whole emphasis in the conference was on the opposition to state control and bureaucratic interference with free enterprise.

Mr R. A. Butler, the chairman of the conference, expressed the hope that Mr Churchill, whom he described as "the master builder," would devote his great energies to the solution of pressing home problems. The Prime Minister's speech certainly indicated that this hope is likely to be fulfilled. He reminded the conference of his Four-year Plan for the next Parliament, which, subject to the overriding needs of defeating Japan, would give priority to housing, the export trade and food production. Mr Churchill, as the conference has confirmed beyond all possible doubt, is still the Conservative trump card.

The Manpower Budget

One of the successes of the war has undoubtedly been the smooth mobilisation of the nation's manpower, for which credit must largely go to the Ministry of Labour's method of planning the use of labour resources by means of a

periodical manpower budget. The recent White Paper on the War Effort showed the extent to which the labour force had been diverted from civilian to wartime activities between 1939 and mid-1944. Sir Godfrey Ince, Secretary of the Ministry of Labour, has now added a postscript. In a paper read to the Manchester Statistical Society on Wednesday, he brings the mobilisation figures up to the end of 1944, thus giving a complete statistical picture of five years of war. Now that the veil has been so far lifted, it is surely pertinent to ask whether manpower figures could not be published at regular intervals, as they have been for the coal-mining industry.

The six months July-December, 1944, are particularly significant, since they were a period of all-out military offensive and at the same time a period during which industry's pressure for reconversion to peacetime production began to increase. The figures—which are indicated in a note on page 354—show, however, no signs of any relaxation of the stringent military demands for manpower. There was a slight decrease in the total numbers mobilised from the peak of 22½ million in September, 1943, and a correspondingly slight increase in the numbers unemployed; these shifts were due mainly to changes in the production programme. The number of civil defence workers declined, and there was a slight decrease in the numbers employed in industry as a whole, owing to the call-up of men for the Armed Forces and the growing wastage among women workers. Of the industrial groups, the decrease is most marked in munitions; the labour force of the basic industries and services was well maintained, and there was actually a slight increase in Group III (less essential industries), building and distribution being the chief beneficiaries.

The total nature of wartime mobilisation makes it imperative that demobilisation should be controlled. In Wednesday's debate, Mr Arthur Henderson, Financial Secretary to the War Office, repeated previous assurances that the process of releasing men from the Army would be fair and orderly, so that when the European war is over there will not be a mad rush back to civilian life such as there was after the last war, while at the same time the call-up of younger men will continue. Valuable lessons in mobilising manpower have been learned in this war, and it is vital that they should be applied when it comes to reverting to civilian activities.

Mr Hudson's Economics

The Minister of Agriculture has been at it again. He journeyed to Manchester last week in pursuance of his strange campaign to persuade the urban population that it will be better off if there is no cheap food. These performances are always entertaining, but Mr Hudson apparently rates the public memory as low as he rates the public commonsense, for he does not observe even the elementary rules of consistency. Last November he was pouring scorn on those misguided people who

argue that our export trade is vital to our livelihood as a nation, and that if we wish to export we must be prepared in exchange to import all the food and raw materials that other countries wish to send to us in payment.

But last week the welfare of the export trades was the mainstay of the argument against cheap food.

It is, of course, true that the cheaper food is the more we can get for any given quantity of the products we have to sell. But it also means that the primary producers . . . have far less money to buy them. . . . You probably remember as well as I do the distress and misery caused by the growing unemployment in our export trades during the inter-war years.

In Hudsonian economics, the way to get rich is evidently to buy smaller and smaller quantities at higher and higher prices.

It is really astonishing that a Minister of the Crown can go round talking such nonsense. The only circumstances in which his arguments would even have a specious air would be those of heavy unemployment. Even then, making a gift to the foreigner so that he may make some work for British industry would be the most topsy-turvy economics. That sort of charity ought to begin at home. And before the Minister makes any more speeches based on the assumption of permanent slump in this country, somebody in the Ministry of Agriculture ought to lend him a copy of the Government's White Paper on Employment Policy, so that he can see what his colleagues have been committing themselves to.

As with most economic matters, the truth is simple, not complicated or difficult to understand. The British community can best enrich itself by devoting the fewest possible

man-hours to getting its food. For non-economic—or not wholly economic—reasons, the domestic farmer is to be assured of a decent living. But there is no principle of economics or commonsense that would make it to Britain's advantage to pay more for its imported food than it has to. Cheap food has always been the foundation of British industrial prosperity (that industrial prosperity out of which agriculture can now be assisted), and it will be so even more in the years to come when the material resources of the community will be in very short supply for all the work they have to do.

Elections in Finland

Among the belligerents in Europe Finland is the first country to go to the polls. The elections to the Finnish Diet are scheduled for March 17th and 18th. The event is of considerable international interest, because the vote will show to what extent the Finns have really reconciled themselves to their new position vis-à-vis Russia, and disavowed the policy of those leaders who were in office during the two Russo-Finnish wars.

In the electoral campaign the political parties virtually form two blocs. One bloc is headed by the Social Democrats, and includes the Agrarians and Progressives. It is the bloc of those who have accepted the armistice terms as a dire necessity, without much enthusiasm or conviction. Originally the Social Democratic list of candidates was headed by Tanner; but he had to withdraw his candidature under a special ruling, issued by the Prime Minister, that members of the war governments could not stand for the new Diet.

A pro-Russian bloc has been formed by the Communists, the Small Farmers, and by two Social Democratic dissident groups. The election will in a sense be a plebiscite for or against Tanner, in spite of the fact that he has withdrawn from the battle. The future of Russo-Finnish relations will turn on the outcome of the voting. An electoral victory for the Social Democrats of Tanner's tendency may well lead to a sharp Russian reaction. *Pravda* foreshadowed this rather bluntly when it said that this election was not merely Finland's internal affair, and accused "the leaders of certain old parties" of regarding friendship with Russia as a "transient and temporary measure." A redeeming feature of the tense pre-electoral campaign seems to have been the complete freedom in which it has taken place.

French Isolation

Sober-minded Frenchmen may reasonably be growing anxious over the position of isolation into which the "adventurism" of General de Gaulle's foreign policy has led them. In the past, particularly in his dealing with Britain and America, the General has managed to gain most of his points by playing a stiff and lonely hand. It is apparently not so easy to play this game with the Russians. Last week Paris was surprised and disturbed by the publication of a despatch from Moscow in which the Franco-Soviet Pact was declared to be secondary or accessory to the Yalta decisions.

This despatch is a direct rebuke to the French Foreign Office for its attempt to elucidate the relationship between the security pact and the voting formula before undertaking to sponsor the San Francisco Conference. It is less clear whether in fact the Russian Government does wish to make the operations of the Franco-Soviet Pact dependent upon British and American consent. At this moment it probably wishes to avoid any interpretation which would lessen the unanimity of the Big Three at San Francisco. French opinion is beginning to draw from Russia's attitude the conclusion that the French would be wise to come to a closer understanding with the other Great Powers. As Pierre Bourdon put it in a radio commentary:

The Moscow communiqué opportunely reminds us that our lack of *points d'appui* in the West, far from making our alliance more precious in the opinion of the USSR, on the contrary weakened the practical significance of the agreement.

Advocacy of a Franco-British Pact has reappeared. There is in this reaction a rather unpleasant touch of opportunism. If the value of a pact with Britain depends only on the humours of Moscow, it cannot have much real foundation. In reality, very solid French interests are involved, but General de Gaulle's conduct of foreign affairs has allowed them to be obscured.

Even on the home front, the isolation of France, however temporary, is likely to have unfortunate results. With an opportunism far surpassing the General's, Maurice Thorez seems to be serving notice that the brief honeymoon between the Government and the Communists is coming to an end. At a mass meeting last week, after criticising French foreign policy, he raised again the questions of the Resistance and of nationalisation, both problems which were to have been shelved in the interests of national unity. It is not only from Moscow that the Russians are putting on the screw.

No Progress in Poland

More than a month has elapsed since the Yalta Conference took place, but there is no sign yet of any progress in carrying out its decisions on Poland. The Commission of Three in Moscow has not yet apparently sent out the invitations to the Polish leaders who were supposed to meet at the round table and form a Provisional Government of National Unity. The reasons for this delay are obscure. There must have been some disagreement either about the procedure of the proposed conference or about the list of Polish participants. From Poland itself no sign has come that the political tension between the prospective partners in the new Government has been eased. None of the parties that have remained in opposition to Lublin has been given the freedom to resume political activities in the open. It is true that in his report to the House of Commons Mr Eden hinted that weeks or months might elapse before a new Government is formed in Poland in accordance with the Yalta decisions. There would perhaps be no reason for disappointment at the delay, were it not almost certain by itself to make eventual conciliation and agreement more difficult. During the interregnum the Lublin administration is exercising its monopoly of power to the detriment of the other Polish parties; and this must widen the gulf between Lublin and those political groups which might otherwise be prepared to carry out the Yalta decisions. A delicate situation may in addition arise in connection with the San Francisco conference if no Provisional Government in Poland is created before April 25th. Since the British and the Americans would not agree to the participation of Lublin, and the Russians would object to the participation of the London Government, it is possible that Poland will not be represented at San Francisco—and this in spite of the fact that the Poles booked their ticket, not on March 1, 1945, but on September 1, 1939.

D-Day for Education

Zero hour for the Ministry of Education is April 1st, when most of the provisions of the new Act come into force. Though wartime difficulties make it impossible to translate the high ideals and promise of the Act into immediate fact, every effort is being made to observe at least the letter of the law so that a sound framework for future operations shall be established.

On Tuesday the Ministry published new draft regulations prescribing the conditions to be satisfied by schools (county and voluntary, primary and secondary schools, nursery schools, and direct grant schools), in order to qualify for grant. These concern the qualifications of teaching staff, size of classes, pupils' leave of absence, examinations and school terms. Ultimately, there is to be one grade of teacher—the qualified teacher. But until sufficient teachers and training facilities are available, unqualified recruits will be needed in the profession, and schools are accordingly empowered to engage approved temporary teachers for a period of five years.

The same patchwork is necessary with regard to size of classes. Although the regulations prescribe that the maximum number of pupils on the register of any class will be 30 for children between the ages of three and five, 40 for those between five and twelve, and 30 for the over-twelves, it will be permissible to exceed these maxima if shortages of staff or accommodation are sufficiently acute. The temporary relaxation of standards is, of course, unavoidable; but there will be much disappointment among teachers that the ultimate figures have been fixed so high.

Other regulations define a maximum school year as at least forty weeks in all schools other than direct grant schools, and, to assist "staggering," permit the granting of two weeks' leave of absence from school for family holidays.

Financial Aid for Students

On Wednesday the Ministry of Education published draft regulations empowering Local Education Authorities to give financial assistance and special scholarships to pupils who would otherwise be unable to take advantage of educational facilities available without themselves or their parents suffering hardship. If these humanitarian powers are employed boldly and with imagination they are capable, almost by themselves, of creating a new order in education. The educational value of well-directed extra school activities, which will figure prominently in the new system, is now fully recognised.

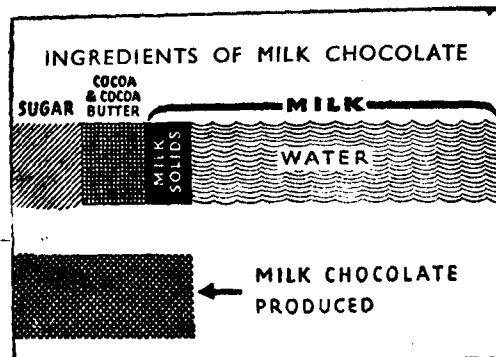
Financial assistance may be provided for the purchase of school uniforms; to cover expenses and subscriptions in respect of school camps and expeditions, clubs and societies; and to assist the maintenance of pupils over the compulsory school age who are still in attendance. It is clearly important that some uniformity should be established in the matter of scales of assistance, and the authorities in each region are urged to consult for this purpose.

Other regulations deal with assistance to students at universities and other places of further education. The necessary ministerial approval of maximum awards will be granted where the net income of the recipient's parents does not exceed £600, and of purely "honorary" awards where net income exceeds £1,500. Net income is defined as gross income less allowances of £50 in respect of other dependent children and the educational expenses of such children. Suggested maxima are £175 a year at Oxford or Cambridge, £160 at London and £140 elsewhere; for day students, £90 at London and £75 elsewhere.

Development Areas

The Medway District Full Employment Council has got off the mark promptly. It has already asked to be scheduled as a Development Area, under the Distribution of Industry Bill, so that it can acquire its share of new industry. It claims that two firms which approached the Board of Trade for permission to set up factories in the Medway district were told that they should go to South Wales or the North.

Conserving THE FOOD VALUE of our Milk



FRESH DAIRY MILK consists of two elements—water, which averages 87%, and 'MILK SOLIDS' (fat, protein and milk sugar). As the chart shows, Cadbury's Milk Chocolate retains all the MILK SOLIDS of all the milk used, and only the water is eliminated. It is easily kept and transported and requires no elaborate packaging. It retains the full food value of the milk almost indefinitely without special storage or canning.

Cadbury means Quality

The Medway Towns' action is an example of the kind of difficulties which the Board of Trade may expect when the Bill comes into operation. There would not seem to be any special reason why the Medway district should claim Development Area treatment. It has not been exceptionally subject to unemployment in the past; it is near London and well situated for the export market; it is a small area; and with Shorts, the naval dockyard at Chatham, and other engineering firms, it could normally expect to maintain a fairly steady level of employment. There would seem to be many areas with better claims, though perhaps with less energy in pressing them. Lancashire and the West Riding of Yorkshire, for instance, are largely dependent on single industries, and could justifiably request assistance in securing a more diversified structure. There is also a case for helping bomb-damaged areas, such as Plymouth, Southampton and Hull, to restore their industrial activity. Though the Distribution of Industry Bill provides for the replacement of bomb-damaged factories, it does not apply to badly blitzed areas such as such. Within the framework of the Bill, such areas might temporarily be scheduled as Development Areas, to assist them in the initial task of reconstruction.

The Board of Trade, playing for safety, has perhaps wisely confined the term "Development Areas" in the first place to the former Special Areas, whose needs are generally recognised. It will admittedly be difficult for the Board to pick and choose between conflicting claims, but a certain amount of latitude in exceptional cases might be desirable. It is all a question of the way in which the Bill is administered.

Roatta and After

The mysterious escape of General Roatta from his imprisonment in Rome has caused some political tremors in Italy. The Left has become alarmed by this obvious sign of insufficient vigilance in the Administration, and apart from this, by signs of increasing self-confidence among the former fellow-travellers of Fascism. General Roatta's escape is unlikely to prove an isolated event, devoid of political significance. Clandestine Fascist organisations have been increasingly active exploiting the difficulties with which the Bonomi Administration has had to contend. General Roatta could hardly have escaped and remained hidden for so long without the assistance of some secret organisation or—and this would be even more disturbing—of some influential political group. Popular suspicion has, of course, turned against the Court; and turbulent demonstrations took place in front of the Royal Palace last week. The Socialists and the Action Party, both boycotting Prince Umberto and Signor Bonomi, have demanded the immediate dismissal of the Government.

The Communists have adopted a rather ambiguous attitude. As partners of the Governmental coalition, they could not join openly with their rivals on the Left in denouncing the Government. Nor could they afford to be outpaced in radicalism by the Left opposition. Thus a curious situation arose; some Communists were very vocal among the demonstrators, while others were rather meek inside the Government. For a while it looked as though the coalition of the four parties was breaking down. The Liberals were outspoken about the somewhat double-faced policy of Signor Togliatti. Events have not developed into a breach. The four parties have solemnly renewed their *Trêve de Dieu*, and promised to work together "in full agreement." The only concrete outcome of the crisis is to be the reorganisation of the High Commission for the punishment of Fascists.

Russia and Latin America

Although the question of relations between Russia and Latin America lay outside the terms of reference of the Mexico City Conference, the meeting, as a prelude to the deliberations at San Francisco, appears to have been a starting-point for several more Latin American moves towards diplomatic relations with Russia. So far, Brazil and Venezuela are reported to be contemplating this step. Until 1943, when Cuba and Russia exchanged ambassadors, Mexico was the only Latin American country to maintain diplomatic relations with Soviet Russia. Six of the twenty republics now do so, Cuba, Colombia, Uruguay, Costa Rica and Chile having since established them, Chile as recently as last December. This change reflects Russia's enormously enhanced prestige gained during the war. It is only six years ago that the Latin American states played a leading part in expelling Russia from the League over

Finland—a humiliation which the Russians will not lightly forget.

There are now reports that the Russians are anxious to extend their influence in Latin America through greater Communist activity. In most Latin American states the party is, however, illegal. It is recognised only in Mexico, Chile, Costa Rica and Cuba. Even in these countries its record is chequered. It helped to shape Chile's Popular Front, but the Front has disintegrated, leaving the Centre parties in power under an anti-Communist President. Its influence is stronger in Mexico, where, although Communists have no part in the Government, Communist influence is strong in the Mexican trade unions.

The community of interest between Mexico and Russia is based more on trade than on political doctrine. Since Brazil's trade with Russia has shown recent signs of development, it is likely that in opening diplomatic relations with Soviet Russia for the first time President Vargas is influenced by the same motives; he may also see some advantage in offering this bait to Leftist elements in the event of his either convening or postponing the promised presidential elections.

Strange Happenings in Bucarest

The formation of the new Rumanian Government under M. Grozea has had two rather spectacular sequels. One was the sudden agreement of the Russian Government to transfer Transylvania to Rumanian administration. The other was the flight of General Radescu, the former Premier, to the offices of the British representative in Bucarest, where he has been afforded asylum. The return of Transylvania to Rumania raises no doubts. Provision for this was made under Article 19 of the armistice with Rumania which was signed by Great Britain, the United States and Russia. The delay in implementing that provision was, according to official Russian statements, caused by the massacres of Hungarians which the Rumanians committed when they had moved into Transylvania. This sounds like a plausible explanation; and the fact that the Grozea Government has undertaken to respect the rights of the Hungarian minority is all to the good. The Radescu incident appears to be rather baffling. Semi-official statements from Moscow accused Radescu of connivance in pro-Nazi activities. If the words meant what they said it was very odd indeed that the new Government in Bucarest should have stated that General Radescu had had no reason to seek asylum because no prosecution against him had been opened. Again, if the accusations from Moscow were meant seriously, then there should have been no reason for affording sanctuary to General Radescu. The British representative on the spot must thus have acted on the assumption, if not on the knowledge, that General Radescu's life was endangered by his political opponents; and that this was the real motive for his flight. However, it is impossible to pronounce on the merits of the case, as long as no impartial reports on the situation in Bucarest reach the British public. What sows seeds of suspicion in the mind of the public is not this or that act of Russian policy, but the fact that the outside world is not allowed even a glimpse of happenings in the "Russian zone." To this situation an end must be made; and the sooner the better.

Peacetime Nurseries?

A short debate took place in the House of Commons last week on the future of wartime nurseries. The wartime nursery is in most cases a combination of the pre-war day nursery and the nursery school. But as its object is to release mothers for work, originally war work but later any form of employment, its emphasis is on the care and protection of children up to five years of age. Thus the matron has to be a state registered nurse, with another nurse as deputy, and as Mrs Creech Jones points out in a Fabian pamphlet,* this bias towards nursing—with the tendency to regard all children as sick children—is resented by the teaching profession from which the staff for the children aged 2-5—the nursery school age—is drawn whenever possible.

If wartime nurseries are to continue after the war some revision of policy will therefore be necessary. The future

* "Nurseries and Nursery Schools." Fabian Publications. Ltd. 6d.

of the nursery school is assured; under the new Education Act it is an accepted part of the country's educational system, and Miss Horsbrugh said in the debate that in most cases the buildings and equipment of the wartime nursery will be used for the new nursery school. But whereas the nursery school exists solely for the education of the child, the nursery exists primarily for the welfare of the mother—though in most cases secondary benefits accrue to both mother and child from both institutions. What is not certain is whether there is a big demand for nurseries for the under twos. In wartime, when the employment of mothers is at its highest and local authorities are relieved of all financial responsibility for the nurseries, the number of places for children under two, according to Miss Horsbrugh, is 18,000 out of a total of 70,000 for children under five, but a great number of these 18,000 places are not taken up. As a rule, the mother with a small baby does not work, and in peacetime the Government's policy should aim at enabling her to look after her child in her own home—by, for one thing, adequate family allowances—rather than in encouraging her to hand it over to the care of others.

Yet it is fairly certain that there will still be a need for day nurseries—for the babies of mothers who want to work, for babies with bad home circumstances, for household emergencies and to provide an amenity for non-working mothers. The difficulty is, as Miss Horsbrugh pointed out, that to be any use a nursery should be situated near the mothers' homes, but in very few small areas would there be enough babies to justify a nursery. The cost of running a nursery is fairly high. The maintenance cost of a child per day varies, but, according to Mrs Creech Jones, is estimated at 3s., to which the parents contribute one shilling. But since the children's attendances are very irregular, even in wartime, the income received from fees is very much less than a third of the cost.

Family Allowances Debated

Three main points were discussed when the Family Allowances Bill received its second reading last week. The first, which received most attention, was whether the allowance should "belong" to the father or the mother. The Government is leaving the question to be decided by a free vote. Would it not be possible to leave it to the parents' choice? It is not unreasonable to suppose that eligible parents would prefer that they themselves should decide to which of them the allowance should belong; in default of any expressed preference it should belong automatically to the father. If, as seems likely, the Commons decide that it should be paid to the mother, the position would be that she is the legal owner of the money but the father is legally liable for the tax on it.

This second point, whether the allowances should be taxable, received far less attention. The Solicitor-General's reasons for including them in a family's taxable income were vague and unconvincing. He said that the right principle was that people with large incomes should pay most of the allowance back in taxation and that people with small incomes should retain it in full—in other words, that the allowance should not be paid at a flat rate but should be subject to a means test applied retrospectively. Yet the Government has accepted the principle of a flat rate social insurance tax and flat rate benefits. Moreover, allowances in kind are not taxable, even when, as in the case of nurses' salaries, they are given an official valuation, nor are the family allowances paid to the members of the armed forces.

The third point was whether there should be duplication of benefits. So far as the Service children's allowance is concerned, the Bill proposes that both it and the new allowance will be paid unless the Minister makes a regulation to the contrary. But the children's allowances under the present social insurance schemes will not be paid in addition to the new allowances. Again, the Government's motives were left obscure. There is a strong case for paying both sets of allowances in the case both of Servicemen's children and orphans and of social insurance beneficiaries. In the first case, the old allowance is designed to lessen the gap between a soldier's pay and a civilian's wage. In the second case, the wave-earner has paid for part of the children's allowance through his insurance contributions. There are surely grounds for permitting him to retain at least enough of the old allowance to bring the total children's allowance up to the amount

recognised by the Assistance Board as being necessary to provide for a child's minimum needs—which varies from 6s. to 9s. according to the age of the child.

Local Government on View

The local government exhibition at County Hall drives home pictorially the fact that it is the numerous local authorities, and not the central government, which administer nearly all public services, and which hold the bulk of publicly-owned property. In 1939 the local authorities spent about 3s. 6d. per week per head of the whole population on a multitude of services, supervisory, protective, and beneficial. To these services have been added the difficult wartime tasks of evacuation, rehousing, and bomb damage repair, which by their nature have brought local government much closer to the people. But, as Mr Willink said in opening the exhibition—

In normal times the ordinary man and woman knew far too little of what the local council did for them—the great range of services which make daily life possible, and yet are taken as a matter of course.

The indifference to local elections displayed even by ratepayers shows how formidable is the task of arousing the active interest of the 10 million new electors, who will be able to vote for the first time next November. As a first step, local authorities should pay much greater attention to informing their electorate of their plans and activities. Some councils are admittedly helpful, but others display an almost pathological desire for secrecy. The fact that publicity on a national scale, such as the present exhibition, is left entirely in the hands of the National Association of Local Government Officers is a sad reflection on the initiative of local councils and their organisations.

The importance of the tasks and responsibilities to be discharged by local authorities in the post-war period can hardly be exaggerated. This is why it is so essential to secure the high quality of both councillors and staff that Mr Willink rightly demanded. Beyond hoping that women would play a greater part in local government, he made no suggestions as to how the right people should be found. One step would be to end the tiresome method of annual elections at which a third of the council retires. Another would be to pay the travelling expenses of councillors, which alone are sufficient to deter any farm worker from standing for the county council. A third and vital step would be to prevent employers from penalising or otherwise discouraging their workers from becoming councillors. At present, few unskilled workers other than railwaymen have the temerity to seek election. Finally, only a drastic reorganisation of local government areas along the lines recently urged in these columns can make it possible for many authorities to afford good staffs, and for many citizens to recapture interest in their locality. It is useless to demand the best brains in local government until the willingness of citizens to serve is encouraged rather than thwarted.

Advice for the Citizen

The need of a simple Everybody's What's What and Who's Who to sort out and explain the innumerable wartime controls and agencies to the puzzled citizen first led to the creation of Citizens' Advice Bureaux. This highly organised and efficient service is described in a pamphlet issued by the National Council of Social Service—the body which advises and aids the numerous bureaux with the help of a Government grant. Most CABs are staffed by unpaid volunteers working under a trained social worker. In answering inquiries, they enlist the help of welfare and assistance officers, local barristers, solicitors, doctors, clergy and social workers. The measure of their success is the width and strength of their local contacts. A good CAB can gain a swift hearing for any victim of official muddle or oversight.

Bureau workers will listen sympathetically and patiently to anyone's troubles. This in itself afforded a valuable "emotional release" to many anxious or distressed inquirers during air raids. This personal interest has turned the CABs into something much more than a wartime information service. They receive inquiries not only about clothing coupons or bomb damage, but about rent and hire-purchase, insurance and housing, and domestic worries of all sorts. This suggests that there is scope for CABs in peacetime, but it also raises the problem of where to draw the line between mere advice and actual assistance.

* Citizens' Advice Bureaux in Britain and Advice Centres in Liberated Europe. 1944. 2s.

Letters to the Editor

Sunday Cinemas

SIR,—After reading the note in *The Economist* of February 10th, I feel some statement is needed on behalf of those who have urged and supported the Surrey County Council in its decision, for it is they, rather than the Council, who must bear the charge of being "unwise and unkind" and of being prompted by "sabbatarian zeal."

While it is true that better attended Sunday Schools would be welcomed, very few of those who favour the Sunday cinema restriction seriously believe that a child excluded from the cinema is immediately gained for the Sunday School.

What is really causing deep concern is the influence of present-day films upon the mind and outlook of the young people. If there were some evidence that the young people who enter the cinemas normally came out from them healthier in this respect, and perhaps a little nearer to the Christian perceptions of life's true meaning and responsibilities, then the Churches themselves might encourage Sunday cinema attendance. It is because the results are all the other way that there is much to be said for shielding young people from the influences that are so damaging to them. If this can be achieved only on one day of the week it is not to be despised, especially as Sunday is the day when parents should realise their responsibility of linking their children with the Christian Church and of protecting them from, rather than leading them into, what is frequently an unwholesome atmosphere. Relaxation and entertainment for the whole family on Sundays may be a high priority in this sixth winter of war, but not at the price of still further undermining the Christian upbringing of our young people. Without some measure of discipline, even though it be labelled sabbatarianism, there can be no progress in the Christian life.

At the same time it must be admitted that the Sunday ban leaves untouched the problem of the cinema's influence on the other days of the week, and that the policy can

achieve good results only if it is part of a wider effort which is mainly positive in character. The main work on behalf of the young people must be in the direction of better houses and homes, better educational and recreational opportunities, and, last but not least, better films.

But this wider policy will take time, and meanwhile the modern film is one of the many forces undermining the future moral and spiritual stability of our nation. In the past our country has used legislation to protect children from work in factory and mine, from ill-treatment and other damaging influences. Those who to-day seek to restrict access to cinemas, at least on Sundays, are moved by the same deep concern, which is to protect young people from what is positively harmful and to give them a better chance of developing into healthy citizens of the future.—Yours faithfully,

D. ALLON SMITH

St. Andrew's Presbyterian Church of England,
Cheam

Location of Industry

SIR,—I notice that in the article on the Distribution of Industry Bill, in your issue of March 3rd, nothing is said with regard to the very serious disadvantage blitzed areas will suffer by comparison with development areas. It does not seem to be realised that material and labour are available to development areas immediately, but will not be available to blitzed areas until housing and development area requirements are satisfied.

The consequence is that some blitzed areas, at any rate, will suffer, and may indeed become themselves depressed areas through their inability to restore their buildings.

Very serious unemployment is inevitable in blitzed areas when the men return from the Forces, unless business premises can be restored or re-erected, to enable them to be employed.—Yours faithfully,

FRED M. BURRIS

Westbury-on-Trym

AMERICAN SURVEY

The Comic Heritage

(From a Correspondent in New York)

MRS ROOSEVELT complained at a recent press conference that all the children she saw in her frequent train journeys were reading comic books. She might as justly have complained that the drug stores which purvey literature to American small towns, or the post exchanges which supply army camps, devote a large part of their book space to the same material. The comics may be childish, but they are by no means created for the exclusive amusement of the young. Their potential customers number most of the hundred and thirty million people in this country, with the possible exception of a few intellectuals and children under three.

In the more leisurely and devout nineteenth century the day began in this country, as in England, with a Bible reading. It still does in some families. But most Americans now start with the newspaper. News on the front page—the steam off the altar of America's number one god, progress. Comics on the inside back page—America's folklore, its morality tales, its miracles, its daily Bible story. The comics supply wonder, fantasy, thrills and chills to to-day's rushing slaves of the time-clock as did the folk tales of the Old Testament and the miracles of the new to an older agricultural generation.

You like Samson the strong man? We have Joe Palooka and Popeye. You give a tender reminiscent smile to Balaam and his talking ass? We enjoy Uncle Elby and his gangling cur Napoleon, whose tail and ears say it without words. Instead of the Queen of Sheba we have Dixie Dugan or Mary Worth, every bit as ravishing on a showgirl's salary as was the old Queen with the wealth of the Orient to

hang around her neck. You fancy miracles? Watch Superman or the scientific knight-errant Buck Rogers.

"Comics" is the generic name for a type of continued picture story which appeared first as a coloured picture supplement to the Sunday newspaper for the amusement of children. Then it made its way into the daily papers in the form of a strip of four to six units strung across the top of a page, the whole telling a story complete enough in itself to satisfy its reader and at the same time leading him to wait breathless for the next instalment. Its latest incarnation is in the form of books—cheaply printed and brilliant in raw colour—which sell literally by the millions.

The first essential of the comic strip is the character. Whether he be human, or an animal like Donald Duck, or a mechanical creation with a mind of its own like some of the automobiles, airplanes and Buck Rogers rocket guns that have from time to time taken rôles in the comics, it is the character and the things that happen to him—or that he makes happen—which hold the reader's interest. There are no mass movements in the comic strips. This is the realm of the hero or the heroine, and a large part of its appeal lies in the reader's ability to identify himself with the principal character and either laugh at daily doings very like his own or—more frequently—move out of his dull, mechanical job into a fantastic world of excitement, adventure, romance—a world that is at once satisfying, strange and comfortingly familiar, where he can have all the excitement of slaying Goliaths with a Tommy-gun and facing fiery furnaces in an asbestos suit.

The second essential is the plot. Obviously, a plot which

is to delight millions must be simple, must have its motives well founded in human character, and, if it is to continue to hold interest day after day and year after year, it must be flexible and susceptible to infinite extension. To hunt for something that is lost—hidden treasure, a stolen sweetheart—to escape from impossible prisons or demonic enemies, to manoeuvre for love, for business advantage, for power—these are the commonplaces of the comics plot. Moving four to six pictures at a time, Superman can take a year to find the missing heiress, indulging on the way in the incredible adventures to which his superhuman endowments entitle him.

The more subtle comic strips, like the recently arrived Barnaby, current delight of the more sophisticated, rely on topical adventures of shorter duration, and depend for their long appeal on charm of character and juxtaposition of absurd incidents. Barnaby is an appealing small boy of perhaps five years who has a fairy godfather, invisible to everyone else, named Mr O'Malley. Mr O'Malley is a modern pixie who has a wide acquaintance with ghosts, leprechauns and other inhabitants of faery. He wears two wings sticking through his tightly-buttoned business suit, a Homburg hat and a fat cigar, and is the epitome of common business sense applied to most unbusinesslike situations. Much of the charm of this comic lies in Mr O'Malley's ability to fail at everything and yet maintain his infrangible certainty of being right.

Mr O'Malley and Barnaby are not, however, typical. Most of the comics are not very funny. Some of them were funny in the beginning, a few depend, like a fire-cracker, on a long fuse and a snapper ending. Most of them have moved into a fantastic world of terror and thrills where virtue is always triumphant, *Deus* is always *ex machina*, and rescue from the most hair-raising situations is sure to come if you only sit tight and wait for the next instalment.

*

As substitutes for the daily Bible story these carry, of course, no religious implications. Their hold is in terms of those other attributes which made Bible stories so compelling to generations of people living in very different parts of the world: they must be compared as tales of wonder and mystery, as folklore embodying traditional behaviour which in turn becomes a pattern for the young or as a common heritage of narrative, character and situation which binds together a whole population, however different its racial backgrounds.

As tales of mystery and wonder, the comics, like the Old Testament stories, are full of terror, though a very different terror. In the comic world human devils operate and death rides monsters that are mechanical. The only god is science; everything can be explained in its terms. Science is never angry and never kind. Nor can science be placated as Jahweh could. Science operates according to known rules, and if you get in its way, the only thing that will save you is to invoke the scientific antidote. On the other hand, chance and coincidence play a large part in the comics. They are the permitted unknowns.

As tales of human behaviour serving as patterns for the young, the comics are easier to deal with than Bible stories ever were. More than one Sunday-school teacher has boggled over the vagaries of King David, and while leaning heavily on his adventures with Goliath has passed lightly over his predilection for the captain's pretty wife. There are no such pitfalls in the comics. Theirs is a Puritan pattern; black is black and white is white, and the two meet only as enemies. Good characters are always good, bad characters always bad. Eve, whose comic name at the moment is Monica Lee, has no more complicated rôle than to tempt Adam. The comics are simple and moral with a rubber stamp morality that goes on repeating itself without variation and with no more depth than the sheet of paper on which they are printed.

How far the comics fill the need for the common heritage of narrative, character, situation which Bible tales filled so richly is a question. Certain characters have passed into common speech. "Rube Goldberg plumbing" is American shorthand for the superbly crazy collection of pipes, valves, wires and gadgets which the cartoonist of that name put together in lampooning the Yankee love for machines. A "Buck Rogers set-up" is a slightly derogatory description of a mechanical marvel too wonderful to be real. "Casper Milquetoast" is an epithet applied to the completely timid soul, the appeaser who suffereth long and is kind no matter what agonies it may cost him or his neighbour.

But none of this lasts very long in popular speech. In

the Bible-reading days, for grandfather, son and grandson, Daniel was perennially in the lion's den, Joseph was perpetually denying Potiphar's wife, the same Cain was always in the act of killing the same Abel. It was the individual response, the reaction of each new generation to the same folk tale, that gave richness and meaning and depth to the telling and the receiving. The links thus forged held the generations together and created a whole literature of allusion that stretched around the world. Popular as the comics are, they cannot yet claim any such deep hold on the American people. For one thing, the constant demand for change makes it almost impossible for the comic strip creators to keep a character intact very long. That gaudy flaneur Mr Jiggs is perhaps thirty years old, and has recently taken to re-living his youth, but he is an exception. Gasoline Alley made its first fame when the automobile was still exciting and unpredictable, but to-day's strip of that name is inhabited by two soldiers on a South Sea Island.

Nor have the comics, as patterns of human behaviour that show the young how people act, much authority. The Bible tales were rich and subtle models with revealed religion behind them and with enough depth and variety to hold attention as children grew older. But the comics are perpetually adolescent. They follow, they do not lead. They depend not on the magnificent but on the commonplace.

True, they glorify that commonplace, they lead it into bizarre situations and hair-raising struggles, they give it a winged costume and call it Superman, they provide it with the most advanced inventions of a scientific age and send it in a rocket to the farthest stars. But it is still the commonplace, still the everyday human being chained to a machine civilisation, solving his problems only by material means, his only conceivable heaven the possession of an unlimited supply of those means, his hell the existence of a superior supply of those same means (or others even more powerful) in the hands of human devils.

The comics hold life very cheaply. Murders are done as children pretend them—by pulling out a pistol and saying "Bang bang." And nobody seems to care very much. Revenge is the chief emotion they awaken. Theirs is a terrifying child's world, with a child's ideas of morality carried into adult terms and armed with adult tools.

*

Yet, for all their shortcomings, the comic strips and comic books are an index of American character that cannot be disregarded. The pitfalls in the way of any foreigner who tries to read them are many, but three fundamentals at least stand out. First, the fact that science, particularly as it takes mechanical form, is god in the popular American mind. Second, that anything can happen, and usually does if you wait long enough. Here is no vestige of a closed frontier. The mind that makes these comics and the mind that enjoys them may be limited, but not their area of operations. Third, here is no evidence of any class feeling or of any separation between rich and poor, privileged and under-privileged. The world is divided, but not along those lines. It is divided between the good and the bad. It is also divided between those who wait for things to happen and those who make them happen—American admiration goes to the latter.

American Notes

Vandenberg and Stassen

Two of the Republican nominees, Senator Vandenberg of Michigan and Commander Harold Stassen, former Governor of Minnesota, have accepted President Roosevelt's invitations to San Francisco—Commander Stassen, immediately, Senator Vandenberg, somewhat reluctantly, and only after assurance from the President that he would not be "bound" by the Conference, that he would have "freedom of action."

Senator Vandenberg's first concern appears to be his freedom to criticise, and from his speech last week it could be deduced that if there were nothing to criticise, this comparatively new entrant from the ranks of isolationism into the internationalist world could be depended upon to dig something out. Commander Stassen, on the other hand, seems concerned with throwing all the weight he carries behind a world security organisation, and his weight promises to be considerable, since he appears to be growing into the late Mr Wendell Willkie's shoes. Commander Stassen stated last week, clearly and simply, that he would

go to San Francisco committed to the decisions reached in the Atlantic Charter, at Moscow, Teheran, Dumbarton Oaks and Yalta. He looks at the San Francisco Conference as a chance to "win a beachhead in the battle for a just and lasting peace." Like Mr Willkie, Commander Stassen sees in America an expanding capitalism, a boundless system of free enterprise in the framework of which he believes "freedom and equality of our citizens" can be achieved. And he sees the huge reservoir of American wealth as a source to be tapped for the advancement of living standards of people the world over.

Meanwhile Senator Vandenberg, who believes a "constant, conscious mandate to seek and maintain justice as the basis of peace" is lacking thus far except in the World Court chapter of Dumbarton Oaks, promised that he would produce concrete proposals at San Francisco, but would not reveal them now. He repeated his demand that all agreements made under the stress of war should be subject to "full, free and fair review" at the peace table. And last week he was still very worried about Poland. Indeed, his first foreign policy declaration since his acceptance of Mr Roosevelt's invitation is regarded by many observers as a prelude to a debate at San Francisco on this inflammatory subject.

It will be unfortunate if a united front cannot be forged by discussion and argument among the American delegates between now and April 25th. For a divided American delegation, with the ghost of the two-thirds rule always present, could take the heart out of the Conference.

Three Shifts

Mr William H. Davis, chairman of the War Labour Board, has been appointed to fill the place as Director of the Office of Economic Stabilisation left vacant when Judge Vinson moved into the job. Congress would not trust Mr Henry Wallace to do effectively—that of Federal Loan Administrator. Mr Davis' WLB job has gone to Mr George B. Taylor, public member of the WLB, and formerly assistant chairman. The Little Steel Formula is his rather uncomfortable monument, and for that monument he is not loved by Labour, which thus far has not committed itself on his appointment. Mr Taylor is on leave from the University of Pennsylvania, and the more irreverent labour people make no bones about wishing he were back on the campus.

The Conservative press fears that Mr Davis, as director of the OES, will initiate an epidemic of "fringe" pay rises for night shifts, holidays, travel time and the like. The "maintenance of membership" clause, invented by Mr Davis, is as unpopular with management as the Little Steel formula is with Labour. And since Mr Davis shares the responsibility for that formula, he is under fire from both sides. His first real test in OES will come if Mr John L. Lewis stands by his demands, which he can be counted on to do.

It would be a mistake to measure Judge Vinson's qualifications for the job of Federal Loan Administrator against those of Mr Wallace. The former Kentucky lawyer was not chosen for his professional qualifications, but because he is acceptable, non-controversial, economical and reasonably competent. Not a single dissentient voice was heard in the Senate.

So much attention has been paid Judge Vinson for his uncompromising attitude on wage increases that his former advocacy of subsidies as a means of reconciling rising costs of production with a stable cost of living tends to be forgotten. Subsidies have always been anathema to the Conservatives, and it may be that the Conservative press, in acclaiming his appointment so wholeheartedly, is really not so much cheering for Judge Vinson as for the fact that he is not Mr Wallace.

Help Wanted . . .

Governor Dewey, of New York, has signed the Ives-Quinn Bill which, for the first time, puts on a state's statute books a law making discrimination in employment because of race, creed, colour or national origin a misdemeanour, punishable by a \$500 fine, a year in prison or both. The operation of the statute will be watched with keen interest. Unfortunately, not all states will wish it as well as the five which are at present considering similar measures: Ohio, New Jersey, California, Connecticut and Massachusetts.

In the whole of the United States, minority groups number some 30 million, or almost one-fourth of the population. The Negroes are the largest, but by no means the only

element. When the war programme was still in its tooling stages it became apparent that these 30 million persons would be needed in the factories. Since a national law against discrimination would not have had the slightest chance of passing through both houses of Congress, the President, in June, 1941, issued the unprecedented Executive Order 8802, authorising a Committee of Fair Employment Practice to "receive and investigate complaints of discrimination . . . and to take appropriate steps to redress grievances. . . ." In 1943 the FEPC was set up as a fully staffed, independent Agency, but still with no statutory standing, and with no powers to enforce its decisions.

The FEPC can discuss and recommend and hear and issue directives, but the only pressures it can bring to bear are through anti-discrimination clauses in public contracts and through the President's power, as Commander-in-Chief, to seize the plants of offending employers. In jurisdiction, the FEPC is limited to complaints against Federal Agencies or employers (and unions in their plants) having contracts with the Government, and to complaints against employers who are regarded as essential to the war effort. Discrimination is condemned in principle far more widely than it is eschewed in practice. The CIO and AFL are officially committed to abolish discrimination within their organisations. But many of their affiliated unions violate the official stand, sometimes barring negroes and sometimes discriminating in more circuitous ways.

In some quarters there is anxiety about the prospect of race friction when the servicemen—white, brown and black—come home. Traditionally the negro is the last one hired and the first one fired, which will make trouble for the FEPC during the reconversion period. The Senate Committee on Labour, aware of this, is expected to hold hearings this week on a bill to set up a permanent Federal FEPC, taking the committee away from executive order and placing it under statutory authority.

In the meantime, in New York state at least, the familiar advertisement, "Wanted, clerk, white, Christian," will have to disappear.

The Co-operative Movement

Private enterprise in the United States has always been hostile to the co-operatives, not because of their volume of business, but because they were co-operatives. Last year, although the total volume of consumer co-operative business, at about one billion dollars, was a mere drop in the consumer's bucket, the increase over the previous year was as much as 33 per cent, which is enough to alarm the professional defenders of private enterprise. The euphemistically named National Tax Equality Association, which co-operators identify as the former League for the Protection of Private Enterprise, has mobilised a strong lobby in Washington to deprive the co-operatives of their present exemption from taxes. The co-operatives' contention, in America as in Britain, is that they have no "income" or "profits" as such, and therefore cannot be subject to income-tax. Their "income" belongs to their members, not as profits, but as rebates on "overcharges."

The NTEA can only see the spectre of socialism as an end result of too much co-operating. They object not so much to the fact that rebates are tax exempt as to the fact that a great many members leave their savings with the co-operatives, taking them in stock or credit, thus financing the growth of the movement with ploughed-back dividends. The co-operatives are not defenceless. They are using the threat that, if their "divs" are taxed as income they will follow the lead of the Swedish co-operatives, and undercut prices instead of meeting competitors' prices and giving consumers their savings in dividends.

The great, virtually untapped area for expansion of the American consumer co-operative movement, is in organised labour. At present only about 25 per cent of the co-operative business has been done in areas where 75 per cent of the people live. The co-operative League has set up a Labour Service Division; the American Federation of Labour has started a department of Consumer Co-operation and a number of CIO unions have been studying plans for co-operative development and propaganda.

These possibilities for growth depend to a large degree on a tightening and centralisation of the movement, which is at present sprawling and loosely organised. There is certainly no lack of variety in co-operative activities, which include the refining of petroleum, baking bread, processing soybeans, hatching chicks, selling insurance, delivering babies, burying the dead, printing, dehydrating, and selling every imaginable kind of consumer goods.

HOUSING ENTERPRISE

One of the nation's tasks is to apportion its resources to the best advantage. On this basis public policy after the war should be so devised that all who desire to purchase houses for their own occupation can do so as soon as practicable. The builders of good houses will be ready to play their part; so will the Abbey National and other building societies. Thus may free enterprise make a worthy contribution equally with public effort.

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THE BUSINESS WORLD

A Steel Constitution

ON Tuesday representatives of the iron and steel industry voted themselves a new constitution. The avowed purpose of the reconstituted British Iron and Steel Federation is to ensure for the industry "self-government within the framework of Government policy," presumably on the assumption that protection by tariff or quotas will be an essential part of the framework.

The new constitution, a revised version of that of 1934, provides for a strong central governing body; the various sections of the industry—the members of the Federation—are to be grouped into strong associations or "conferences" with freedom to manage their own affairs insofar as these do not impinge on matters of general policy, the preserve of the central governing body. The reconstituted Federation will thus be a tidier one than that created in 1934; in matters of general policy it will be all-powerful, but in the management of the branches it will not interfere. The Federation will be governed by a representative council, on which each Conference will be represented "in proportion to its relative importance." Real power is vested in a smaller executive committee, to be chosen from the members of the Council; it is to include members from each Conference, and its chief executive officer, as hitherto, is to be an "independent" chairman, chosen from outside the industry, but paid by the Federation.

The industry has set itself high ideals; it promises to render efficient service to the community, to maintain full and regular employment, to ensure that reasonable and steady rewards are paid to the labour employed, and to the savings entrusted to it, to promote exports, and a great deal besides. But it is much more reticent in its published statements about the means it will adopt to fulfil these laudable aims—from which alone in many cases a precise notion might be derived of the interpretation likely to be put in practice on these high-sounding abstractions.

The layman may, perhaps, be allowed to ask two questions. First, what are to be the incentives that are to ensure that this highly protected and centralised industry is to be brought to, and maintained at, the highest pitch of efficiency within the limits of technical knowledge, and that the fruits of its efficiency are to accrue to the consumer? Secondly, what tangible evidence is there of the industry's intention to carry out an adequate programme of technical reorganisation after the war?

In all fairness, it must be conceded that the industry has attempted to provide at least a partial answer to the first question. Alive to the danger of inertia inherent in monopoly, the Federation has set up an Efficiency Committee. This Committee of experts, to be drawn from the industry, and, presumably, to be paid by the Federation, will have the double task of advising on proposed schemes of reconstruction and expansion, and, on its own initiative, of surveying each of the main sections of the industry with the object of advising on improvements and modernisation. The Federation has also set up a Price Policy Committee; the general policy is that selling prices

should be based upon the costs of economically efficient plants, and that it should be accepted as a fundamental principle that such plants are enabled not only to obtain a reasonable return on the capital invested, but also to set aside a sufficient amount towards research and development.

As a safeguard to the consumer, the industry would "welcome" the creation by the Government of a tribunal such as the Import Duties Advisory Committee, with the function of examining costs in relation to selling prices. The cynic might be forgiven for reflecting that if the industry did not welcome the existence of a tribunal as lenient as IDAC has proved to be, it would be ignoring its own interests. The real point is whether the industry would welcome a tribunal that was *not* like IDAC.

There is no published evidence about the industry's plans for technical reorganisation after the war, except that relating to the manufacture of tinplate. Statements have been made to the effect that the industry is planning to spend about £100 million on re-equipment as soon as possible after the war. This sum compares with the £50 million

spent on major schemes during the seven years preceding the outbreak of war—at prices much lower than those likely to rule after the war. The mere intention to spend £100 million, however, has little meaning; everything depends on the nature of the projects. Admittedly, the industry cannot be blamed for the lack of evidence available to the layman. It has, in fact, submitted its post-war plans to the Ministry of Supply. These should be published, at least in outline, as soon as possible. There is no reason why the Ministry of Supply should not follow the precedent set for other industries by the Board of Trade. Without the fact the public has no means of assessing the merits of the industry's reorganisation plans. In the early 'thirties a major change in steel policy was foisted by the Government upon an ignorant public—that is, ignorant of the contents of reports prepared by a number of committees; this must not happen again.

Judged on the basis of published statements, the steel industry's aims are similar in content to those announced by the coal, cotton and other industries. The industry wishes to consolidate its position and run its own affairs, equipped with effective price-fixing powers. It could hardly be expected to divest itself voluntarily of its monopoly powers, but in some respects—as in the creation of an Efficiency Committee—it has at least recognised the need for cheap steel (present British prices are about a fifth above those current in the United States). It is now for the Government—representing the public interest—to scrutinise the steel industry's plans, and to provide the "framework of policy" within which the industry asks that it should be allowed to operate.

Clearly, the industry's unpublished plans for technical reorganisation after the war deserve the closest scrutiny by the Government. Great Britain will no longer be able to afford a steel—and a coal—industry that is not in line with present technical knowledge applied to the special conditions of this country in the matter of raw material supplies and markets. It may be questioned, indeed, if technical proposals, made by an industry secure in its monopolistic position, can be readily assumed to be those that are most likely to raise its efficiency to the highest possible level within a given time limit. The issue is so important that it might be advisable to seek independent expert opinion, based on an investigation by a small technical committee, with American experts as consultants. A visit of this committee to the United States may have a salutary effect, even if its findings are not as devastating as those of the Cotton Mission.

The Efficiency Committee set up by the Federation is a welcome innovation. But, again, it may be asked whether a body of experts drawn from, and paid by the industry, will be sufficiently ruthless in tendering advice on the steps needed to maintain the efficiency of the industry at the highest pitch, even if that advice were accepted. How, for example, would a company react to the suggestion that its plant should be closed because it is in the wrong place? And even if the Committee proved to be effective in bringing the laggards up to the average, how can representatives of the industry be expected to force up the average itself? Before there will be real reason to believe that the pressure for efficiency is adequate, some stronger mechanism will have to be devised. One method would be to turn the Efficiency Committee into an expert body independent of the industry, though this would hardly be acceptable; another would be to set up a parallel inspectorate of experts consisting of consultants in the service of the Government on the analogy of the price tribunal suggested by the Federation; a third would be to have a joint committee, consisting of experts in the service of the industry as well as of experts in the service of the Government.

In the matter of price policy, the Federation's statement is far too vague. It is not enough to suggest that prices should be fixed on the basis of the costs of efficient producers. What are costs? And what is efficient? A Price Policy Committee, such as that which has been set up, can only perform its task effectively if it is given precise in-

structions—a specific formula—about the method by which, and the level at which, prices are to be fixed. An example that has already been suggested would be to determine minimum prices on the basis of the total costs of the lower quartile, that is, the total costs of the firms whose costs stand one-quarter of the way up from the lowest to the highest. Obviously, if prices are fixed by reference to the costs of the cheapest producers, too many firms might be driven out of business; if they are fixed by reference to the dearest producers they would put a premium on inefficiency; if they are based on the average costs of all firms they might still encourage complacency. There should be no difficulty in devising a series of formulae appropriate to the various sections of the steel industry. A special Government tribunal with power to investigate the relation between costs and selling prices, such as is suggested by the Federation, would be an additional safeguard, on condition that it is an

Bretton Woods: American Criticisms

(From Our New York Correspondent)

THE Bretton Woods proposals are now squarely before Congress, but it is still difficult to forecast whether they will be passed, and, if so, whether there will be substantial modifications. There is perhaps a general pre-sumption, based on the last election, that what the Administration really pushes has a better than even chance of being enacted, but this is not a very reliable foundation for prophecy in specific cases. The two most authoritative banking institutions, the American Banking Association and the New York State Bankers' Association, and the two most influential newspapers, the *New York Times* and the *New York Herald-Tribune*, have all taken a critical line. But there are minorities among both the bankers and the newspapers, and economists are similarly divided. Not as a forecast of defeat or amendment, but simply as an attempt to elucidate the discussions, a survey of the main lines of criticism that have hitherto emerged may be of interest.

In general, the International Bank for Reconstruction and Redevelopment has provoked considerably less controversy than the International Monetary Fund. The very fact that the latter has been susceptible of such varied interpretation is lending weight to the most usual criticism, which is that the provisions of the Fund proposals lack clarity and are ambiguous. One authority, an eminent bank economist, ascribes this ambiguity to the dual parentage of the Fund, with its stated emphasis on both exchange stabilisation and economic expansion, the respective goals of the White and Keynes Plans. As might be expected, a section of American opinion would devote the Fund to the first objective, and either expect the latter to follow automatically or to be promoted by other means. A corollary to the same argument of mixed parentage and confused objective is the opinion that the Fund is far too large if it is to be used for exchange stabilisation, but that no fund, however large, can suffice if the other purpose is to be served by simply passing out money.

A related criticism involves the familiar argument about causes and effects. The friends of the Fund hold that monetary stability is indispensable for economic stability, which is, in turn, a prerequisite of political stability. But the critics question the logic of this chronological sequence. Real exchange stability, they say, results only from the prior removal of trade and exchange barriers and the setting of each country's domestic house in order. There is some irony in the fact that the arguments used in defence of the Fund represent a complete reversal of the opinion held by the Roosevelt Administration at the time of the World Economic Conference of 1933. Even some of the staunch supporters of the Fund urge that it should not be brought into action until the transitional problems of "hot money," unbalanced budgets and disorganised balances of payments have been dealt with by more direct means, and the state of the world is propitious for the Fund's success. In any case, it is stated, the need for exchange in the transition period will be less urgent than the need for investment credit.

A related series of criticisms views the Fund essentially as a lending agency. In some quarters, the size of the American contribution is thought to be excessive. Even more frequently the contention is heard that the Fund will be unworkable because the plan, either inadvertently

inspectorate of independent experts, and that it is given precise instructions as to policy.

These are some of the issues that must be faced by the Government if it is to provide the industry with a framework within which the industry will be able to manage its affairs of its own as well as for the public good. The framework should consist of a set of conditions within which the industry will be free to pursue the business of making steel; the overriding public interest demands that this should not mean self-government in the sense in which that term has come to be used. The steel trade, in a sense, will provide a test of the Government's will and ability to set industry on the road to progress so far as this is within its powers. Unlike the coal industry, it is not overlaid with long-standing antagonism between workers and employers. It is an industry in which it should be possible to devise technical solutions to a technical problem.

or deliberately, has failed to consider or make clear the probable results of the disparity between the American commitment to supply dollars and the potential demand for dollars, consisting of the aggregate quotas of other countries. In any event, the American contribution may, under the scarce currency provisions, far exceed its initial quota. As a result, the Fund may be saturated with domestic currencies unwanted by the rest of the world.

Furthermore, some feeling exists that the United States should not blindly give a "blank cheque" of this order to the Fund. This is not so much an argument against the size of the ultimate American loan as a feeling that the interests of both borrowing and lending countries will be better served if advances are specifically tailored to the needs of each country. The alternative "tailoring" suggested would include not only generous loans, but outright grants-in-aid where justified. The provisions of the fund are under fire because loans are to be granted automatically

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(The Figures of Branches in Enemy-occupied Territories are taken from the latest Returns received)

LIABILITIES.		£	s.	d.
CAPITAL, STOCK, AUTHORIZED AND ISSUED	(There is under the Charter a reserve liability of the Stockholders equal to the amount of Stock issued.)	3,000,000	0	0
RESERVE FUND		3,000,000	0	0
NOTES IN CIRCULATION		1,499,588	10	8
CURRENT AND OTHER ACCOUNTS, including provision for Bad and Doubtful Debts and Contingencies and Exchange adjustments		76,435,386	0	0
FIXED DEPOSITS		9,905,062	0	3
BILLS PAYABLE		245,902	10	8
ACCEPTANCES, including Undertakings to accept, on Account of Customers		582,798	7	5
PROFIT AND LOSS ACCOUNT		617,379	0	2
TOTAL		498,564,108	8	9

NOTES:—
(1) There are contingent liabilities on Bills Re-discounted (£446,086 1s. 8d., of which £268,331 2s. 1d. has run off at 12th March, 1945) and commitments in respect of Confirmed Credits, Guarantees and Forward Exchange Contracts.
(2) Currency Assets and Liabilities have been converted at the following rates:—Rupee 1s 6d., Straits Dollar 2s. 4d., Guilder 2s. 8d., Tical 2s. 0d., Indo-China Piastre 1s. 4d., Hongkong Dollar 1s. 8d., Shanghai and Peking Dollar 4d., Chinese Dollar 1,350 to £1, Philippine Peso 2s. 6d., Yen 1s. 3d., and United States Dollar 2s. 0d.

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CASH IN HAND AND AT BANKERS		17,610,120	5	6
GOVERNMENT AND OTHER SECURITIES		41,397,698	3	3
HONGKONG GOVERNMENT CERTIFICATES OF INDEBTEDNESS FOR SHREDDERED COIN, AND CASH LODGED AGAINST NOTE ISSUES £499,324		7	6	0
SECURITIES LODGED AGAINST NOTE ISSUES		915,750	0	0
TOTAL		1,415,064	7	6

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ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS		30,951,611	19	3
LIABILITY OF CUSTOMERS FOR ACCEPTANCES, including Undertakings to accept, per Contra		862,798	7	5
BANK PREMISES AND FURNITURE AT THE HEAD OFFICE AND BRANCHES		1,583,051	12	9
BALANCE OF REMITTANCES, DRAFTS, ETC., IN TRANSIT BETWEEN HEAD OFFICE, BRANCHES AND AGENCIES, mainly relating to outstanding transactions with and between Branches in Enemy-occupied Territories		7,395,715	13	0
TOTAL		498,564,108	8	9

V. A. GRANTHAM, H. MACVARTEN, J. L. MILNE, Directors.
London, 14th March, 1945.

without regard to credit-worthiness or economic need and with no termination date for the loans. The fear exists that if the resources of the Fund become tied up in investment credits, its character as a revolving fund will be destroyed.

A fourth basic criticism of the Fund rests upon the premise that the real problem of monetary stabilisation is internal, not international. Any mechanism which pours funds into gaps in international payments will, it is contended, merely postpone necessary readjustments and the voluntary application of correctives by each nation. The Bretton Woods proposals are said to be obsessed with the idea of machinery rather than with basic principles. These apprehensions are enhanced by the ease with which exchange rates may be changed under the agreement. Indeed, in some circles, the Fund is interpreted as little more than a device for making periodic devaluation respectable. The fact that the Fund is not to be allowed to reject such changes on account of the domestic, social or political policies of the devaluing member seems, in this perspective, completely unrealistic.

Other criticisms proceed from diverse frames of reference. Lawyers are apprehensive that the Fund's immunity from judicial process may lead to one-sided decisions. A more comprehensive procedure is required to enforce the obligations of each state. The proliferation of autonomous international agencies is viewed with some alarm; it is felt these require integration with the general structure of international co-operation, most probably through subordination to the Economic and Social Council envisaged by the Dumbarton Oaks plan.

The critics who propound these arguments are not mere iconoclasts; they offer alternatives to the Fund proposals. These substitutes are: a return to the traditional gold standard; the provision of large United States credits to stabilise the pound sterling and perhaps other "key currencies"; and the creation of "currency blocs" through the pegging of world exchanges to outstanding currencies, such as the pound, dollar and rouble. These counter-proposals have been the signal for the adherents of the Fund to abandon their defensive positions and advance to the attack in their turn.

Business Notes

Doing Things Differently in Australia

In most highly-developed modern communities the administration of finance has come to rest on three tiers. First comes the Ministry of Finance, which determines general policy; next comes the Central Bank, which administers the policy; finally, there are the commercial banks and specialised institutions speeding the flow of commerce within the limits of general policy determined by the Ministry of Finance and administered by the Central Bank. This, broadly, is the system that has been gradually evolved and, at present, is the best there is.

Judging by the speeches made on the second reading of two banking bills—one for the Commonwealth Bank and one for the commercial banks—Mr J. B. Chifley, Treasurer of the Commonwealth of Australia, seems to hold the view that there is virtue in being different, irrespective of the consequences. The complete text of his two bills is not yet available, and detailed discussion of the proposals, therefore, must be deferred. But the substance of his speeches suggests that he dislikes the three tiers; he is out for drastic simplification by bringing the whole business under one hat, at present his own. The commercial banks are to be made to wither away because, in his view, the Commonwealth Bank (the central bank) can administer policy as well as deal with Australia's banking customers; the Commonwealth Bank itself is to lose all independence and is to become a mere department of the Treasury. In other words, the Government is to determine policy, administer policy and deal with the customers.

This dogmatic statement may be doing Mr Chifley an injustice; it may be an exaggerated version of the consequences of the legislation he proposes; but nothing but the object of gaining complete control over central and commercial banking—that is, nothing save complete innocence of modern administration of finance—can have inspired the two bills as described in his speeches.

Briefly, the Commonwealth Bank is to compete "actively" with the commercial banks. And, in order to

All three possibilities would divide countries in their monetary relations into blocs, gold and non-gold (since all the nations do not have the necessary reserves), dollar and sterling, etc. Rivalries might develop between groups and trade would tend to be canalised within them, thus obstructing the realisation of maximum expansion of trade and employment. Furthermore, it is doubtful whether key countries, particularly Great Britain, would willingly enter into rigid stabilisation agreements because of the fear that these might in time interfere with internal objectives.

The Bank for Reconstruction and Redevelopment has secured relatively wider acceptance, or, at least, has met with less criticism, precisely because it cannot be attacked on most of the counts charged against the Fund. The purpose is clearly stated and the institution will undoubtedly fill what to many observers seems a real need for reconstruction and development funds both in the immediate post-war period and in the longer run. The aggregate possible commitments of the Bank and the obligation undertaken by each member are considered to be relatively clearly stated. Loans are to be related to need and borrowers' credit-worthiness is to be scrutinised. Even so, some questions have been raised. Chief among them are the following: Since the United States will provide the major part of the capital, why should not an enlarged American Export-Import Bank assume these lending functions? If the Bank is largely controlled by debtor nations, will creditors be able to protect their loans? Is the Bank really needed, since private capital is available to finance most good projects and uneconomic projects should not be financed in any case?

Despite these doubts, there is a large body of vocal opinion in favour of action on the Bank agreement in the near future. Some sections of opinion would postpone action on the Fund until the problems of the transition period have been solved and further study, and perhaps amendment, of the Fund provisions has become possible. Others would abandon the Fund completely, and include instead an exchange stabilisation department in the Bank. The relative weight of these bodies of opinion has now to be assessed by the Senate and House of Representatives.

avoid "secondary credit expansion of formidable proportions after the war," the Commonwealth Bank "must be given authority to immobilise the liquid reserves of the trading banks to whatever extent may be desirable"; these are therefore to be transferred by the trading banks into special accounts with the Commonwealth Bank, and in future the Commonwealth Bank "may require each bank to lodge in its special account each month such an amount as may be specified in writing." Put in another way, the Commonwealth Bank will have the power to limit the size of the business of the commercial banks, while expanding its own, and to prevent them from taking part in financing post-war expansion. Moreover, the directorate of the Bank is to be deprived of all vestiges of independence. Since 1924, the Board of the Bank has consisted of six members who had been actively engaged in agriculture, trade, finance or industry, and two *ex-officio* members, the Secretary to the Treasury and the Governor of the Bank. Mr Chifley proposes that, in future, the Governor should be assisted by an Advisory Council, consisting of the Secretary to the Treasury, the Deputy Governor, an additional representative of the Treasury and two officers of the Bank. Further, "if the Treasurer and the Bank are unable to reach agreement (on policy), the Treasurer may inform the Bank that the Government accepts responsibility for the adoption by the Bank of a policy in accordance with the opinion of the Government. . . . The Bank shall then give effect to that policy."

Second Thoughts

Mr Chifley quoted extensively from the report and recommendations of the Royal Commission on Monetary and Banking Systems in Australia in justification of his proposals, and he made play with the shortcomings of the existing system.

Nobody would contend that the Australian banking system, as now operated, is not capable of improvement.

But why throw a spanner into the system when its natural evolution has been in the direction of that now in operation in most modern communities, including this country? It is obvious that Mr Chifley has framed his proposals not on the basis of technical merits, but from political motives. Even if his party felt that an element of control stronger than, say, in this country was desirable and acceptable, they could still have maintained the technique of the efficient modern three-tiers system. So far as can be ascertained from Mr Chifley's speeches, his proposed set-up is devoid of technical merits.

Furthermore, while the kind of banking system Australia is to have is entirely for Australia to decide, the proposals surely infringe the undertaking given by the Prime Minister, Mr Curtin, that he would not introduce measures of "socialisation" of this kind. Perhaps, upon reflection, Mr Chifley may have second thoughts.

Income Tax Bill

The first impression created by a more detailed study of the Income Tax Bill, 1945, is greatly to strengthen the view that the taxation of company profits, like the taxation of wages, would benefit by a formal separation from the general body of law and practice concerning income tax. There is no sign of a move in this direction in the actual form of the Bill, and it is not even clear whether the various reliefs are to be considered as deductions before arriving at assessable profits or as rebates of tax. The old mills and factories allowance was of the former type and most other wear and tear allowances of the latter. This is a point which may be cleared up in the course of the passage of the Bill.

The most important section of the Bill is Part II, dealing with reliefs on machinery and plant, and it will probably be the section which will cause most uncertainty. It seems reasonably clear that the initial allowance of 20 per cent is additional to normal wear and tear allowances, and that it does not have to be deducted in determining the basis on which future wear and tear allowances are to be allowed. What is a reasonable allowance for wear and tear is, as in the past, to be determined by the Commissioners, but it is not clear how far their view of what is "reasonable" will be affected by the fact that the addition to the basic figure given by them is to be increased from 20 to 25 per cent.

It also seems to be the case that it is within the discretion of the Commissioners to base the percentage on original cost—or some other figure—and not necessarily on written down values. In point of fact, with the institution of the new machinery of balancing allowances and balancing charges, it seems quite unnecessary, from the standpoint of the Inland Revenue, to apply rigid rules as to what may be charged in any particular year. Whatever the view of the taxing authority, the desiderata are that at least the whole cost of acquisition should be allowed as a charge against profits or a deduction from tax payable, and that it should be left largely to the firm in question to arrange with the Commissioners the most equitable method of achieving this object. But whatever is intended, the intention should be clear beyond the possibility of misunderstanding.

A provision which will almost certainly arouse a great deal of comment is that which requires that the vendor of patent rights shall be taxed on the proceeds of the sale even when, under existing law, the proceeds would be regarded as a capital receipt and, as such, exempt from taxation. There are already a number of anomalies in tax law on the question of what is capital and what revenue, and this provision threatens to add to them.

Discriminating Allowances

A general criticism of the scope of the Bill must be left until later, but it is necessary to mention the restriction of the new reliefs on buildings to those of productive industry. This constitutes a measure of discrimination which would appear, in some degree at least, to apply also to the provisions of Part II. It is quite clear that the need for improvement and the benefit to be derived from it are as great in some other fields as in productive industry. It is far from being established that the conditions in distribution or in the provision of certain services, such as hotels, are so different that they would not reap a corresponding benefit from reliefs.

This is a point which was taken by several speakers in the debate on the second reading of the Bill, when the Chancellor of the Exchequer, as reported, specifically stated that the Government was weighting the scales in favour of those forms of capital investment most necessary to the industrial strength of the community. This point was driven home by Mr Peake, Financial Secretary to the Treasury, who said he could not accept the view that any taxpayers outside productive industry would have to foot the bill, since it was hoped so to stimulate production as to produce a higher revenue. As regards hotels, it appears that new plant will benefit under Part II, but the position of outlays on equipment, including office equipment, remains obscure.

Apart from establishing the point that the Government intends to use discriminating taxation as an instrument of policy, the debate did little to clear up the uncertainties already mentioned. There was more than one demand for the adoption of a simpler concept of what ought to constitute taxable profits, and the Bill was welcomed as a step reducing the gap between the official and commercial idea, on the subject. Most speakers, however, wished for more concessions.

Engineering and Housing

It is becoming increasingly clear that the housing problem cannot be solved by traditional building methods alone, and that the building industry will have to accept the infusion of outside, non-orthodox practices, if the enormous public demand for new houses is to be satisfied. In other words, steel and aluminium must combine with bricks and mortar if the post-war housing programme is to succeed. A thoughtful contribution to the solution of the problem is provided in a memorandum on "The Engineering Industries and the Rebuilding Programme," prepared for the Engineering Industries Association by an architect and an engineer. Those responsible for housing policy, and in particular those in control of the building industry, would be well advised to study very carefully the report which is now being circulated to industrialists and to Members of Parliament.

On the assumption that the building industry can itself provide approximately 300,000 houses per annum by traditional methods, and estimating an average building of 600,000 houses a year over a period of ten years, the Engineering Association propose an annual target of 200,000 factory-made houses and 100,000 composite houses, partly by traditional construction and partly built with steel frames. As Lord Davidson (Chairman of the Engineering Industries Association) has pointed out, if the building industry alone has to carry the burdens, the number of building workers would be swollen far beyond its long-term needs—the immediate number

STAGGERED WORKING HOURS SAVE WORKERS' TIME

and greatly increase comfort. Already more than 600,000 London workers have proved this, but the maximum benefit will not be felt until the idea is generally adopted. Staggered hours of work mean less crowding on trains, buses and trams, less weariness, smaller queues, and a faster journey.



required might be two million, whereas the long-term needs might be only 800,000. Apart from its rôle in the actual construction of houses, the engineering industry will obviously be of vital importance in the production of household fittings and components, such as complete bathroom or kitchen units, whether for factory-built or conventional houses, for the conversion of houses to flats or for use in schools, hospitals and public buildings.

As a practical step, the report suggests that small research groups should be set up to carry out initial experimental work, while sub-committees of the Association should be formed to establish relations with the building industry and to explore the possibilities of exporting components and factory-made houses, or both. Opposition is expected from certain sections of the building industry, which have a vested interest in traditionalism, to the incursion of engineering into their field, but the Association hopes that, in view of the overriding national interest, their co-operation will not be withheld.

But while the engineering industry will no doubt be able to make a valuable contribution to the post-war building programme, the rate of construction suggested in the report seems too high if there is to be a simultaneous improvement in the other components of the standard of living; the report, in fact, illustrates the need for combining the technical with the economic approach in post-war planning.

Demobilisation and Control

Although gaps caused by casualties still have to be filled and some new recruits will be needed, the tide of mobilisation for the Services has almost reached turning point. Soon the reverse process will begin, and it will be a much more difficult one. Mobilisation has been a steady process. Demobilisation will be an "avalanche"—to use Mr Bevin's word—even though plans are made and have been generally agreed. Much will depend upon the conditions in which demobilisation takes place.

These conditions hinge almost entirely upon controls. The debate in the House of Lords last week showed that too many people, in an effort to scrap controls that can be dispensed with immediately after the ending of hostilities, are prepared to see all wartime controls thrown overboard, regardless of their usefulness. But if price control is continued until production is adequate, inflation can be avoided. If rationing is continued until demand can be satisfied without it, there will be "fair shares" for all. If quality is controlled, a hungry market will not be flooded with shoddy goods. Reconversion plans should be dovetailed so that factories and houses are built to an integrated plan. Production for export and for the home market have to be co-ordinated. Mr Bevin, speaking last week to the Multiple Shops Federation, made it clear that unless the state plays its part in the process of reconversion, no thing but chaos would result.

This was his most important point, but he had other things to say. The distributive trades, at no time on the list of reserved occupations, have probably made a bigger contribution to the Services than any other section of industry. They will therefore have more ex-Service men and women to re-absorb. Mr Bevin appealed to the Federation (and incidentally to all employers) to extend a welcome to their returning employees. It is perhaps not yet sufficiently appreciated that the man who has been uprooted from normal life for a number of years needs special treatment. His eagerness to adjust himself may be tempered by military experience; sympathy and tact on the part not only of his employers but of his fellow workers will assist him to regain his civilian form.

First Stock Exchange Company

Considerable surprise has been caused by the news that a firm of brokers on the Stock Exchange has decided to act on the facilities of Rule 57b and to convert itself into a company with unlimited liability. It is true that, with the end of EPT possibly not very far off, a considerable advantage may accrue from being taxed as a company, on profits retained in the business, instead of paying sur-tax on earnings irrespective of the use to which they are put. There remains, however, the overwhelming disadvantage

that, if death duties are charged on the basis of past earnings, the estate of a deceased member may find itself with a heavy deficit. The present position on this matter was set out on page 125 of *The Economist* of January 27th, and there is no information as to any fresh development since then. In the circumstances, the firm in question, which has not hitherto been associated with the negotiations, seems to be taking substantial risks, but it presumably knows its own interest. There is no reason to suppose that there will be any difficulty in obtaining the consent of the Committee to the change, provided the requirements of the rules are fully met, but it is doubtful whether the example will find any followers until the outlook is clearer or whether the unlimited company form will ever make a wide appeal to brokers.

Canadian Pacific Revenue

The raising of the dividend on Canadian Pacific ordinary stock from 2 to 5 per cent was a fair indication that something had occurred to offset the fall of some \$6 million in net railway earnings, which was then all that was known of the 1944 results. The figures of income and profit and loss accounts, now available, show a very marked change indeed from those of recent years. It is true that other income continued to fall, at least in the shipping and miscellaneous sections. But instead of provisions for lines abandoned and depreciation, which have hitherto increased as more money became available to meet them, there are actually credits of \$4,500,000 received from the Great Northern Railway for release from obligations under the joint section agreement, and of \$1,045,235, a portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement. Further, there is a fall of over \$1½ million in fixed charges, which was not unexpected. Thus, while the income available for fixed charges is down by almost \$10 million to \$55½ million odd, that available to meet ordinary dividends and reserves is some \$33,880,000, against rather under \$30 million for 1943.

This means that after paying the increased ordinary dividend it is possible to add some \$17,130,000 to the carry forward, against \$23,300,000 a year ago. So far, so good. But it is not to be expected that stockholders will regard this as more than a modest addition to their resources, and at that one which may not be used to assist their dividends. Both credit items are obviously of a non-recurring character, and it remains the fact that in the future, as in the past, each year's accounts are likely to bring their quota of unpredictable items. Great as the influence of these has been on the net balance available, they seldom exceed in amount 2 per cent of the gross railway traffic. It is upon the maintenance of these and on securing a lower expense ratio that the payment of regular and reasonable dividends must depend.

Electric Supply Companies

The removal of the security ban on their publication has led in the last few weeks to the appearance of the accounts, for the first time since 1940, of a number of electric supply companies. Unfortunately, the informativeness of the accounts varies greatly, and makes comparison between the companies difficult. A more comprehensive picture should be obtainable when a number of annual meetings have been held.

Electricity undertakings have suffered little financial loss as a result of the war. Some have experienced appreciable gains. An interesting feature is that London companies, while they have naturally done less well than concerns operating in the North of England, have suffered less than might be expected from the effects of extensive bombing and evacuation. The ordinary dividend payments of four northern companies—North-Eastern Electric Supply, Yorkshire Electric Power, Electric Distribution Company of Yorkshire, and Northampton Electric Light and Power—have been maintained throughout the war at their pre-war level of 7, 8, 9 and 10 per cent respectively. By contrast, the County of London Electric Supply and the Metropolitan Electric Supply companies have each paid 8 per cent during the war years, against 10.5 and 10 per cent respectively pre-war. This decline in payments is very mild in comparison with the experiences of London gas companies.

Confidence that adequate reserves for re-equipment have been built up is expressed in the statements of two undertakings operating outside London, and is reflected in some increase in carry forwards and general reserves. Taxation

has inevitably increased steeply in all cases, but nevertheless more companies are able to adopt the practice of providing in their accounts for the current year's taxation.

Costs and Prices

All accounts reflect the great wartime increase in both electricity consumption and cost of generation that had already been indicated in the report of the Central Electricity Board. The sales of the County of London Electric Supply Company have risen from 2,007 million units in 1938 to 2,209 million units in 1944. In both years, about 680 million units were retained by the Central Electricity Board, so that supplies to the companies' own consumers rose by over 15 per cent; but in reception areas the increase in sales has been very much greater. For instance, consumption approximately doubled between 1938 and 1944 in the area of the Northampton Electric Light and Power Company.

No other sales figures are available, but the wartime trend is illustrated by the following operating results of three large undertakings:—

	Trading Receipts		Cost of Generation and/or Current and Distribution		Trading Profit		+ or - in Trading Profit
	1938	1944	1938	1944	1938	1944	
County of London	£000	£000	£000	£000	£000	£000	%
Metro. Electric Supply	4,837	7,333	1,829	4,609	3,008	2,724	- 10
Yorks. Electric Power	1,707	3,033	1,049	2,056	658	977	+ 48
	1,441	2,851	457	1,545	984	1,498	+ 51

Operating costs appear to be now between double and treble their pre-war level, mainly due to the rise in the cost of coal. Revenue has not risen anything like so steeply. This is natural in view of the fact that there has been no general increase in tariffs. In some areas the average charge per unit has fallen due to increased use of the cheaper bulk rates, although in others there have been percentage increases to the electricity bill of private consumers. It should be remembered, too, that part of the rise in coal costs is passed on to user under "special contracts" with industrialists. Nevertheless the fact that net profits have not suffered indicates how much electric supply companies, which carry a heavy burden of fixed charges on capital, stand to gain from expanded consumption.

US Lend-Lease Aid for France

The primary purpose of the lend-lease agreement between the United States and France is to assist in the mobilisation of the resources of the French nation. The United States has already equipped, under lend-lease, eight French divisions, some of which, in the words of the Secretary of War, Mr Stimson, "fought superbly by the side of American troops" during the past year. Additional divisions are to be equipped. The new agreements go beyond the supply of equipment for the formation of military units; they are designed to harness French productive capacity more fully to the combined war effort, and involve the supply, not merely of raw materials, but also of food to keep the people in good health, and of certain items of capital equipment.

The new agreements consist of a master agreement and a mutual aid agreement similar to those concluded by the United States with other members of the United Nations. France, in fact, has furnished the United States with "reverse" lend-lease ever since D-Day in the form of railway and port facilities, hotels, warehouses, military vehicles, textiles, batteries, telephone wire, and so on. But they also include an agreement under section three (c) of the Lend-Lease Act, the first of its kind. (A similar one is in negotiation with Russia.) This consists of two schedules, one providing for the supply of raw materials for war use, as well as of food and other essential civilian requirements, to the amount of \$1,670 million, and the other for the supply of capital equipment, such as locomotives, ships and machinery to the value of \$900 million.

Supply schedules are normally subject to revision, and the deliveries may be stopped when the President of the United States decides that they are no longer necessary for the prosecution of the war. But the agreement under section three (c) of the Lend-Lease Act contains a provision whereby France can purchase all outstanding

deliveries in the first schedule by making payment in thirty annual instalments, with interest at the rate of 2½ per cent. It provides, moreover, that the capital goods specified in the second schedule—these are expected to outlive the war—are to be purchased outright by France; 20 per cent of the value of deliveries is to be paid in cash and the remainder in thirty annual instalments, the amount outstanding to carry interest at the rate of 2½ per cent.

The agreements have had a favourable reception in France; the promised deliveries hold out some prospect of relief. They are, of course, quite inadequate, even in relation to the most pressing civilian needs. The allocation for food in the first schedule—\$185 million—is but a small proportion of the amount that would be needed for the provision of an adequate minimum. Nor is the need for imports likely to end with the next harvest, which, because of the shortage of labour (this could be partly remedied by the recruitment of a "land army"), fertilisers and other difficulties, is again likely to fall below the pre-war output by a quarter or more.

Agreement With Switzerland

After negotiations between Allied delegations and the Swiss Government that lasted nearly a month, an agreement was signed on March 8th. The agreement is mutually advantageous; to the Allies it is an act of economic warfare, and to the Swiss a means of material gain. Altogether it is a testimony to the fact that Switzerland is no longer geographically isolated from the Allies.

The Swiss undertook to suspend the facilities enjoyed by Germany in moving coal, steel and other materials through their country; this will render more difficult German communications with northern Italy. They have agreed to cut still further their exports to Germany; these will in future be only some 5 per cent of the 1942 level, and then only against payment in goods; gold will no longer be accepted. Exports of electricity are to be sharply curtailed, making available additional supplies for France. The Swiss have agreed, further, to list all funds held on behalf of residents in Germany and German-occupied territory (German funds in Switzerland had already been blocked); this will assist in the recovery of looted property.

The Allies agreed to allow Switzerland to import much-needed food and raw material supplies. The French will allow the Swiss to use the port of Toulon; they will also allow the Swiss to bring in supplies overland from Spain, but as they are themselves desperately short of transport, the Swiss will have to use their own railway rolling stock and lorries. Since the Swiss have few steam locomotives left—these are said to number less than 100—and as coal and many other materials Switzerland requires are short and badly needed in liberated countries, there can be no rapid expansion in Switzerland's imports. But the concessions made should bring a measure of alleviation.

Export Mutual Aid

The appointment of the new Minister at the Department of Overseas Trade is awaited with interest, for on him much of the success of the export drive will depend. Many of the export groups of manufacturers which were set up with Government encouragement before Lend-Lease have kept themselves in being against the time when exports could be resumed. Those which have been least active could now be resuscitated and the formation of new groups encouraged.

Some export groups have already given thought to post-war expansion. Among them is the Hosiery and Knitwear Export Group, which held its fifth annual meeting this week. It expects to increase the export trade in knitwear fourfold, from its pre-war value of £2,500,000 to £10 million. A preliminary survey of world markets has already been made, and to increase marketing efficiency manufacturers will pool their resources for research and trade promotion. An encouraging aim of the group is to meet overseas demand not only for better quality goods—in which British knitwear manufacturers excel—but for "a wide range . . . suited to all tastes and pockets." The utility programme, in which knitwear has been one of the most successful, should have taught manufacturers many lessons in producing attractive goods cheaply.

The Board of Trade is considering a proposal of the group that a levy of ½d. a lb. should be made on all yarn

issued for export to certain special markets, and the revenue so raised spent on export trade development and market research. This proposal for co-operation might well be adopted by other groups; mutual aid can only be of benefit to all.

Leaseholds Outlook

The declaration of a second dividend, making the usual wartime total of 15 per cent, by Trinidad Leaseholds over three months ago gave no indication of the trend of results for the year to June 30, 1944. The full accounts contain for the first time particulars of wartime production and development and so make it possible to obtain some idea of the present position and prospects of this leading Trinidad concern. The year brought an increase from £1,424,107 to £1,608,506 in revenue and the net improvement, after increases in both head office expenditure and depreciation provisions, was some £163,000. Of this £70,000 is absorbed by raising the tax provision to £720,000, but this understates the tax burden, for dividends are taken into the accounts for the first time before deduction of local taxation. This means that the total tax provision ought to be increased to £765,000 to make it comparable. After this heavy drain, it is still possible to add £250,000 to contingencies compared with appropriations of £200,000 to specific reserves a year before. The total of all reserves exceeds £3,290,000 and net liquid assets amount to rather more than this sum, of which only £1,400,000 is represented by stores and stocks of oil and produce.

The company has, thus, very ample liquid resources and, as in the case of other oil concerns, it may well need them. Production has been pushed up from 4,774,000 barrels in 1938-39 to a maximum of 6,799,800 in 1943-44 and almost the same figure in the preceding year. But, whereas the pre-war drilling programme amounted to some 222,800 feet per annum for the five war years has averaged some 268,000 feet of which about 25 per cent was in joint interest fields. The increase in production has been accompanied by some decline in purchases, but the refinery throughout was over 13 million barrels in 1942-43 and 12,827,100 barrels in the succeeding year.

Throughout the war supplies of steel have been based on obtaining the maximum immediate output per foot drilled and development has got badly out of balance with output. In consequence, the company is faced with a considerable programme of exploration into less developed areas and deeper horizons. In addition, heavy outlays will be necessary to catch up with deferred repairs and replacements. There is no immediate danger of any fall in output below pre-war standards, but wartime figures may not be repeated. As to profits, these must depend largely on post-war price levels.

Farm Wages and Prices

Farm workers have recently been awarded 5s. of the 25s. wage increase which they have been claiming. The new national minimum wage of 70s. per week is more than double the pre-war average minimum wage of 32s., although it is still low enough in comparison with industrial wages to bear out the claim of Mr Hudson—and the farm workers—that the services of primary producers are disproportionately undervalued.

The effects of the wage increase can be seen in the new range of agricultural prices, fixed under the recently introduced machinery for annual consultation during the next four years between the Ministry of Agriculture and the National Farmers' Unions. The machinery has apparently worked smoothly, and farmers are reported to be satisfied with its results. The provision for an increase of 5s. per ton of sugar-beet and of 10s. per ton of potatoes grown for the 1945 harvest indicates both how expensive of labour are these crops and how important it still is to minimise imports of bulky foodstuffs. There is to be no change in the price of cereals, for which compulsory cropping orders are already being relaxed. It is possible that no compulsory cropping orders will be issued for the 1946 harvest, in which case this year's increase in the price of potatoes and sugar-beet will be withdrawn and the acreage payment on wheat and rye reduced from £4 to £2.

The new range of prices indicates the beginning of a transition to greater emphasis on livestock and livestock products, most of which are awarded a price increase, including, significantly, fat pigs and eggs. Milk receives an increase of 4d. per gallon. In view of the continuing need

to expand winter milk production, it is to be hoped that this increase will be spread differentially throughout the year.

The improved prices offered for livestock products will encourage farmers, if they are allowed to do so, to grow more crops for feeding to livestock instead of for human consumption. It is possible that the total arable acreage will not fall for several years. The NFU have expressed their determination to maintain the wartime volume of food production, while changing its emphasis by rehabilitating pig and poultry production. The desirability of reducing crops grown for human consumption appears to have been accepted, conditional upon livestock encouragement; but the test of the present agreed agricultural policy will come when cheap imports of feeding stuffs, and of bacon and meat, are once more available.

Manpower Statistics

The number of men and women of working age (in Great Britain) in the Forces, Women's Services, Civil Defence and Industry at the end of 1944 was 21,713,000, compared with 21,956,000 in mid-1944 and 22,265,000 in September, 1943, the peak period of mobilisation. The decline in the case of men is due mainly to war casualties and in the case of women to the increased rate of wastage. The numbers unemployed at the end of 1944 were 130,000, compared with 102,000 in the middle of the year.

The total number of men and women in the Armed Forces reached its peak at the end of 1944 with 4,983,000—4,526,000 men and 457,000 women. This represents an increase of 14,000 over mid-1944 and a progressive increase since 1941, when it was 3,374,000. In 1939 the number was only 477,000.

The labour force in industry at the end of 1944 was 16,517,000—the lowest figure of the war—10,072,000 men and 6,445,000 women. The peak of the industrial labour force was reached in the middle of 1942, with 17,494,000. The decline was greatest in the munitions group, which had 4,758,000 compared with the peak of 5,233,000 in mid-1943.

The number of workers in basic industries and services (agriculture, mining, transport, shipping, etc.) was 5,685,000 at the end of 1944, a decrease of only 1,000 over mid-1944 and an increase of 53,000 over mid-1943. This group remained fairly steady throughout the war. Group III (less essential industries), which includes building, distribution, manufacturing for civilian consumption, began to recover some of the labour force which it had lost. This group comprised 9,277,000 workers in 1939 and was reduced by one-third to 6,008,000 in mid-1944—at the end of 1944 the figure was 6,074,000 and is progressively increasing.

Company Result

Dorman, Long.

	1942	1943	1944
Profit after tax*	1,058,397	1,106,938	1,144,828
Directors' fees	12,167	13,000	13,000
5% Debenture stock interest	194,346†	193,047	44,957
Other Deb. interest and sinking funds	46,075	46,061	46,065
Depreciation	275,000	275,000	275,000
Pension fund	15,000	15,000	15,000
Preference dividends	238,803	238,803	238,803
Preferred ordinary dividend	82,110	82,110	82,110
Ordinary shares:—			
Earned	194,917	283,917	499,893
Paid	126,492	126,492	278,491
Earned %	14.9	25.3	16.5
Paid %	8	8	8
General reserve	65,000	150,000	1250,000
Carry forward	55,746	63,171	71,433
Net fixed assets	6,066,183	5,810,430	5,516,181
Net inter-company items	1,521,685	1,740,919	1,666,613
Net liquid assets	4,342,222	4,780,713	4,666,960
Gross liquid assets	7,639,552	8,577,707	8,705,587
Total share capital	5,615,243	5,615,243	7,515,243
Ordinary share capital	1,581,148	1,581,148	3,481,148
Mortgage and prior lien stock	4,066,768	4,066,945	984,926

* Including income from subsidiary and associated companies. † Including £39,172 to sinking fund. ‡ Including £106,860 surplus arising from past years.

The £1 ordinary shares, standing at 27s. 3d. ex dividend, yield £5 17s. 4d. per cent.

It should be noted that £44,957 has been paid during the year ended September 30, 1944, in respect of interest on the 5 per cent Debenture Stock which was redeemed in November, 1943. Since the whole of the 1,900,000 new £1 ordinary shares, which were created to effect this debenture redemption, participate in the 1944 dividend, the effect of the 1944 figures is to undervalue the normal earning power of Dorman, Long ordinary capital. Ignoring 5 per cent debenture interest, earned for ordinary in 1944 would work out at 13.6 per cent.

COMPANY MEETINGS

TEMPERANCE PERMANENT BUILDING SOCIETY

RECORD FIGURES

MR CYRIL W. BLACK'S REVIEW

The 91st Annual Meeting of the Temperance Permanent Building Society was held, on the 15th instant, at Wigmore Hall, London, W.1.

Mr Cyril W. Black, F.S.I., F.A.I., J.P., chairman of the Society, in the course of his Speech said:—

The year which has recently closed is probably one of the most memorable in the Society's history as, in spite of the many difficulties arising from the war situation, it has witnessed outstanding progress in every branch of our activities. May I draw your attention to the major developments which have made the past year exceptional.

TOTAL ASSETS

(1) The total assets of the Society have risen by £1,663,000 to a figure in excess of £8,200,000—a record in our history. On the other side of the Balance Sheet are the amounts due to Shareholders and Depositors which have increased by an approximately similar amount, to a new record total of £6,958,000.

Members might like to be reminded that we are still open to receive investment monies at 2½ per cent. per annum interest in the case of Shares, and 2 per cent. per annum interest in the case of Deposits, Income Tax paid by the Society in each case.

RESERVES

(2) Our reserves, including the balance of profit carried forward, amount to approximately £1,138,000 a higher figure than ever before. These reserves represent over 16 per cent. of the aggregate share and deposit capital, or over 24 per cent. of the share capital only, the latter being the manner in which the reserve ratio is calculated by some other societies. In this respect the Society continues to occupy the premier position among all National Building Societies, its reserve ratio being much in excess of that of any of its competitors. Our cash and investments total nearly £1,700,000, again a record, this representing, in the view of your directors, a substantial and satisfactory degree of liquidity.

ADVANCES

(3) The amount advanced during the year was over £1,550,000, easily a record in our history. The highest amount ever previously advanced was in 1936 when the mortgages completed totalled approximately £1,296,000.

The volume of mortgage business transacted also compares favourably with that transacted during the same period by any of our competitors. It should be noted that the great majority of the loans made during the year were of comparatively moderate amounts on properties being purchased for personal occupation, and not, to any great extent, on large blocks of property. I am glad to be able to inform members that we have not relaxed in the slightest degree those standards of prudence which it has always been our custom to observe in considering applications for advances. In all, we received during the year applications for mortgages of an amount of approximately £3,306,000 and the figure actually advanced represents only a little more than 50 per cent. of this amount. These figures well illustrate the fact that we have not been reckless or imprudent but have applied rigid tests to all applications made to the Society and have only accepted business with which we have been completely satisfied.

(4) Our policy of securing and opening

Regional Offices in districts which we have regarded as suitable for the extension of our business has been continued during the year. It may be of interest to members to know that the mortgage money which we are at present advancing is being put out approximately half in the Greater London area, and approximately half in other parts of England, and in Scotland and in Northern Ireland. We are thus securing that spread in our securities which is generally regarded as making for strength and stability.

(5) During the year the society has acquired No. 227 Regent Street which, together with Nos. 223 and 225 Regent Street, previously acquired, will make a future dignified and worthy head office for the society.

PROFIT AND LOSS ACCOUNT

Turning now to the profit and loss account, you will find on the income side that increase in the income from borrowers and from investments which would be anticipated from the increased funds invested both in mortgage securities and in other investments. On the expenditure side of the account, the management expenses have risen, largely as a result of the opening of additional regional offices, and the increased cost of advertising and commission which it has been necessary to incur in order to achieve such a satisfactory increase in our mortgage business. Interest on deposits has risen consistently with the increase in the volume of our deposits. The liability for taxation has remained substantially unchanged. The balance carried down to appropriation account shows an increase of nearly £9,000. We have transferred to general reserve fund a sum of £15,000 (raising this fund to £965,000), and to contingencies fund a sum of £5,225 (raising this fund to £155,000), and have carried forward an amount of rather more than £18,000. Our ability to strengthen our reserves is severely curtailed by the heavy burden imposed for taxation and our share of our borrowers' war damage contributions. While taxation remains on its present crippling scale it is difficult for business undertakings to make adequate additions to reserves.

SATISFACTORY PAYMENTS BY BORROWERS

I am glad to be able to inform you that our borrowing members are continuing to honour their obligations satisfactorily. In many cases combined family incomes are higher to-day than ever before and this is reflected in the fact that the great majority of our borrowers are meeting their payments without difficulty and in many cases are making repayments in excess of their legal obligation. In cases of difficulty we have done our utmost to meet the requirements of members by modifying capital repayments to meet altered circumstances, and I have no hesitation in stating that there has never been a time when we have enjoyed more harmonious relations with our borrowers than to-day. We are continually receiving letters of appreciation from members for the help and consideration afforded to them in any periods of difficulty in which they may have found themselves.

Such properties as are in the possession of the society, or are being administered by receivers appointed by us, are, with very few exceptions, satisfactorily let. The net income received is in nearly every case adequate both to meet the interest on the mortgage money outstanding and to pro-

vide a surplus which is applied year by year to the reduction of the capital. In nearly every case, as a result of the general increase in property values, the securities could be readily realised for a sum more than sufficient to discharge the outstanding mortgage debt.

It would not be fitting for me to conclude my remarks without expressing the appreciation of my colleagues and myself to the general manager, Mr Ronald Bell, and all members of the head office staff, and also to the regional office managers and members of their staffs. The very satisfactory results of the year have not been achieved without unprecedented efforts on the part of all concerned. Those of you who are engaged in business of any kind are aware of the tremendous difficulties inherent in the present situation. The general manager has borne a heavy burden of responsibility and the successful inauguration of the regional offices has made great additional demands upon his time and energy. To him and all those associated with him our best thanks are due.

BUILDING SOCIETIES AND HOUSING

He would be a bold man indeed who would attempt to forecast the shape of things to come; with this one prophecy I will content myself, that the future housing needs of the nation will require the utmost that the building society movement can give and that it will be found that building societies will be called upon to play an even more important part than any they have fulfilled hitherto. Your directors are determined to do their utmost to maintain the outstanding prestige of the Society and to extend its sphere of usefulness both to investors and to borrowers.

The directors' report and statement of accounts were adopted.

SCOTTISH LIFE ASSURANCE

ROCK-LIKE STRENGTH OF LIFE OFFICES

SIR JOHN LORNE MACLEOD'S SPEECH

Sir John Lorne MacLeod, chairman of the board of directors, presided at the annual meeting of the Scottish Life Assurance Company, Limited, held in Edinburgh on Wednesday the 14th instant.

In moving adoption of the report and accounts for the year 1944, the chairman said:—

This is our sixth wartime report, and I am sure we all trust it will be the last—so far at least as the war in Europe is concerned. We are witnessing to-day many far-reaching changes in our national life which have been precipitated by the war—some good, some not so good—but we are also witnessing proof of the remarkable strength of our great financial institutions which are standing up to the strain of war with unimpaired, perhaps even with enhanced, reputation. Among them the Life Assurance Offices of the country are again showing a rock-like strength, for twice within a generation have they been called upon to absorb the shocks of a world upheaval. Nothing short of a disastrous defeat, happily no longer to be imagined, can now imperil the security on which our policyholders rely. Truly a life assurance policy is a bulwark against adversity, and never is this better brought home to us than at the present time.

MODERATE ADVANCE IN NEW BUSINESS

The net new business of £772,000 shows a moderate advance on the amount written in 1943. This means that the branch secretaries and agents with whom they work have acquitted themselves well, for in these days when the procuring of new business is faced with so many obstacles it is an arduous task to keep up the returns.

While on the topic of new business, I

take the opportunity to mention that since the close of the accounts it has been decided to modify the operation of the war clause which it is customary to insert in life policies, so far as it concerns new policy-holders and those who have joined us since the beginning of the war. The new privilege extends full cover to civilians against war risks so long as the policy-holder is on land within the limits of Great Britain, Northern Ireland, Eire and the Isle of Man, and it applies to both with and without profits policies in the main classes of assurance. This move has been prompted by the greatly improved military situation, and the view that it is sound is shared by a steadily increasing number of other life offices.

PREMIUM INCOME WELL MAINTAINED

The premium income is being well maintained despite the difficulty of war-time conditions. The figure this year is approximately £629,000, which includes a renewal premium income of £608,000, practically the same amount as in the previous year. Interest received, less tax thereon, appears as £319,067, and shows a net return on the invested funds of £3 8s. 2d. per cent. The gross return before deduction of tax is £4 10s. 11d. per cent. We may take it as a matter of congratulation that considering the large amounts annually invested in new Government issues which yield on the average less than 3 per cent. gross, the overall yield on the company's funds has not been more adversely affected. Turning to the other side of the account, the death strain, even allowing for the inclusion of many claims directly due to war operations, is within the figure which we would expect in peacetime. Claims arising from matured endowment assurances have reached £451,000. Surrenders are again extremely low, while commission and expenses of management have further contracted, working out at 12½ per cent. on the premium income.

TOTAL ASSETS TOUCH £10,000,000

Coming now to the balance-sheet you will see that the life assurance and annuity fund stands at roughly £9,568,000, representing an increase of £86,000 during the year. For the first time the total assets of the company have touched £10,000,000. Our holdings in British Government securities now total £2,821,000, which is 28 per cent. of the company's total assets, or 32 per cent. of the marketable securities included therein. During 1944 the upward movement in Stock Exchange prices generally has continued and our margin of appreciation over book values is now, I think, amply sufficient to take care of any possible shrinkage in values which may occur during the period of transition to a peace-time economy, even if such shrinkage should be substantial.

The motion, having been seconded by Mr William Lawson, was adopted.

CONSOLIDATED MINES SELECTION COMPANY, LIMITED

The 49th ordinary general meeting of this company will be held, on the 20th instant, at the Institute of Chartered Accountants, Moorgate Place, E.C.

The following is an extract from the statement of Mr S. S. Taylor, C.M.G., D.S.O. (the chairman), which was circulated with the report and accounts:—

The net profit for the year was £123,152, to which has to be added the balance brought forward from 1943 of £24,077, giving an amount of £147,229.

The dividend recommended by the directors is 13½ per cent. actual, equivalent to 1s. 4½d. per 10s. unit of stock, less income-tax (after allowing for Dominion income-tax relief) at 4s. 9½d. in the £, being the dividend for the year ended December 31, 1944.

MIDLAND COUNTIES ELECTRIC SUPPLY COMPANY, LIMITED

PROGRESSIVE RESULTS

MR WILLIAM SHEARER ON NATIONALISATION

The thirty-second ordinary general meeting of Midland Counties Electric Supply Company, Limited, was held, on the 15th instant, at Winchester House, Old Broad Street, London, E.C.

Mr William Shearer (the chairman) presided, and in the course of his speech, said: The rate of progress which we achieved in the immediate pre-war years has been maintained, not of course in the number of new consumers, but in the annual increase of load connected to the system and in the number of units sold to consumers. We are satisfied that we are very far from saturation in our areas and that, given reasonably normal conditions, a very substantial increase in the number of consumers may be expected.

Notwithstanding the anticipated loss of the war-time load a substantial replacement should be effected from increased domestic supplies, etc., shops, business premises, and new and additional supplies to the farming community.

COAL POSITION

In considering electricity charges it must be borne in mind that our raw material is coal, and that its present cost delivered at power stations is more than double the immediate pre-war price.

Apart from this enormous increase in price, the quality of the coal delivered has deteriorated to an alarming extent, affecting the efficiency of power stations and involving additional heavy expense in coal and ash handling and in boiler maintenance.

The generation of electricity has conferred great benefits on the coal industry, but the continuous rise in prices with the abnormal and extraordinary variations in quality and type of the coal supplied, largely attributable to the existing Government control of that industry, constitute a very real handicap in the efficient operation of electricity undertakings and militate against further reduction and uniformity of charges to consumers.

It has been decided to discontinue making a charge for service connections in respect of service lines not exceeding twenty yards of underground cable or fifty yards of over-head line.

Our tariffs to-day are most attractive, the average price for domestic supplies taken under the two-part tariff being as low as 1.4d. There are scarcely any commodities coming into the household to-day that are cheaper than in the pre-war period, but electricity, so far as domestic supplies in our areas are concerned, holds that almost unique position.

TAXATION AND DIVIDEND COMPARED

In reviewing the results of all our operating companies, I cannot refrain from calling attention to the contribution we have made to the National Exchequer and local government in the form of rates and taxes. Out of our total trading profits for the last five years we have paid or provided for this purpose no less than 3½ million pounds, whereas during the same period the distribution by way of dividends to holders of Ordinary stock amounted to £618,000.

These figures, read in conjunction with our low scale of charges to consumers, surely indicate how utterly misleading is a statement contained in the Socialist Party's manifesto of May, 1944, setting out its post-war policy for coal and power,

reading as follows: "The solution of the power companies is the monopoly of control for the benefit of the shareholders; ours is the solution of public ownership and control for the benefit of the community."

NATIONALISATION PROPOSALS

As the future of our industry has become the subject of controversy, I make no excuse for referring again to certain proposals for nationalisation and public control, on which I gave you my views at length a year ago.

The proposals outlined in certain quarters affect many branches of British industrial life, but it would appear that a few key industries, including our own, have been chosen as special targets by those who desire to create huge State monopolies involving a large extension of the bureaucracy with a consequent increase of political patronage.

The argument is sometimes advanced that if the revolutionary changes proposed were adopted, existing efficient managements would be retained under any scheme of nationalisation, and that, therefore, the benefits of both State ownership and private enterprise would be enjoyed. This is a specious argument, as I imagine that few men of enterprise, trained in business management, would consent to work permanently under the harassing conditions of Government control. No doubt a few would agree to carry on in these circumstances, but what of the next generation, brought up in the enervating atmosphere of rules, regulations, endless forms and returns?

The industry within 20 years would be run by men with a typical civil service departmental outlook, an excellent and very proper outlook in its own sphere, but not in industry. Everyone from the small shop-keeper to the big industrialist knows that whenever the Government enters into the realm of ordinary trading there is a hampering influence; decisions are not quickly obtainable and when given are often reversed. This is by no means a criticism of our permanent civil service, the reputation of which, as we well know, is unequalled anywhere in the world.

The Government can, of course, by reason of the powers which it properly and necessarily obtains in time of war, achieve stupendous results in the field of industry, but in time of peace similar methods would ultimately ruin the richest nation and render competition in the world's markets impossible. Nobody in the business world would suggest that the Government, except by arbitrary price-fixing arrangements, obtains the best value for money, judged by ordinary commercial standards.

The contention that the proposals I have referred to would improve and cheapen the supply of electricity to the people is, in my opinion, illusory. They are designed to place one of the most vital industries in the country under the power of a swollen and ever swelling bureaucracy.

PROPOSALS OF THE INDUSTRY

I mentioned last year that every responsible person engaged in the direction of our industry recognises that certain important changes affecting the distribution of electricity are both desirable and necessary, and having enumerated what these changes were, I expressed the view that they could be effected by relatively simple enactments which would avoid a long period of dislocation, if not, indeed, years of chaos. The power companies incorporated all their proposals in this connection in a well-considered memorandum which was submitted to the Minister of Fuel and Power in November, 1943. In the considerable interval that has elapsed, we have become more than ever convinced that these proposals, if adopted, would effect such re-organisation as is required in the interests of the public.

The report and accounts were adopted.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

MR V. A. GRANTHAM'S STATEMENT

The ninety-first ordinary general meeting of the Chartered Bank of India, Australia and China will be held at the bank's head office, 38 Bishopsgate, London, E.C. 2, on Wednesday, the 28th instant, at noon.

The following is the statement by Mr V. A. Grantham (chairman) circulated to the shareholders, with the report and accounts: Recent developments in the Pacific War raise hopes that, by next year, it will be possible to furnish you with more up-to-date information regarding the position of our branches in the Philippines and possibly of branches in other territories in the Far East. Full provision has been made for all bad and doubtful debts at agencies under our control and, as formerly reported, we have made substantial provision for possible losses at agencies and branches now in enemy hands.

The figures of the balance sheet are greater than on any previous occasion, the total at £95,564,109, showing an increase of £6,645,851 over that of last year. Certain alterations in the form of the balance sheet have been made, at the suggestion of the auditors, but changes of importance are few, however, and on the liabilities side are confined to current and other deposits, which are up by £7,839,772. This increase is offset on the assets side by increases in cash, in Government and other securities, and in bills of exchange, including Treasury bills, of £4,297,429, £2,357,094 and £1,772,924 respectively, while the balance of remittances, drafts, etc., in transit between head office, branches and agencies, etc., has decreased by some £1,992,361. The ratio of cash to our "call" liabilities is 23.2 per cent., and if Government and other securities, which mainly consist of short-dated securities, and bills of exchange, including Treasury bills, are included, the ratio is 82.2 per cent. The figures relating to enemy-occupied Agencies and Branches are included in these totals, but as these are identical with those included last year, it will be clear that the substantial increases noted above occurred at the agencies where we continue to be actively represented and will help us to meet, without any undue strain, the needs of our clients during the approaching period of reconstruction.

PROFIT AND LOSS ACCOUNT

The profit for the year amounts to £320,999 18s. 3d., which I trust, in view of the conditions ruling throughout the world, you will consider satisfactory. We brought forward from last year a balance of £371,372 1s. 11d., so that we have a total of £692,372 0s. 2d. to deal with. An interim dividend at the rate of 5 per cent. per annum for the six months to June 30th was paid last year, absorbing £75,000, and we propose that a dividend for the half-year to December 31st last at 5 per cent. per annum, costing £75,000, should be paid; that £50,000 be transferred to the Officers' Pension Fund and £5,000 to the Widows' and Orphans' Fund; that £100,000 be set aside on account of contingencies, and the balance of £387,372 0s. 2d. carried forward.

Your board is not unmindful of the interests of the stockholders, who have been so patient during the difficult days of war, but until the re-organising of our branches in the Far East enables us to be sure that the provisions against losses which we have made are adequate, you will agree that it is best to follow a conservative course in the allocation of profits.

INDIA

In the space at my disposal it is impossible to present a complete review of the year in India. Industry throughout the country has continued to operate to capacity and there is a large unsatisfied

demand for imports of almost all kinds. Mercifully there has been no recurrence of the famine conditions experienced in Bengal and although the cost of living remains at a high level, the inflationary tendencies noted in my last year's statement have been controlled, in spite of increasing expenditure within the country by Britain and the U.S.A. on the war effort.

The sterling balances of the Reserve Bank of India continue to mount, and, although since March, 1944, some proportion of the country's net surplus of exchange earnings in currencies other than sterling has been retained by India, this represents no final solution of the problem involved. In the final issue these balances can only be settled in terms of exports from Great Britain, and much goodwill on both sides will be required to arrange ways and means for orderly and gradual liquidation, which may have to be extended over a long period of years, if dislocation of the exchanges is to be avoided. There would, however, appear to be no reason why these balances should not be used to help in establishing wider trade between the countries of the British Empire within the sterling area.

CHINA

The position of China is in striking contrast to that of India. China has been ravaged by war for 7½ years and cut off from contact with the outside world, save by air, for three years. Many of the richest provinces and most of the railways are in Japanese hands, and it is not surprising that China's internal economy and finances should be strained almost to breaking point. Yet China has never faltered in resisting the Japanese aggressor and now that the progress of the war in Burma and in the Pacific holds promise of early relief, it is to be hoped that the Japanese armies will soon be forced to withdraw and allow China to face the problems of reconstruction.

THE OUTLOOK

Dependent as we in this country are upon imports for our very livelihood, no excuse is necessary for stressing also the importance of exports—in other words, of two-sided trade. I need hardly remind the stockholders that the bank was founded nearly a century ago for the purpose of providing an effective mechanism for financing British trade with the East, and we are determined that it shall continue to provide the skilled and specialised financial service that it has given in the past. Our branch system, which it is our full intention to restore, in normal times covers thirteen Asiatic countries and facilitates enormously the transaction of business between British exporters and their customers, and between importers of Eastern produce and their suppliers. The advantages of conducting the settlement of an overseas trade operation through a single British bank are obvious. Daily contact with our branches provides us, in London, with first-hand economic information not readily available elsewhere. Our credit and market information services are well organised and made freely available to the trading community. In these and in other ways the bank is performing a constructive and indispensable function.

His Majesty's Government have announced their intention of promoting the expansion of the export trade of this country immediately a substantial transfer of man-power becomes possible. The British trading and industrial communities have lost none of their traditional qualities of energy, enterprise and resourcefulness and only ask to be allowed to exercise those qualities with as little restraint as possible. This bank is prepared to do all in its power to assist them in the rehabilitation and expansion of the Eastern section of this trade.

THE EASTERN BANK, LIMITED

SIR JAMES LEIGH-WOOD'S STATEMENT

The annual general meeting of The Eastern Bank, Limited, will be held on the 21st instant in London.

The following is an extract from the statement of the chairman, Sir James Leigh-Wood, K.B.E., C.B., C.M.G., circulated with the report and accounts for the past year:—

A very welcome improvement in the speed of mails from the East has enabled us to present to you our report and accounts for 1944 with all the promptness of pre-war years. We have thus been able to revert to the former practice of recommending a final dividend for your approval at the general meeting to be held on March 21st, instead of declaring a second interim dividend prior to the meeting. The rate of 3s. per share proposed for the final dividend will make the total distribution for the year equal to 5½ per cent. as for 1943 when the figures shown were within two hundred pounds of the present net profit of £98,704 14s.

RESERVE FUND

In pursuance of the policy to increase the published reserve fund the board have appropriated £50,000 from the net profit and a further £50,000 from contingencies account bringing the fund up to £700,000. After allowing for the interim dividend paid in October and the final dividend now proposed, the balance of profit to be carried forward will be £72,876 2s. 1d., against £79,171 8s. 1d. brought in.

I referred last year to the sale of our freehold properties in India and I am glad to inform you that we have satisfactorily disposed of all but one of about £30,000 book value, yielding a good revenue.

As customary the figure of net profit was reached after appropriations to the credit of contingencies account, out of which account provision has now been made for all remaining assets in Singapore except balances with other banks there. While it is hoped that the assets thus written off are not irretrievably lost, it was considered prudent to face an unfavourable outcome.

Of other changes in the balance-sheet the most striking by comparison with the figures of the preceding year is the reduction in liabilities on current and deposit accounts of some £1,375,000 which is reflected in the smaller holding of cash by £735,425 and of bills receivable by £695,357. These changes were in fact transitory, record higher levels being reached in the first few days of January. Our holding of Government securities is greater by £300,000—in round figures—and there is a slight increase in advances to customers.

THE OUTLOOK

After reviewing conditions in India, Ceylon and Iraq, the statement continues:—

Our profits are now largely derived from interest on Government securities, the wherewithal having been provided by the great increase in deposits. While such investments result in assured returns, trade and commerce are not thereby encouraged and nourished as they would be from loans and bills of exchange to finance the manufacture and movement of goods.

With the cessation of hostilities this country will enter a period of reconstruction calling for co-operation and good will in every direction. With the long experience and adaptability of our manufacturers and merchants and the skill of our craftsmen we should win through, although the road will be long and hard. The recent vigorous speech of Mr Brendan Bracken was encouraging, and as gradually the fetters on trade imposed by the war are removed we shall hope to return, step by step, to our long held position as a great exporting nation,

BANK OF AUSTRALASIA

CONTROL PROBLEMS

MR D. F. ANDERSON'S STATEMENT

The 111th annual general meeting of the Bank of Australasia will be held, on the 22nd instant, at 4 Threadneedle Street, E.C.

The following is an extract from the statement of Mr D. F. Anderson, the chairman, which was circulated with the report:

As for the results for the year, comparison is difficult because this year we have provided out of the current year's profits for the taxation on them which we shall have to pay when due. We propose to adopt this practice in future.

BALANCE SHEET VARIATIONS

The balance-sheet variations follow the now usual trend, which merely reflects the financial policy and control of the Australian and New Zealand Governments during the war. Deposits are up and advances are down. Government securities and the Special War-time Deposit Account with the Commonwealth Bank of Australia are up. As a natural consequence of all this our advances to customers are now 44.21 per cent. of total deposits, including fixed deposits, compared with 55.73 per cent. last year, and 88 per cent. as an average over the three years to October, 1939. In other words, our funds are largely in direct Government service, and the employment of that part of them which is not borrowed by Government is closely controlled.

This is no place to review our future policy in detail, but in general we believe that the trading banks can make a great contribution to the further development of Australia and New Zealand alike. Whether in fact they will do so depends not wholly, and indeed not chiefly, on them. If they are to give of their best, their attitude must be dynamic, rather than static, but no enterprise can undertake the risks of a dynamic role if it is tied down to rewards which are sufficient only for a static part. Nor can banks make their proper contribution towards development if they are regarded by their Government as, at best, co-belligerents. Unless they have the confidence and scope extended to Allies, the service they can render particularly in an expanding community, by supporting the growing tree until it is well rooted, is greatly limited.

GOVERNMENT AND TRADING BANKS

The Commonwealth Government has recently announced its intention of acquiring full control of the Commonwealth Bank, using it as an active competitor for the business hitherto carried on by the trading banks, and of giving permanence to the war-time controls over these latter. The Government does not intend to nationalise the trading banks, and the general effect of this policy on our future will perhaps be determined as much by the spirit in which the competition and controls are exercised as by the legislation itself. If the Government has no use for us it will be in a position to make our business unprofitable. If, as I hope, it believes us to be an asset to Australia, then we need not fear the future. I make no comment on the specific legislation to retain war-time controls, since none has yet been introduced. But I do suggest that the argument—ignoring political shibboleths—behind such legislation is that Australia lacks capital and labour for immigration and development, and must therefore devote all she has to purposes deemed proper by Government. None must be "wasted." But will Australia attract people and capital on these terms, if greater scope and freedom is obtained elsewhere?

NEED FOR MODIFICATION OF EXCHANGE CONTROL

It would seem far more promising to attempt to increase the pool rather than to

canalise rigidly what exists, and perhaps the first step of all towards encouraging new capital to flow in would be to modify the Exchange Control which does not even permit of capital being remitted to London. The Exchange Control was introduced under financial conditions which appear since almost to have reversed themselves. Its retention, far from serving any Australian interest, seems now to be an anachronism and merely discouraging to new capital which is timid of entering any field which is marked "no exit."

VALUE OF INITIATIVE

As for the effect of full Government control, on individual or "company" enterprise and initiative, opinions differ. But I do not believe, for instance, that Broken Hill Proprietary, that great enterprise, would have done what it has for the industrial advance of Australia but for the initiative of individuals who had ideas, energy, and skill and were allowed the scope to drive them forward over these many years. Whether the growth of Broken Hill Proprietary would have been more or less impressive if its dealings with its bankers since 1885 had been under strict Government control, it is perhaps particularly immodest for the Bank of Australasia to speculate, but the answer is relevant to the issue.

THE SCOTTISH PROVIDENT INSTITUTION

VERY SATISFACTORY RESULTS

At the 107th annual general meeting of the Scottish Provident Institution, held in Edinburgh on the 13th inst., the Chairman, Sir Ernest M. Wedderburn, LL.D., D.K.S., referred to the very satisfactory results for the year 1944. The net new sums assured, £1,251,327, the net new premiums and the total premium income all showed increases on the previous year's figures, and the interest yields both gross and net had also risen, while the expense ratio had fallen. The claims by death were the largest yet recorded, but the increase being largely due to the steadily increasing new business was not a matter for concern: after excluding war claims the amount was less than that expected by the most recent mortality tables.

The intermediate bonus of 7½ per cent. per annum in the Special Endowment Assurance Fund and the special intermediate bonuses to policies in the common fund due to share for the first time as at December 31, 1943, and subsequently becoming claims after completion of the accumulation period were to be continued. It was not proposed, however, to resume payment meantime of intermediate bonus on policies in the common fund which had already shared in surplus.

RISING SECURITY PRICES

There was an increase of nearly half a million pounds in British Government securities, and as a result of rising security prices the favourable margin between the market and book values of Stock Exchange investments had further increased.

The directors were giving careful consideration to the part which the institution in common with other insurance offices could play in financing industry in the immediate postwar years, and were prepared to participate in any scheme commending itself to them as in the national interest and at the same time justifiable from the institution's point of view. The immensity of the problems involved in post-war finance needed no emphasis, but it was clear that the sums required for new capital outlays would have to come mainly from current savings. Life assurance was still the ideal form of saving out

of personal income. It was made especially attractive by the rebate of income-tax allowed on premiums, and the periodical payment of premiums made saving systematic.

The report and accounts were adopted.

OROVILLE DREDGING COMPANY, LIMITED

MR F. W. BAKER'S STATEMENT

The thirty-third ordinary general meeting of this company was held, on the 13th instant, in London, Mr Fredk. W. Baker (the chairman) presiding.

The following are extracts from the chairman's statement circulated with the report:—Our main active interests are still the dredging operations in the Republic of Colombia, South America, carried on by Pato Consolidated Gold Dredging, Limited, and Asnazu Gold Dredging, Limited. These operations are being conducted successfully despite wartime difficulties. The former company paid two dividends during the year, each of 15 cents, and a further dividend of 15 cents has been received since the close of our company's year. The Asnazu Company, while operating successfully and making profits, did not declare a dividend, as there was apparently a shortage of liquid resources, due to the necessity to repay loans. We are hopeful that this position will improve, when we might once again look forward to receiving dividends on our holding of 615,000 shares.

For the six months to November 1, 1944, Pato Consolidated dredged 4,937,000 cubic yards for a recovery of 65,780 oz. of fine gold, and recovered with its hydraulic units 4,579 oz. of fine gold, the value of the production being \$2,462,565 U.S. Making a simple arithmetic comparison of the value of the recoveries for the six months, with a half of the total for the whole of the year to April 30, 1944, there was an increased production of about a third. The relative figures for Asnazu are 2,727,600 cubic yards dredged for a production of 16,552 oz. of fine gold, equivalent to \$579,320 U.S., which almost exactly equals half the total production for the previous year. The successful results of these two companies must not be allowed to hide the fact that operations are carried on with considerable difficulties, due on the one hand to restrictions of supplies caused by the war, and on the other to local legislation, which remains onerous and in some respects may become more so. Both these factors tend to increase total and yardage costs. The directors of Pato Consolidated contemplate installing two large dredges, each to handle approximately 6,000,000 cubic yards annually, and one small dredge for special work, as soon as world conditions allow. I would draw your attention to the substantial dredging reserves of this company. In addition to the yardage shown, there are large areas of potential dredging ground as yet untested, the drilling of which, on a reduced scale, is proceeding. Both these companies, Pato Consolidated and Asnazu, and particularly the former, are continuing on a very satisfactory basis. The supply position has somewhat improved, and, if this is maintained, it is hoped that dredge No. 5, which is one of two dredges shut down since November, 1942, may be able to resume operations within the near future.

Our interest in Bulolo is represented by 60,680 shares. During 1944 a party of engineers made a detailed report on the condition of the dredges and other equipment. The eight dredges were found to be in good structural condition, although some of the equipment on them is damaged or missing, and will have to be replaced. The Bulolo Company has substantial funds in Australia, and the rehabilitation of the field buildings and equipment will be commenced as soon as conditions permit. The report was unanimously adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
March 8....	5,778	5,267	115.2	137.0	3.00	3.71
" 9.....	5,743	4,895	115.3	137.1	3.00	3.71
" 12.....	7,665	6,944	115.3	137.1	3.00	3.71
" 13.....	5,783	5,124	115.2	137.0	3.00	3.71
" 14.....	5,730	4,532	115.2	137.0	3.00	3.71

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1945: highest, 115.4 (Feb. 28); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.1 (Mar. 9); lowest, 136.3 (Jan. 2).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS
(1926=100)

1945	Average	Transactions	1945	Average	Transactions
Mar. 5.....	139.6	2,090,000	Mar. 5.....	139.4	1,190,000
" 2.....	138.8	1,770,000	" 6.....	140.2	1,690,000
" 3.....	138.7	680,000*	" 7.....	140.4	1,400,000

1945: High, 140.4 (Mar. 7). Low, 129.2 (Jan. 23). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1945		Feb. 21, 1945	Feb. 28, 1945	Mar. 7, 1945
	Low Jan. 24	High Mar. 7			
364 Industrials.....	108.5	118.0	116.3	117.3	118.0
30 Rails.....	116.1	127.8 (a)	127.8	128.8	127.2
28 Utilities.....	93.2	97.8	97.2	97.5	97.8
402 Stocks.....	106.7	115.4	114.1	114.8	115.4
Av. yield %.....	4.63	4.15	4.34	4.30	4.15

(a) Feb. 21. † 50 Industrial Com. Stocks.

Capital Issues

Week ending March 17, 1945	Nominal Capital	Con- versions	New Money
To Shareholders only.....	554,971	950,991	85,275
By Permission to Deal.....	40,000	...	40,000
Particulars of Government issues appear on page 360.			
		Including Conversions	Excluding Conversions
Year (to date).....	272,741,001	245,081,234	...
1944.....	199,597,393	189,304,734	...

Destination*

Nature of Borrowing*

Year (to date)	U.K.	Foreign ex. U.K.	Countries	Deb.	Pref.	Ord.
1945.....	244,921,807	34,177	125,250	244,381,286	186,250	513,698
1944.....	189,186,487	118,230	Nil	188,526,739	488,751	289,248

* Conversions excluded. † Includes Government issues to March 7, 1945, only. Above figures include all new capital in which permission to deal has been granted.

INDUSTRY AND TRADE

January Retail Trade.—After the high level of sales in December, there was a sharp drop in January. The index (1942=100) for total sales was 95, compared with 128 in December and 105 for the whole of 1944. Nonetheless the average daily sales were 4.1 per cent above January, 1944. In the sixth and last month of a coupon period it was to be expected that apparel sales would drop. The apparel index was 74, compared with 114 in December and 87 for the previous twelve months. As can be seen from the table on this page, turnover was higher than the year before. The number of coupons taken was 4 per cent greater, and the average takings per coupon about as high as they ever have been. Stocks were again considerably lower than the year before, although there was a slight recovery in clothing stocks, probably due to the lower purchases during the month.

"The Economist" Sensitive Price Index.—The crops component of the index (1935=100) was 135.8 from March 7th, but on March 13th it rose to 140.3. The raw materials index was unaltered at 185.5 throughout the week. The complete index had been 158.7, and on March 13th it rose to 161.3. The reason for the rise in the crops index and the complete index was the new price of wheat in store in Canada at Fort William and Port Arthur. A rise of 21c. was made to offset the reductions in quantities taken from farmers by the Canadian Wheat Board. No. 1 Northern Manitoba from West St. John Halifax was therefore quoted on the Baltic Exchange at 163½c. a bushel.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE

	Daily Average Sales Percentage Change			Stocks (at Cost) End of Jan.
	1944		1945	
	Nov.	Dec.	Jan.	
	(a) By Commodities			
Non-food Merchandise :—				
Piece-goods.....	+ 22.0	+ 18.0	+ 1.5	+23.7
Women's Wear.....	+ 22.7	+ 21.2	+ 4.1	+12.4
Men's and Boys' Wear.....	+ 26.5	+ 27.1	+ 29.4	+27.1
Boots and Shoes.....	+ 10.6	+ 8.6	+ 8.0	+14.7
Furnishing Departments.....	+ 13.2	+ 12.5	+ 0.5	+18.8
Hardware.....	+ 8.3	+ 2.8	+10.1	+21.0
Fancy Departments.....	+ 9.7	+ 8.2	+ 0.7	+ 1.2
Sports and Travel.....	+ 28.9	+ 15.7	+ 0.9	+ 9.6
Miscellaneous.....	+ 7.5	+ 5.0	+ 7.2	+17.7
Total :—	+ 18.3	+ 13.6	+ 4.7	+12.9
Non-food Merchandise.....	+ 3.7	+ 8.0	+ 3.7	+13.4
Food and Perishables.....				
Total :—	+ 8.7	+ 9.0	+ 4.1	+13.0
All Departments.....				
(b) Districts				
Scotland.....	+ 9.2	+ 11.5	+ 5.5	+13.6
North-East.....	+ 9.2	+ 12.0	+ 4.1	+16.7
North-West.....	+ 11.3	+ 10.5	+ 3.8	+16.3
Midland and S. Wales.....	+ 7.8	+ 9.4	+ 5.9	+15.9
South England.....	+ 11.4	+ 9.7	+ 6.8	+10.5
Central and West-End London.....	+ 13.5	+ 5.8	+ 0.5	+22.6
Suburban London.....	+ 1.2	+ 4.4	+ 0.6	+22.6
Unallocated.....	+ 8.2	+ 5.0	+ 3.8	+ 0.2

Source: Board of Trade Journal

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	Jan. 1, 1945	Feb. 1, 1945	
Beef, British—	s. d.	s. d.	s. d.	
Ribs.....	1 3½	1 3½	1 3½	11
Thin Flank.....	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs.....	0 9½	1 1	1 1	25
Thin Flank.....	0 4½	0 6	0 6	23
Mutton, British—				
Legs.....	1 3½	1 5½	1 5½	18
Breast.....	0 7½	0 8	0 8	5
Mutton, frozen—				
Legs.....	0 10½	1 0	1 0	16
Breast.....	0 4	0 4	0 4	...
Bacon.....	1 3	1 10½	1 10½	60
Fish.....	0 11½	1 2½	1 2½	30
Flour (per 7 lb.).....	0 8½	0 9	0 9	9
Bread (per 4 lb.).....	2 4	2 10	2 10	21
Sugar (gran.).....	0 3	0 4	0 4	33
Butter (per qt.).....	0 6½	0 9	0 9	35
Milk (fresh).....	1 4½	1 8	1 8	21
Butter (salt).....	1 3½	1 1	1 1	81
Cheese.....	0 10	1 1	1 1	80
Margarine, special.....	0 6½	0 9	0 9	18
" standard.....	0 11	0 2	0 2	1
Eggs, fresh (each).....	0 2	0 1½	0 1½	7
Potatoes (per 7 lbs.).....	0 6½	0 7	0 7	7
Index all foods weighted (July, 1914=100).....	138	168	168	22

Source: Ministry of Labour Gazette.

FINANCE AND BANKING

THE MONEY MARKET.—The new issue of TDRs to the banks this week was raised to the record level of £150 millions. Prior encashments on a moderate scale reduced the level of effective maturities, and the amount of "fresh" money required at about £50 millions, though not a record, was sufficiently heavy to lead to expectations of a difficult credit position in the Discount Market. The strain was, to some extent, alleviated by the fact that a new high level of applications at the Treasury Bill tender again limited the allotment to the market to the low quota of 21 per cent. Unexpectedly heavy Government Department disbursements, however, were primarily responsible for the comfortable credit conditions which, in fact, prevailed. The Bank Return showed that, by Wednesday, Bankers' Deposits had been reduced to £190.8 millions, a drop of £13.4 millions on the week, but this is still a comfortable level in comparison with, say, the £176.5 millions of the first week in February.

Only a small amount of bills was bought by the banks during the week, however, despite the fact that the clearing banks' return for February shows a drop of nearly £20 millions in aggregate bill holdings over the month. The seasonal peak in payments of direct taxes together with a relatively high level of savings is responsible for the "true" fall of £57.6 million in the banks' deposits. There was a similar fall of £61.7 million in February last year. Money market assets, in contrast to TDRs last year, have borne the major part of the decline.

MONEY RATES, LONDON.—The following rates remained unchanged between March 8th and March 15th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day:

(Continued on page 362.)

GOVERNMENT RETURNS

For the week ended March 10, 1945, total ordinary revenue was £57,737,000, against ordinary expenditure of £92,645,000 and issues to sinking funds of £235,000. Thus, including sinking fund allocations £15,169,279, the deficit accrued since April 1st is £2,642,876,000 against £2,611,918,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	April 1 to Mar. 11, 1944	April 1 to Mar. 10, 1945	Week ended Mar. 11, 1944	Week ended Mar. 10, 1945
ORDINARY REVENUE					
Income Tax	130,000	111,248	121,031	58,591	27,425
Sur-tax	80,000	69,092	66,581	2,770	2,900
Estate, etc.	100,000	91,818	103,753	2,090	2,184
Duties	19,000	16,440	14,430	940	895
N.D.C.	500,000	30,295	31,409	500	895
E.P.T.	443,901	454,658	6,745	8,766	50
Other Ind. Rev.	1,000	868	612	10	50
Total Ind. Rev.	200,000	176,489	188,174	51,646	42,220
Customs	564,900	525,996	547,919	11,095	12,515
Excise	472,900	454,800	472,300	3,010	2,415
Total Customs & Excise	1,037,800	980,796	1,020,219	14,105	14,930
Motor Duties	27,000	27,294	28,728	123	390
P.O. (Net Receipts)	4,850	4,340	4,420	...	...
Wireless Licences	800	980	960	...	80
Crown Lands	7,350	6,449	7,154	59	58
Sundry Loans	24,000	71,315	85,050	986	59
Miscell. Receipts	310,180	235,068	302,830	66,919	57,737
Total Ord. Rev.	3,214,170	2,961,718	3,139,755	68,719	59,537
SELF-BALANCING P.O. & Brdcastg.	112,370	105,650	111,450	1,800	1,800
Total	3,326,540	3,067,368	3,251,205	70,519	61,337

Expenditure	Estimate, 1944-45	April 1 to Mar. 10, 1944	April 1 to Mar. 10, 1945	Week ended Mar. 10, 1944	Week ended Mar. 10, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	359,546	407,964	5,091	4,170
Payments to N. Ireland	9,000	7,882	8,822	...	...
Other Cons. Fund Services	7,000	6,938	7,007	...	...
Total	436,000	374,365	423,793	5,091	4,170
Supply Services	550,139	507,882	523,219	11,507	8,475
Total	986,139	882,247	947,012	16,598	12,645
SELF-BALANCING P.O. & Brdcastg.	112,370	105,650	111,450	1,800	1,800
Total	1,100,509	987,897	1,058,462	18,398	14,445

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £76,083 to £2,815,103, the other operations for the week (no longer shown separately) increased the gross National Debt by £36,686,779 to £22,225 million.

NET RECEIPTS (£ thousands)

Land Settlement (Facilities) Acts, 1919 and 1921. 27

NET ISSUES (£ thousands)

Defence Loans Acts, 1937 and 1939. 1,280

P.O. and Telegraph. 200

Overseas Trade Guarantees. 15

1,495

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England
1944				
Mar. 11	1170-0		Not available	
Dec. 9	1470-0		"	
" 16	1470-0		"	
" 23	1470-0		"	
" 30	3806-0		587-7	1794-5
1945				
Jan. 6	1470-0		Not available	
" 13	1470-0		"	
" 20	1460-0		"	
" 27	1450-0	2341-8	489-3	1799-5
Feb. 3	1440-0		Not available	
" 10	1430-0		"	
" 17	1430-0		"	
" 24	1430-0	2309-2	542-4	1801-0
Mar. 3	1430-0		Not available	
" 10	1430-0		"	

TREASURY BILLS

(£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
				%	
1944					
Mar. 10	90-0	190-1	90-0	20 0 34	31
Dec. 8	110-0	221-7	110-0	20 1 33	32
" 15	110-0	219-1	110-0	20 1 03	28
" 22	110-0	205-4	110-0	20 1 50	27
" 29	110-0	208-0	110-0	20 0 67	17
1945					
Jan. 5	110-0	224-2	110-0	20 1 81	36
" 12	110-0	211-1	110-0	20 1 50	37
" 19	110-0	216-3	110-0	20 1 19	32
" 26	110-0	207-8	110-0	20 0 31	39
Feb. 2	110-0	225-0	110-0	20 0 26	29
" 9	110-0	218-0	110-0	20 0 13	31
" 16	110-0	207-3	110-0	20 0 53	37
" 23	110-0	208-6	110-0	20 0 99	17
Mar. 2	110-0	237-0	110-0	19 11 37	21
" 9	110-0	239-2	110-0	19 11 50	21

On March 9, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of the following week were accepted as to about 21 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 0d. for bills to be paid for on Saturday, were accepted in full. £110 millions of Treasury Bills are being offered for March 16. For the week ended March 17, the banks will be asked for all Treasury deposits at a maximum amount of £150 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BOND SUBSCRIPTION

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1% Exchequer Bonds (1950)
1945				
Jan. 2	4,788	1,617	5,848	3,351
" 9	4,798	2,385	5,659	8,227
" 16	4,647	2,022	5,923	10,102
" 23	4,950	1,774	5,755	10,398
" 30	4,036	1,548	5,587	11,118
Feb. 6	5,034	1,794	4,178	11,777
" 13	5,344	1,941	7,052	11,573
" 20	5,197	1,849	7,655	13,801
" 27	4,841	1,767	7,457	16,201
Mar. 6	4,394	1,923	10,312	18,160
" 13	...	...	15,134	15,258
Totals to date	1,333,369*	794,852*	1,896,456†	167,049‡

* 276 weeks. † 219 weeks. ‡ 19 weeks.

Interest free loans received by the Treasury up to Mar. 15th amounted to a total value of £70,814,376. Up to Feb. 24th principal of Savings Certificates to the amount of £208,120,000 has been repaid.

GOLD AND SILVER

	Gold	Silver
	per Fine Tola	per 100 Fine Tolas
1945		
Mar. 8	73 9	127 14
" 9	72 10	126 14
" 10	72 5	125 8
" 12	72 4	125 10
" 13	71 14	126 0
" 14	70 13	126 10

BANK OF ENGLAND RETURNS

MARCH 14, 1945

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	11,015,100
In Circulation	Other Govt.	12,583,571
In Bank Deposits	Securities	618,166
Payment	Other Secs.	9,718
	Silver Coin	...
	Am. of Fed. Issue	12,500,000,000
	Gold Coin and Bullion	...
	Per cent. (fine)	241,718
		12,500,241,718

BANKING DEPARTMENT

Props' Capital	14,553,000	Govt. Secs.	222,702,764
Reserve	3,181,515	Other Secs.	...
Public Depts.	12,175,741	Discounts & Advances	9,718,424
		Securities	14,822,416
Other Depts.	199,759,811		21,540,870
Other Assets	55,972,851		28,480,503
		Gold & Silver Coin	1,522,634
			277,246,771

* Including Exchequer, Savings Banks, Commissioners of National Debt and Disposal Accounts.

COMPARATIVE ANALYSIS

(£ millions)

	1944	1945
Issue Dept.		
Notes in circulation	1091-5	1217-1
Notes in banking department	58-8	33-1
Government debt and securities	1149-3	1214-5
Other securities	0-7	0-6
Silver Coin	0-0	0-0
Gold, bullion at 100	0-2	0-2
Deposits	168-0	168-0
Public	8-4	18-1
Bankers'	178-9	207-8
Others	59-2	60-5
Total	246-5	286-4
Banking Dept. Secs.	175-1	238-0
Government	14-0	8-5
Discounts, etc.	16-1	23-1
Other	205-2	269-6
Total	59-4	34-8
Banking depart. res.	24-0	12-1
" Proportion "		

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended	Aggregate from Jan. 1 to
	Mar. 11, 1944	Mar. 10, 1945
Birmingham	1,508	1,500
Bradford	1,637	1,482
Bristol	545	638
Hull	525	707
Leeds	635	738
Leicester	674	755
Liverpool	4,679	5,311
Manchester	2,632	2,793
Newcastle	1,492	1,457
Nottingham	376	464
Sheffield	729	877
Southampton	117	168
12 Towns	15,549	15,880
Dublin*	8,018	7,954

	6	6	63	61
	1,508	1,500	18,920	18,161
Working days	1,637	1,482	19,118	19,833
Birmingham	545	638	6,969	7,196
Bradford	525	707	6,393	7,489
Bristol	635	738	13,156	13,865
Hull	525	707	8,697	9,550
Leeds	674	755	52,366	52,893
Leicester	4,679	5,311	34,939	36,356
Liverpool	2,632	2,793	18,480	18,840
Manchester	1,492	1,457	4,412	5,216
Newcastle	376	464	11,477	11,301
Nottingham	729	877	1,701	2,232
Sheffield	117	168	...	...
Southampton	...	...	...	...
12 Towns	15,549	15,880	196,666	202,572
Dublin*	8,018	7,954	80,112	75,916

* March 4, 1944, and March 3, 1945.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Mar. 1, 1944	Feb. 1, 1945	Mar. 1, 1945	Mar. 8, 1945
12 U.S.F.R. BANKS				
Resources	19,258	17,694	17,425	17,651
Gold certifi. on hand and due from Treasury	19,853	18,547	18,510	18,542
Total reserves	329	257	254	259
Total U.S. Govt. secs.	12,029	12,231	12,439	12,559
Total loans and secs.	12,091	19,529	19,764	19,659
Total resources	33,663	40,272	40,434	40,265
LIABILITIES				
F.R. notes in circ.	17,443	22,065	22,162	22,364
Excess m. bank res.	1,000	900	900	900
Mr. bank res. dep.	12,583	13,993	14,228	14,208
Govt. deposits	269	517	464	288
Total deposits	14,557	16,188	16,270	16,943
Total liabilities	33,663	40,272	40,434	40,265
Reserve ratio	52-0%	48-6%	48-4%	48-4%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,670	20,506	20,506	20,454
Treasury & bank currency	4,093	4,124	4,123	4,121
LIABILITIES				
Money in circulation	20,956	25,652	25,750	25,864
Treasury cash and dep.	2,600	2,901	2,817	2,653

BANK OF FRANCE

Million francs

	Feb. 1, 1945	Feb. 1, 1945	Feb. 1, 1945	Feb. 22, 1945
ASSETS				
Gold	75,151	75,151	75,151	75,151
Private discounts and advances	41,398	42,033	41,845	39,674
Advances to State:				
(a) In occupation costs	491,112	488,212	488,662	488,212
(b) Treasury advances	426,000	426,000	426,000	426,000
(c) Fixed advances	10,600	7,700	8,159	7,700
LIABILITIES				
Notes	54,512	54,512	54,512	54,512
Deposits:				
(a) Government a/c	569,958	569,718	568,959	568,899
(b) Other accounts	46,675	38,571	38,789	36,916
Reserve ratio	41,910	37,806	38,789	36,916

BANK OF BELGIUM

Million Belgian Frs.

	Feb. 8,	Feb. 15,	Feb. 22,	Mar. 1,
	1945	1945	1945	1945
ASSETS				
Gold	32,094	32,094	32,094	32,094
Foreign exchange	1,049	1,050	1,040	1,018
Private loans and discounts	2,331	2,023	1,724	1,615
Loans to State	36,126	36,901	37,191	38,211
LIABILITIES				
Notes	47,043	47,392	47,944	49,033
Current accounts				
(a) Govt. accounts	1	4	1	1
(b) Private accounts	3,382	3,694	3,444	3,985

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.																
Prices, Year 1944		Prices, Jan. 1 to Mar. 13 1945		Name of Security	Price, Mar. 6, 1945	Price, Mar. 13, 1945	Yield, Mar. 13, 1945	Prices, Jan. 1 to Mar. 13 1945		Last Two Dividends		Name of Security	Price, Mar. 6, 1945	Price, Mar. 13, 1945	Yield, Mar. 13, 1945	
High	Low	High	Low					High	Low	(a)	(b)	(c)				
British Funds																
82	78	83	81	Consols 2½	83xd	83	3	0	3	%	%		Iron, Coal and Steel			
111	108	111	110	Consols 4% (after 1957)	111	111	3	11	9	55/3	51/9	7 b	4 Babcock & Wilcox £1...	54/-	53/6	
100	100	100	100	Conv. 2% 1943-45	100	100	2	0	0	53/-	51/-	3 1/2	4 Bolsover Colliery Ord. £1	53/-	53/-	
102	101	102	101	Conv. 2% 1944-45	102	102	2	0	0	29/11	27/3	16 1/2	4 Brown (John) Ord. 10/-	28/-	27/9	
103	102	103	102	Conv. 3% 1944-45	103	103	1	2	0	100/7	98/-	15 b	5 Cory (Wm.) £1	98/9	98/9	
102	101	102	101	Conv. 3% (after 1961)	102	103	1	19	6	28/11	27/-	8 c	8 Dorman Long Ord. £1...	27/-xd	27/3	
103	102	103	102	Conv. 3½ 1944-45	105	105	3	6	2	40/-	37/9	6 b	4 Guest Keen & C. Ord. £1	31/6	30/6	
102	101	102	101	Exch. Bds. 1½ 1950	102	102	1	15	0	32/7	31/-	7 1/2	4 Huddfields Ord. 10/-	54/-xd	54/-	
98	96	99	97	Funding 2½ 1956-61	99	98xd	2	12	3	54/6	52/6	14 1/2	4 Staveley Coal Ord. £1...	57/9	57/10	
100	100	100	100	Funding 2½ 1952-57	101	102	2	11	0	58/4	55/3	12 1/2	4 Thomas & Lloyds £1...	45/-	45/6	
101	99	102	100	Funding 3% 1959-69	101	100xd	2	18	9	46/9	42/6	8 b	4 Swan, Hunter Ord. £1...	12/7 1/2	12/6	
114	112	115	113	Funding 4% 1960-90	115	115	2	16	0	13/6 1/2	12/3 1/2	10 c	4 Thomas and Bald Ord. 6/8	27/-	26/9	
102	100	103	101	Nat. Def. 3% 1954-58	102	103	2	12	6	27/11	24/10	5 1/2	4 United Steel Ord. £1...	19/3	19/-	
102	101	101	101	War Bonds 2½ 1945-47	101	101	2	9	6	19/6	18/1 1/2	6 b	4 Vickers Ord. 10/-			
102	100	102	100	War Bonds 2½ 1949-51	102	102	2	9	0				Textiles			
101	100	101	100	War Bonds 2½ 1952-54	101	101	2	18	0	15/4 1/2	13/6	Nil c	Nil c Bleachers Association £1	13/6	13/6	
101	97	101	100	Savings Bds. 3% 1955-65	101	101	2	19	0	27/6	24/10	Nil c	4 Bradford Dyers Ord. £1	26/-	25/6	
100	99	101	100	Savings Bds. 3% 1960-70	100	101	2	19	0	37/11	30/4 1/2	Nil c	15 c British Celanese Ord. 10/-	32/9	31/6	
101	100	100	100	Savings Bds. 3% 1965-75	102	102	2	19	6	53/3	49/6	5 b	3 Coats, J. & P. Ord. £1...	53/-	53/6	
113	111	114	112	Victory Bonds 4%	113	114	2	16	0	58/3	53/10	24 c	4 Courtaulds Ord. £1	55/xd	55/3	
102	100	103	102	War Loan 3% 1955-59	103	102xd	2	14	2	26/9	23/6	3 1/2	4 Fine Cotton Spinners £1	24/6	23/6	
104	102	105	104	War Loan 3½ aft. 1952	105	105	3	6	8	5-2	4/3	24 c	5 Hanco (Joshua) 2/-	4/9	4/7 1/2	
94	93	95	94	Local Loans 3%	95xd	95	3	2	8	38/-	35/6	7 1/2	4 Lonca Cotton Corp. £1	36/10	37/-	
Dom. & Col. Govts.																
103	100	102	100	Australia 5% 1945-75	101	102	4	18	0				Electrical Manufacts.			
103	101	103	102	New Zealand 5% 1946	102	103	4	17	1	120/-	114/6	15 b	5 Callenders Cable, &c. £1	118/9	118/-	
112	109	110	109	Nigeria 6% 1950-60	110	110	2	17	6	34/7 1/2	33/1 1/2	7 1/2	15 b Crompton Park 'A' 5/-	34/6	34/-	
Corporation Stocks																
108	104	106	104	Birmingham 5% 1946-56	104	104	4	15	8	100/6	97/9	17 1/2	17 c General Electric Ord. £1	98/3	98/3	
94	93	95	94	L.C.C. 3%	95	95	3	2	10	45/9	43/-	3 a	5 County of London £1	45/-xd	45/-	
90	89	90	100	Liverpool 3% 1954-64	100	100	3	0	0	23/10	22/3	2 1/2	4 Gas Light & Coke Ord. £1	23/6	23/6	
106	104	106	105	Middlesex 3½ 1957-62	106xd	106	2	18	0	36/9	34/1 1/2	2 1/2	4 North-East Electric £1	35/6	35/6xd	
Foreign Governments																
92	88	93	91	Argentina 3½ Bds. 1972	93	93	3	18	0			20 c	4 Scottish Power Ord. £1	41/-	41/6	
86	81	85	69	Brazil 5% Funding 1914	72	72	4	13	1	24/6	29/9	7 1/2	4 Austin 'A' Ord. 5/-	34/3	34/3	
86	80	82	21	Chile 6% (1929)	21	21	5	4	6	27/6	23/10 1/2	7 1/2	4 Birmingham S.A. £1	26/9	26/6	
87	44	53	47	Chinese 5% 1913	51	51	Nil			14/11 1/2	14/3	6 b	4 Bristol Aeroplane 10/-	14/6	14/7 1/2	
84	89	92	90	Portuguese 3%	92	92	3	4	10	38/16	36/6	6 c	4 Ford Motors Ord. £1	38/6	38/6	
76	63	70	65	Spanish 4%	69	70	5	14	4	18/7 1/2	17/7 1/2	15 a	17 1/2 Hawker Siddley 5/-	18/4 1/2	18/6	
										84/3	81/-	24 c	12 1/2 Lucas (Joseph) Ord. £1	82/-	82/-	

AUSTRALIA AND NEW ZEALAND

<i>Colombia</i> *	Open market sight selling rate 175 pesos per 100 U.S. \$ on Jan. 31st.
<i>Ecuador</i> *	Official sight selling rate 13 50 sucres per U.S. \$ on February 6th.
<i>Guatemala</i>	Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.
<i>Nicaragua</i> *	Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5-03½ cordobas per U.S. \$ (excluding 10 per cent tax).
<i>El Salvador</i>	Sight selling rate New York was 2-51 colones per \$ on February 1st.
<i>Venezuela</i> *	Sight selling rate New York 3-35 bolívars per U.S. \$ on Dec. 5th.
<i>Peru</i>	Sight selling rate 6-50 soles per U.S. \$ on January 11th, 1945.

* Official exchange controls are operative in these countries.

	Changed	From	%	To		Changed	From	%	To
Amsterdam.....	June 28,	41	3	24	Madrid.....	July 15,	35	5	4
Athens.....	Dec. 1,	44	6	11	Montreal.....	Feb. 8,	44	24	1
Belgrade.....	Feb. 1,	35	6 1/2	5	Oslo.....	May 12,	40	2 1/2	3
Bombay.....	April 9,	40	1	3 1/2	Paris.....	Jan. 20,	45	1	18
Brussels.....	June 25,	40	2 1/2	2	Pretoria.....	June 2,	41	3 1/2	3
Bucharest.....	Sept. 17,	40	4	3	Rio de Janeiro.....	May 31,	35	...	5
Budapest.....	Oct. 22,	40	4	3	Rome.....	May 18,	36	5	4 1/2
Calcutta.....	Nov. 28,	35	3 1/2	3	Sofia.....	Sep. 16,	40	6	5 1/2
Chile.....	June 13,	35	1	4 1/2	Stockholm.....	May 29,	41	3 1/2	3
Copenhagen.....	Oct. 15,	40	4	4	Zurich.....	Nov. 25,	36	2	1 1/2
Helsingfors.....	Dec. 3,	34	4 1/2	4	Fokio.....	...	...	...	3 29
Lisbon.....	Jan. 12,	44	5	2 1/2	Wellington.....	July 20,	41	2	1 1/2
N.Y. Fed. Res.....	Oct. 30,	42	1	4 c	Dublin.....	Oct. 26,	39	4	3

The following rates, issued by Bank of London and South America, are related to U.S. \$: approximate sterling rates can be calculated from \$-£ rate

money, $1\frac{1}{2}\%$. Short Loans, $1\frac{1}{2}\%$. Bank deposit rates, $\frac{1}{2}\%$. Discount deposit at call, $\frac{1}{2}\%$; at notice, $\frac{1}{2}\%$.

United States. \$ (4-861) 4-021-031; mail transfers 4-021-031. Canada. \$ (4-861) 4-43-47; mail transfers 4-43-47. Switzerland. Francs 17-30-40. France. Francs 1991-2001. Sweden. Krona (18-189) T.T. 16-85-95. Dutch West India. Florin (12-17) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. 4-04-04; mail transfers 4-02-041. Brazil. 83.8456 (buying). Uruguay. 7-5597 p. (buying).

Market Rates.—The following rates remained unchanged between March 8th and March 15th.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

[illegible]

**COIN HOLDINGS OF THE BANKS OF UNITED KINGDOM
AND EIRE**
(33 Banks, including the Bank of England)

CLEARING BANK CO MPARATIVE FIGURES
(£ million)

	Feb. 1944	Oct. 1944	Nov. 1944	Dec. 1944	Jan., 1945	Feb. 1945
Capital and reserves	142.5	142.5	142.5	143.9	143.9	143.9
Acceptances, etc.	99.4	100.7	101.2	105.0	102.6	104.6
Notes in circulation	1.6	1.3	1.3	1.4	1.3	1.3
Current, deposit and other accounts	3,896.8	4,342.3	4,397.8	4,544.9	4,462.2	4,404.9
Total liabilities	4,140.2	4,586.8	4,642.8	4,795.2	4,710.0	4,654.7
Cash	414.2	453.0	460.4	499.9	459.7	454.8
Cheques, balances, and items in transit	130.0	133.9	135.6	194.8	144.3	144.6
Money at call	149.6	191.3	205.0	198.6	167.7	187.7
Discounts	123.5	169.5	197.9	146.7	159.4	139.6
Treasury deposit receipts, investments	1,264.0	1,566.5	1,547.5	1,666.5	1,662.5	1,638.5
Loans and Advances	1,141.0	1,171.7	1,192.0	1,164.6	1,165.3	1,159.9
Investments in affiliated banks	752.7	734.7	737.6	753.5	752.9	759.4
Cover for acceptances, promises, etc.	24.1	24.1	24.1	146.4	24.2	24.2
Total assets	4,140.2	4,586.8	4,642.8	4,795.2	4,710.0	4,654.7

NEW YORK PRICES

Name	Weeks	Ending	Gross Receipts for Weeks		Aggregate Gross Receipts	
			1945	+ or -	1945	+ or -
B.A. and Pacific	36	Mar. 7	\$2,640,000	+ 517,000	76,469,000	+ 13,662,000
B.A. Gt. Southern	36	" 7	13,928,000	+ 237,000	119,048,000	+ 9,791,000
B.A. Western	36	" 7	11,197,000	+ 122,000	40,771,000	+ 6,968,000
Canadian Pacific	9	" 7	\$5,576,000	- 348,000	52,825,000	- 627,000
Do. Gross	11	Jan. 31	\$24,090,000	+ 154,000	—	+
Do. Net	11	" 31	\$1,662,000	- 1,177,000	—	-
Central Argentine	36	Mar. 10	\$3,137,300	+ 297,700	104,298,050	+ 13,659,850
U. Rlys. of Havana	36	" 7	£72,090	- 5,596	1,860,784	- 34,203

+ Receipts in Argentine pesos.

	Close	Close		Close	Close		Close	Close
	Mar.	Mar.		Mar.	Mar.		Mar.	Mar.
1. Railroads.	6	13		6	13	3. Commercial	6	13
Atlantic Coast.	61	59	Am. Smelting..	47	46	and Industrial.	24	23
Can. Pacific	13	12	Am. Viscose.	46	46	Int. Paper.	87	86
Gen. Nthn. Pf.	51	49	Anaconda	34	32	Liggett Myers.	87	86
N.V.; Central	24	23	Beth. Steel	76	73	Nat. Distillers	39	38
Pennsylvania	37	36	Briggs Mfg.	41	39	Nat. Steels	71	69
Southern	40	38	Celanese of Amer.	103	99	Helpa Dood.	29	27
			Chrysler	42	41	Proct. Gamble	59	58
			Distillers-Seag.	43	42	Seare Roebuck.	102	101
			Eastuan Kodak	179	175	Shell Union	28	27
2. Utilities, etc.	163	164	Gen. Electric	43	41	Std. Oil N. J.	60	60
Amer. Tel.	23	26	Gen. Motors	67	66	20th. Cent. F.	28	27
Int. Telephone	51	51	Ins. Steel	87	85	United Drug.	18	18
Pacific Light.	74	75	Int. Harvester	80	78	U.S. Steel	66	63
People's Gas	28	29	Inter. Nickel	34	32	West'house E.	123	125
Sth. Cal. Ed.	28	29				Woolworth	45	44
W. Union Tel.	49	47						

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NOTICE IS HEREBY GIVEN that the sixty-seventh ORDIN-
ARY GENERAL MEETING of the shareholders will be held at
the company's offices, 61 Avenue Fouad Ier, Alexandria, on Thurs-
day the 5th April, 1945, at five o'clock in the afternoon for the
transaction of the ordinary business of the company, pursuant to
Act of Parliament.

Holders of share warrants to bearer desiring to attend or to be
represented at the meeting must deposit their share warrants in
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Dated, Alexandria, Egypt, the 26th January, 1945.

By order of the Board.

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CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in
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—The Sixty-fourth Annual General Meeting of the Shareholders
of this Company, for the election of Directors to take the places
of the retiring Directors and for the transaction of business
generally, will be held on Wednesday, the second day of May
next, at the principal office of the Company, at Montreal, at
12 o'clock noon. The Ordinary Stock Transfer Books will be
closed in Montreal, Toronto, New York and London at 3 p.m. on
Tuesday, the tenth day of April. The Preference Stock Books
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Board, F. BRAMLEY, Secretary. Montreal, 12th March, 1945.

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Coalition and Compromise

MR CHURCHILL'S invitation to men of "every
party and of no party" to join him in a coalition,
first in a "caretaker" Government and later, after the
General Election, in a re-formed National Government,
has failed to evoke any response from the leaders of the
major political parties. Major Lloyd George, proclaiming
his independence from party politics, has already
announced his readiness to join such a coalition, but one
swallow does not make a summer—even the Indian
summer of a tired coalition. Without the support of the
Labour and Liberal parties, such a Government would
be no more "national" in character than was the National
Government of 1931.

It would indeed be surprising if the Prime Minister's
coalition call had met with any enthusiasm. It has created
something like consternation in certain sections of the
Conservative party, which are as eager to break with
Labour as the Labour party's left wing is to break with
them. There is no doubt about where the Labour and
Liberal parties, as parties, stand, whatever some of their
leaders may feel privately. Their recent conferences com-
mitted them to withdraw from the Government and fight
the election as independent parties. Nothing specific was
said at the Labour conference in December to prevent
Labour's representatives from rejoining a coalition after an

election, but this course could only be taken upon the
decision of a special party conference, in accordance with
Mr Attlee's pledge in 1943. To judge from the present
temper of the party, both in the House of Commons and
in the country, Labour could only give one answer.

The time-table now seems fairly definite. When the
war with Germany ends—and the general assumption is
that this will be within the next few months—the Labour
and Liberal parties will withdraw from the Government—
they may even do it sooner—and Mr Churchill will carry
on an interim administration of a Conservative com-
plexion, while each party completes its election prepara-
tions. Beyond that, all will depend on the election results,
which at this stage it would be idle to predict.

If any party gains a clear majority over its opponents,
there will be little talk of a coalition; but if the parties
run neck and neck, they might prefer to enter a new
coalition, rather than serve a fruitless term of minority
office. Such a stalemate, however, would be very unsatis-
factory and could not last long. It is difficult to see what
basis there could be for a durable all-party Government
after the war with Germany. It is true, of course, that the
Far Eastern war will call for continued national effort,
but the Japanese collapse may come sooner than has been
generally anticipated. It is also true that there will be

vast national tasks of reconstruction and resettlement, and that the new Parliament will inherit a legacy of unfinished plans, a mountain of White Papers to be translated into Acts of Parliament. But Mr Churchill's words to the Conservative conference might be paraphrased: "Never was there a time when so much was planned and projected with so little hope of being turned from paper into action." The delay in completing social insurance plans; the failure to reach agreement on land values, without which no town planning is possible; the housing muddle; the coal calamity—these are the fruits of coalition in domestic affairs, the inhibiting effects of the fear of producing controversy. The coalition is getting more and more threadbare. Every proposal for an effective alliance between industry and government is assailed by the Labour benches—and amended by their representatives in the Cabinet—on the ground that it is not socialism. The Prime Minister has refused to amend the Trade Disputes Act, because the Conservatives will not abandon the symbols of their victory in 1926.

Dilute compromise may be a necessary ingredient of domestic politics in wartime, but it would be a disaster as a permanent principle. The last twelve months have amply illustrated—if illustration were needed—the severe brake that is put on any practical progress by the necessity of attempting to reconcile the irreconcilable. The only hope of being able to confront with any success the vast problems of the post-war years is to have a Government that knows its mind and has a policy. It is true that a return to party politics does not automatically bring this about. It is further true that in foreign policy, and specifically in the negotiation of the peace settlement, a high degree of unity among the parties is desirable—and could be secured without a coalition. But the continuance of all-party government in home affairs, and particularly in economic policy, would inevitably mean flabbiness in policy and a painful toiling after events in place of an attempt to dominate them.

This would be true even if the parties evolved no better imitations of policies than they have done yet. For it is the clash of prejudices just as much as the clash of policies—perhaps even more so—that stultifies a coalition, and there is no lack of conflicting prejudices. Conservative Ministers feel themselves under an obligation to reject anything that smells of state ownership; Labour Ministers are under a similar obligation to assail anything that allows for private capital. Hence the attacks on the civil aviation proposals, regardless of their merit. Hence the coal deadlock.

But it is always possible that, in addition to their prejudices, the parties might acquire policies. There were some passages in the Prime Minister's speech last week

which sounded as if he were trying to evolve a set of principles for economic policy. "At the head of mainmast," he said

we [the Conservative party], like the United States, fly the flag of free enterprise. We are determined that the native genius and spirit of adventure, of risk-taking in peace as in war, shall bear our fortunes forward, finding profitable work and profitable trade for our people.

Amen to that. Any such sentiments will always evoke a cheer. But what do they mean? What does Mr Churchill mean when he says that the Conservatives "like the United States," fly the flag of free enterprise? He is surely not inviting the Labour party to say that "like the Soviet Union," they fly the flag of production for use and not for profit. If that was his intention, he would be doing his party an even greater disservice than his country. Does he mean that the Conservative party is now about to reverse its whole attitude and bless what it has hitherto condemned? For the Conservatives, as the record clearly shows, have been the arch-enemies of free enterprise in this country. In defending private ownership (an entirely different matter), they had, before the war, gone a long way to banish "the native genius and spirit of adventure." Risk-taking had been smothered under a blanket of protection, monopoly and restriction. If the Tories, under Mr Churchill's leadership, are now going to repent of their sins, if the "men of every party and of no party" are now to be hand-picked to exclude all the restrictionists, if the Prime Minister means by his reference to the United States that he proposes to introduce anti-trust and anti-cartel legislation—if, in short, the Tories are going to try to make capitalism work—then we shall indeed see a battle of principle in British politics.

But unfortunately the probability is that the Prime Minister meant none of these things. It is much more likely that, feeling himself in need of a peroratorical slogan, he borrowed one from that section of his colleagues—and personal associates—which is currently on the stump for "free enterprise" (a phrase that means "private ownership"), and that all that he was trying to say was that he was not a Socialist. If so, we are back in the slough of despond, desperately looking for a gleam of economic statesmanship. Mr Churchill could have been the salvation of the country, in peace as he has been in war, if he had refused to become a party leader in 1940. He might still have a chance, if he would stop using phrases that mean the opposite of what they say and apply some part of his mind to working out the high strategy of economic policy. But to paper over his own, and everybody else's, lack of general principles by talk of a coalition, which at best could only limp from one expedient to another, will get the country nowhere.

Permit their biggest concentration of strategic industry to lie in an area which might, in a crisis, even cease to be part of France. Inevitably, integration within France would mean the decline and impoverishment of the Rhineland, and therefore the turning of "Rhenish thought" obstinately to the East. And, quite apart from the inhibitions imposed on such a scheme by French conditions, it is obvious that France's allies in the West would not accept exclusive French domination.

The economic objections might be less strong to the inclusion of the Rhineland in a much larger economic unit in the West. If Holland, Belgium and France came together in a Customs Union, the unified market thus created would be based upon 73 million of the most highly-developed and prosperous peoples in Europe. If the United Kingdom were included within the Union, the figure would reach 120 million inhabitants, an economic area almost equalling that of the United States and including as large and varied a sum of resources as any other comparable economic bloc. In such a market, where full advantage could be taken of the division of labour and full employment could be planned without trammels and inhibitions, the Rhinelanders could find greater prosperity than was theirs by virtue of the German connection. If such a Western Customs Union were accompanied by a political federation—a United States of Western Europe—the political ambitions of the Rhineland could also be realised, since the Rhineland would be such a comparatively small part of such a union that it could safely be granted full equality of rights in its domestic concerns without any fear that it would dominate the federal policies. It is arguable that the attractive power of such a union would be so strong that Rump Germany would soon be seeking admission rather than the Rhineland its exit permit.

But who can pretend that an act of economic statesmanship on such a scale is even contemplated? The advocacy of closer Western integration even among its strongest supporters puts a full customs union as a remote goal and political federation right outside the bounds of possibility. The most that can reasonably be hoped for in the near future is a series of arrangements between Governments and industries which, while drawing the different communities closer together, does so only very gradually and leaves their national economic structures virtually intact. The agreement on economic consultation concluded this week between France, Belgium and Holland is a very limited affair and appears to exclude specifically any closer political connection, and, obviously, economic consultation is only the remotest ancestor of economic union.

It follows that most of the arguments which undermine the validity of the proposal to incorporate the Rhineland in France apply with equal force against the proposed *rapprochement* with Western Europe as a whole. The strategic argument is as strong for Belgium and Holland

as it is for France. The opposition of special interests, particularly of the coal and steel industries in this country, would be as difficult to surmount. The degree of integration foreseen even by the most optimistic would be too loose to replace the old unified economy of the Reich. Finally and conclusively, it is not certain that even the most modest degree of integration will be achieved. The post-war plans for reconstruction which certain industries are drawing up in Great Britain suggest rather the contrary—that in Western Europe itself the post-war world will see not integration, but more autarky, more national self-sufficiency, less division of labour.

In such a world it is impossible that the Rhinelanders should attain anything like the political status and economic hinterland they now enjoy as part of the Reich. The Rhineland would be a small and weak nation state among nation states. It would in all probability be the Ishmael of the western fringe, since the taint of war guilt would not be quickly forgotten. Nor is it even likely that it would be left any degree of independence. So long as the Rhinelanders were unreconciled to their status, it would be necessary to control at least their foreign and trade policy. Yet this control in itself would perpetuate their discontent.

It is impossible to avoid the conclusion that the only conditions under which the plan for an independent Rhineland might work—the creation in Western Europe of a close economic and political union—are not likely to be fulfilled, are not even contemplated by the Allies. The Rhineland scheme itself is therefore unworkable. On the one hand it would leave a Rhineland full of political discontent, a prey to economic depression and dominated by one desire—to find some way of returning to the Reich. On the other hand, the Rhinelanders' failure to accept their status and the doubtful principle of dismemberment on which it is based would undermine in Great Britain and in the United States the will to maintain the settlement in all its provisions and to resist, if necessary by force, attempts to modify it. The proposed Rhineland state would not lead to a stable new alignment of European forces. On the contrary, it would mean the perpetration of a basic instability; it would create a new focus of dissension. It could, of course, be maintained indefinitely by force; but the basic assumption of this whole enquiry—and of any realistic enquiry—is that a solution of the German problem must be capable of developing, some day, into something that can be maintained without force.

We come back, therefore, with regret, to the standpoint hitherto maintained by *The Economist* that a peace policy, to have a chance of enduring, must be based on leaving the German Reich substantially intact. There is no need to push this view so far as to make of it a dogma of untouchability. Thus the cession of Silesia to Poland might not be wholly incompatible with long-period peace. The area is not so important economically as the Rhineland, the population is mixed and would remain divided on the question of rejoining Germany. There is no proposal to

The Problem of Germany—III

Germany in Europe

TO separate the Rhineland from Germany means cutting off the Rhinelanders from a large unified economic market and depriving them of equal membership in a large and powerful political community. If such a scheme is to secure their acceptance, even if it is only their passive acceptance, they must, sooner or later, be offered compensating economic and political advantages—a new economic hinterland not smaller than their old German market and a status of political freedom. If neither condition is fulfilled, the Rhinelanders will look longingly to the East and neglect nothing in their attempts to undo the settlement. The discontent of Rump Germany with such a settlement might possibly not influence Allied policy, since the Allies will not be directly responsible for the Rump. But the Allies—or at least the western democracies—will not indefinitely be willing to be directly in control of a state that seethes with discontent. It is not in their nature to practise either political tyranny or economic repression for very long. Sooner or later they would start to conciliate and concede. It is therefore an

essential condition of a stable "independent Rhineland" policy that it should be capable of being eventually accepted by the Rhinelanders.

What kind of integration in Western Europe would, in the words of a recent French commentator, "gradually orientate Rhenish thought and economy westwards"? It would have to fulfil the two conditions of providing a sufficiently broad economic framework to support prosperity and enough political autonomy and equality to satisfy the legitimate aspirations of an educated people. Obviously, therefore, the proposal put forward from time to time in the French press, that the Rhineland should be "integrated" into France, has no chance of success. The French economy alone, based on 40 million people, would be no substitute for the Reich. Nor is it likely that the existing French industries and other vested interests would be ready to accept the industrial dominance of the Rhineland within the combined state that a free application of the principle of the division of labour would bring about. Nor is it conceivable that the French Government would

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set up Silesia as an independent unit; it will be absorbed into the Polish economy, which in its turn will be more and more orientated towards the large unified market of Soviet Russia. It is also possible, though more doubtful, that the cession of East Prussia might be made part of a lasting settlement, providing always that it allowed for a genuine exchange of territory and population between East Prussia and the Corridor. But in any case, the fate of these areas will be a consequence of Russian policy towards Germany; there is less risk of their becoming, as the Rhineland would, a focus of dissension among the victors and therefore a determinant of their policy towards Germany. In the West, the only hope for a consistent policy towards Germany (and all inconsistent policies are weak, however much fire and thunder they may breathe at the start) is to base it on leaving the German frontiers, and the unity of the Reich, substantially intact. The "constructive" solution will not work.

Does this mean that we must fall back upon a purely negative policy? Many people will say so. "You are leaving," they will say, "the German nation in being. You are leaving it with its war potential intact. The basis of your peace is a nationalist state which has already started a war twice in twenty-five years. You are neglecting the golden opportunity of the present victory to build a new alignment of forces in Western Europe and remove the German peril forever. Could anything be more negative and unconstructive than to start the new peace under the same conditions that wrecked the old?"

It is impossible not to have some sympathy with this point of view. There undoubtedly is something negative and disappointing in the proposal to change so little, to leave so much as it was. But it is very important to realise where the negative element lies. If the Reich is left intact, the fault will lie not in our German policy but in ourselves. It is not a very satisfactory policy. It is easily possible to think up, on paper, any number of more attractive solutions. But all these solutions have one common element: they all deny, in the German case, the sovereignty of the national state. And they can therefore all be condemned as unworkable because we are not prepared to work them. The independent Rhineland would be viable as a member of a federation. But the rest of us are not ready for federation, and one state cannot federate by itself. The German nation cannot be carved up among a number of political sovereignties and be expected to accept the fact if in all other countries nationalism is rampant. In the highly

charged magnetic field of Europe, it is impossible to have the same strong current flowing in nineteen states without inducing it in the twentieth also. We cannot be narrow nationalists at home and anti-nationalists when we look at Germany, as the King becomes a Presbyterian when he crosses the Tweed. Politics, like water, finds its own level and it is quite useless to put forward a solution for the German problem, however theoretically desirable, which is no cut out of the same cloth as the solution proposed for the European problem at large. If, then, there is a negative element in the realistic policy for Germany, if there is nothing new to propose, the blame must be laid where it belongs—on the fact that the Western democracies (differing in this, perhaps, from Soviet Russia) have no new ideas about the relations between national states—no new ideas, that is to say, in which they believe enough to apply them to themselves. If we have no inspiring and convincing alternative to sovereign nationalism to offer in Germany, it is because we have no alternative to sovereign nationalism to offer anywhere else.

Nevertheless, within the framework of a world of sovereign nationalist states, the policy of a moderate peace involving no change of frontiers, in the West at least, is not merely not a negative one, but by far the most positive and constructive that can be attempted. It does not in any way mean that the Germans are to get off scot-free, or that no control is to be exerted over them, or that their wishes should be the deciding factor. *The Economist* has never advocated any of these things. It has consistently proposed one of the most far-reaching controls imaginable, that Germany should be totally and permanently disarmed. The policy proposed has always allowed for a period of penal servitude for the Germans which should be limited only in time. What are condemned as the negative aspects of the policy—no annexations, no partitions, no permanent disabilities other than disarmament—are put forward with the object of preserving these essential controls. The policy is moderate in order to be positive.

Any constructive policy towards Germany must meet three requirements. First, it must envisage a time, however remote, when the settlement will stand of its own strength, without the application of outside force. Second, it must meantime provide against the contingency of a third German aggression. Third, it must not provoke dissension among the present Allies. No policy of dismemberment can meet all three conditions. It remains to examine how far a "moderate" policy can. This will be attempted in a subsequent article.

Russian Reconstruction

It is not easy to give a picture of the Russian economy in the fourth year of the Russo-German war. Information is rather fragmentary; and it is not always reliable. But the chief difficulty lies in the strange contradictions and contrasts shown by the Russian economy itself. If one looks at it primarily in the light of the grim descriptions of devastation in the liberated areas, the temptation is to see it in excessively dark colours. It is, however, equally possible to deduce from the Russian victories an over-simplified idea about Russia's "inexhaustible" economic reserves, and thus to overlook the deep wounds inflicted on its economic organism by the war.

Behind the fighting lines of the Russian armies there lie vast expanses of "scorched earth." That the destruction wrought there has been on a stupendous scale is certain, although that scale varies from province to province and from town to town. A tentative official estimate puts the area of total destruction at 700 square miles. Fresh scores of cities and towns in the Ukraine and White Russia come reports of life shattered to its very foundations. In many towns, out of thousands of houses only a few dozen or a few hundred were left standing after the Germans had been expelled. Minsk, Smolensk, Viazma are still almost uninhabitable. In Kharkov "only" one-third of the buildings has been com-

pletely destroyed, but more than four-fifths require capital repair. This is roughly the position in the great industrial towns on the Dnieper, in the Donetz basin and on the sea of Azov. A high proportion of the urban and rural population has been forced back into quasi-troglodyte conditions. Caves and earth huts are typical dwellings. Repair and reconstruction have been going on all the time; and the lack of building labour has been partly remedied by the employment in their spare hours of the whole working population in building.

A few figures afford a glimpse into the destruction of industrial wealth. When the Germans left, the coal mines of the Donbas were completely flooded with 350 million cubic metres of water, and the daily influx of water was about one million metres. A year after liberation 60 million metres were pumped out. Lack of machinery, and especially of vertical and suspension pumps, made quicker work impossible. Out of the 4,000 kilometres of mine workings in the whole basin, only 300 (that is 7.5 per cent of the entire length) were cleared of water by last October. A scientists' report on the Donbas recommended that the programme of rehabilitation should be based on the assumption that the length of the workings will have to be reduced by about one-third. Originally it was hoped that by the end of 1944 coal output would be restored to

about one-third of the pre-war total; but that hope has not been fulfilled.

The situation is not much better in the famous iron ore mines of Krivoi Rog. Krivoi Rog used to supply Russia with 50 to 60 per cent of its iron (the Donbas used to supply the same proportion of coal). The iron mines, too, have been flooded—only one mine, called "The Yellow River," was found intact when the Russians recaptured the district. Towards the end of last year only 10 per cent of the mines were cleared of water. Lack of machinery, electrical power and labour compelled the management of the works to concentrate in the first instance on surface repair and surface construction. The supply of labour, however, both in the Donbas and in Krivoi Rog, seems to have been improved by the repatriation of some categories of workers from the Urals, Siberia, Kazakhstan and the Altai Republic, as well as by the employment of German labour.

The situation in the once powerful complex of the Ukrainian metal manufacturing and engineering industries is different. A high proportion of the plant had been evacuated to the east in 1941 and 1942. But a sustained effort is now being made to re-build the factories on the old sites without repatriating much of the old plant. The tractor works of Stalingrad and Kharkov, the locomotive plants of Voroshilovgrad and many other large concerns are reported to have restarted their work. It is impossible, unfortunately, to estimate the overall result of that effort. One indication can be derived from the figures of production in 1944, published by the Industrial Planning Commission of Kharkov, which used to be the greatest centre in the south for the production of tractors, locomotives and agricultural machinery. The value of all industrial goods produced in Kharkov last year was given at 300 million roubles. The value of the city's industrial production before the war was four billion roubles.

But the story of destruction, which can be continued indefinitely, tells only half the tale. The other half, which is not less striking, has been told by the reports on the industrial development and expansion that have taken place in eastern Russia during the war, as the combined result of the transfer of plant from the west and of an intensive accumulation of capital on the spot. Recently published figures and statements suggest that the rate of development in the east has been so great that it has enabled Russia's heavy industries to re-capture their pre-war levels of production, and even to rise above them. To take a random example, the index for the output of high grade rolled steel in 1943 was already 111 (1940 = 100), and the index is reported to have risen by some twenty per cent more in 1944. The picture of expansion has recently been confirmed by M. Kazakov, the All-Union Commissar for Heavy Machine Building. M. Kazakov announced that in 1944 the total output of Russia's heavy engineering industries exceeded the pre-war volume. In addition, a number of plants have been converted to non-military production. In the second half of 1944 the Commissariat (*Narkomtyazhmash*) produced among other things mining equipment for the annual extraction of 30 million tons of coal. The industry has to meet the competing claims of armament works, transport and agriculture. The tendency now is to give priority to agriculture, whose mechanical equipment has been very severely depleted in recent years. Thus the plan for heavy engineering in the current year provides for an output of light tractors twice as big as the pre-war output.

The Ural region has been the chief centre of the wartime industrial revolution, with Central Asia running it a close second. The basis of the industrial revolution has been an enormous expansion in electrical power capacity. In 1942 the inadequate supply of electrical power in the Urals was a major hindrance to stepping up the output of the local and the evacuated armament industries. A maximum of energy was subsequently concentrated on breaking that bottleneck. At present the whole vast expanse of the Urals, from north to south, is embraced by a huge grid of new power stations—the crowning feat of the industrial revolution in the east. The organ of the Politbureau *Bolshevik* wrote recently: "The capacity of

the electrical power stations that have been put into operation in 1944 alone is almost equal to the total capacity of the stations that were built under the whole of the First Five Year Plan." To judge from this, last year's accretion of electrical capacity must have been of the gigantic order of 2 to 2½ million kilowatts and the increase in power generation 7 to 8 billion kwh. Against this, however, must, of course, be set the fact that the output per year of the Ukraine alone, where about 90 per cent of the electrical plant is now entirely destroyed, was about 10 billion kwh. Another reflection of industrial growth can be seen in the indices of industrial production in the three "gigantic" new centres in the northern Urals—centres which served as reception areas for the evacuated industries.

	1940	1944
Sverdlovsk.....	100	700
Nizhny Tagil.....	100	850
Kamensk Uralski.....	100	855

Whether a similar rate of expansion can be maintained immediately after the war is highly debatable. There will be many difficulties in the way—the inevitable dislocation which will accompany the reconversion to peace production, the high rate of wear and tear in industrial equipment, and, last but not least, the war weariness of the working population. Even now there are signs that the liberation of the western industrial areas has already caused some relaxation in the war effort of the eastern provinces. The Karaganda Basin, the chief source of coal for the Urals, which worked under very high pressure until last year, is now lagging behind with its output. There is a marked tendency among the evacuated workers to rush home as soon as possible, a tendency which the authorities have counteracted, but not always with success. All these factors are very likely to produce a temporary slowing down of industrial output immediately after the end of hostilities.

By hard labour and unparalleled sacrifices Russia has thus succeeded in winning the war, not only militarily on the battlefields, but also economically, in the factories and mines. In spite of the tremendous devastation in the western lands, it can now find the basis for post-war reconstruction in its newly-built industries in the east. Theoretically, one might argue that its capacity for output of producers' goods is on the whole not likely to be much below pre-war capacity. But this can be true only on the obviously unreal assumption that in peace time the Russians will devote as high a proportion of their capacity to the output of producers' goods as they have done in wartime. If a greater part of that capacity is to be devoted to satisfying consumers' needs, then industrial expansion would almost certainly slow down or come to a standstill.

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for a number of years. This explains the Russians' insistence on the exaction of reparations in kind from Germany and their anxiety to obtain credits from the Allied countries. They hope to "broaden" the basis of their reconstruction from both these sources. But the picture drawn here also shows that the path of continued economic self-sufficiency will not be entirely closed to Russia after the war. Continued self-sufficiency would, of course, imply

a very high degree of forced saving and investment. For savings and investment, the completely ruthless sacrifice of the consumer's interests to the dictates of the consecutive Plans—all these have now in Russia acquired the force of habit which may be carried on almost by inertia. But there are some physical limits to a policy of low consumption below which Russia cannot descend without incurring grave social and political risks.

Le Mot Juste

RECENTLY, in a speech to the Birmingham Jewellers' Association, Mr L. S. Amery attacked the word "nationalisation." He found it "misleading" and suggested its replacement by "statistation"—a word that should promptly join Mr Hawtrey's "competitivism" in the chamber of literary horrors. This word, with its suggestion of a Britannia bound hand and foot by red tape, has been nominated to take over the task for which "nationalisation" is, apparently, no longer fitted. Nationalisation, like Bolshevism, has lost its power to put the teeth on edge. Once a maxim for revolutionaries only, it has now acquired an almost middle-class respectability. Strange as it may seem, the suggested deletion of "nationalisation" is quite consistent with the recent decision, inspired by Conservative pressure, to insert National for Social in the term Social Security.

It is almost as common for the opening chapters of scientific text-books to deal with terminology as it is for their prefaces to begin "If any apology is needed. . . ." Yet the reader who skips unconcernedly across these dreary wastes pays a terrible price for his wantonness. The fact is that every branch of knowledge, every twig almost, has its own peculiar jargon—a mongrel vocabulary intended as convenient shorthand but usually achieving little more in practice than obscurity and chaos. Economics, as a text-book study, is a conspicuous offender in this respect. To take but one example. The term "abstinence" served the classical economist very well; but to-day it has many substitutes. One of them, "lacking," may be regarded, at first sight, as a welcome Saxon simplification. But the innumerable variations on the theme—long-lacking, short-lacking, dis-lacking, unproductive-lacking, spontaneous dis-lacking, induced-lacking, applied-lacking, abortive-lacking (hoarding) and hosts of relatives like automatic stinting and automatic splashing—soon shatter the illusion. Such mutilation of the language makes jazzing the classics seem mild and decorous by comparison.

Even the language of politics, which should be readily comprehended by the ordinary citizen, is riddled with inconsistencies and double-entendres. The politicians and pressmen of the Left and Right speak in different tongues and unless the citizen is bilingual he finds it difficult to weigh their words.

If he is to exercise his judgment impartially he must distinguish the catch-phrases attributed to the Right from the shibboleths alleged on the Left. He must be able to draw clear distinctions between "the little man" and the small trader; between the standard of living and "the British Way of Life"; between vested interests and private property, between democratic control and bureaucracy, between industrialists and capitalist bosses, and between free enterprise and monopoly capitalism.

It is all very difficult.

In time he may learn to identify the "ill-informed clamour" in one report as the "vigorous protest" in another, and the "planning" of one leading article as the "regimentation" of the next. But the relative demerits of juntas and oligarchies may puzzle him sorely. He will may ask why it is that while one party always agitates for reform the other merely presses; why one party is noted for its solidarity and the other for its loyalty. Only a Socialist could tell him the difference between the people and the "masses," for only a Socialist, it seems, has the temerity to use that word to-day.

There is much to be learned even from the pro-

nunciation of a single word; a capitalist is an honourable man, but a capitalist is the scum of the earth. But why is "reciprocal" less suspect than "bilateral"? Why, until recently, were outrages confined to the Irish? And why on earth should Hitlerite as a term of abuse be reserved for the special use of Communists? Captains of industry and kings of finance have departed, though the tumult and the shouting are as strong as ever. And in the City columns of the daily press even the terms magnate and financier are tinged with suspicion. Unless an employer has earned the title "enlightened," his name is mud, but nobody has suggested, so far, that the nation needs "enlightened employees."

It is a gross injustice that, even should he master the grammar of politics, the poor citizen is offered only a miserable choice between visionaries and reactionaries, between "dangerous ideologies" and "out-worn creeds."

Names offer fewer difficulties than ideas; yet a good name is almost as important to a public figure as a good address. But what is a good name? Bernard Shaw or G. Bernard Shaw is a more effective title than George B. Shaw—however appropriate that injunction may sound for the author of "You Never Can Tell." And, oddly enough, Shakespeare may owe a lot of his fame to the fact that his plays were not written by Bacon. There are people who claim that a man's politics can be assessed from his name. A hyphenated surname (they say) indicates a Tory and an abbreviated or truncated Christian name a gentleman of the extreme Left. While the distinction is clearly unscientific one must admit that Mr H. R. S. Whyte-Cliffes (Comm.) sounds as much a contradiction in terms as Bren Bracken or even Win Churchill (Cons.). The rigid economy practised by Communist speakers in this matter of Christian names (Dan, Len, Bill, Sal *et al*) is one of their most remarkable and praiseworthy attributes. Such names, unlike so much of their argument, are brief and to the point.

In business the trend in names and titles is in the opposite direction—away from the direct and unpretentious to the complex and pseudo-scientific. In recent years many butchers have become meat purveyors and undertakers have become funeral directors (morticians, in America). Shoe-shop assistants have become foot anatomists, and at Brierley Hill a rat-catcher has become a rodent operative. Smiths and wrights are being superseded in almost every trade by qualified practitioners who seem to charge much more for the same services.

Ever since 1651 when George Dalgarno published his *Ars Signorum* professional linguists have agitated (or pressed) for an international language. The idea has much to commend it. But for the moment the complications of terminology are great enough. At the national level they are the cause of hot dispute; translated into an international language they might ruin the next inter-war years.

There is a more serious side to this levity. The difficulty of communicating ideas, the earliest of man's problems in his struggle towards civilisation, has also proved the most persistent. It has been eased but not removed by the inventions of printing and broadcasting. To-day, man's worst headaches are economic and political, but the language problem, which is still very much alive, will probably outlive both of them. The trouble, in this age of speed, is that word-meanings will not stand still. Modern knowledge places an embarrassing array of facts at man's disposal, but it has not yet made their verbal expression proof against ambiguity and misunderstanding.

NOTES OF THE WEEK

Food Argument

The crisis in the supply of food in the Allied world, long threatening, has suddenly come to a head with the reported desire of the American food authorities virtually to suspend deliveries of meat to the United Kingdom. At present the United States supplies 2d worth of the British weekly ration of 1s 2d. (The rest is made up of 5d home-killed, 4½d from South America, 2d from the Southern Dominions and ½d from Canada.)

The problem is complicated enough in any case. The supply of meat is less responsive to control than other foods. There is the complicating factor of shipping, which might justify higher consumption in some countries than in others. And overshadowing the whole subject is the appalling problem of finding food for Europe. But these complications have been greatly increased by the American Press's habit of obscuring every issue with misleading figures and unjust innuendoes. Thus there has been an effort to make Britain out as the villain of the piece, hoarding vast stocks of food. The Prime Minister gave the facts on Wednesday. British Government stocks of all foods are now no more than 6 million tons. They have been reduced by shipments to Europe and are to be further reduced by June to 4½ million tons, which is a working minimum.

There is no suggestion, of course, of cutting off Britain's supplies without any reduction in American consumption, which is to be reduced by 12 per cent during the second quarter of this year. It is worth stating what this means to each country in terms of actual meat consumption. The figure of 115 lb. per head has been quoted as being the yearly rate in America for the second quarter, but for the whole year the US Department of Agriculture expects the supply to be between 128 lb. and 133 lb. In Britain, consumption of meat and meat products has amounted to just under 108 lb. per head per year for the last two years. American consumption in 1943 was 148.8 lb., and in 1944 155.4 lb. Last year American consumption was 116 per cent of the pre-war, while British consumption was only 81 per cent.

The Americans have been more fortunate than the British in regard to other foodstuffs, too. For example, only in three food groups out of the total of fourteen for which the Combined Food Board gives figures has America reduced its consumption compared with the pre-war level. These are fats and oils (94 per cent), sugar and syrup (89 per cent), and fruit other than citrus (89 per cent). In the United Kingdom consumption has been reduced (and even more drastically) in eight of the groups; increased consumption has only occurred in such foods as potatoes and vegetables. There has, of course, been an overall increase in milk consumption, but not by adults.

The possibility of a reduction in the British meat ration has caused great concern to the public. Perhaps it has been forgotten that the meat ration was as low as 1s for over three months in 1941, and that for ten weeks of that period offals were included in the ration. Other foods were in even shorter supply than now—there were no dried eggs and no "spam"—bombing was severe and working hours long and arduous. What could be endured then could be endured again. The public would accept a lower meat ration with its usual good grace if it were convinced that it were necessary.

The principle of "fair shares" is nowhere more clearly understood and accepted than in Britain. It should be understood that not only is the British meat ration in danger, but also supplies for Europe. There would be no complaint if a cut in all the well-fed nations were necessary to feed the Allied armies or liberated Europe. What would be found irksome would be that some of the United Nations should be consuming more than others for no better reason than that they were less willing to accept reductions and less efficient in their methods of distribution. The general food position of Britain and Europe must be pointed out in the clearest terms to the Americans, so that they can see how much better are their own rations. The Americans are a generous and a fair-minded people, and they would not wish to go on eating more than they did before the war at the expense of others who have been eating considerably less. Other foods than meat are in question, but meat is the most acutely short.

Housing White Paper

The Housing White Paper, brought out just in time for the two-day debate at the end of this week, is not an inspiring document. In form, it answers the general demand for a coherent statement of the housing situation and the Government's plans; but in content, it fails to give information where information is most vitally needed if the wisdom, or otherwise, of ministerial policy is to be properly appreciated.

For the most part, it is a recapitulation of the facts contained in Ministers' statements. The section dealing with the Government's programme for housing reaffirms the target of 300,000 permanent houses built or building two years after victory in Europe, adding the fact that 80,000 of these are expected to be still in various stages of erection. This is followed by a section on Preliminary Work, covering repairs and the acquisition and preparation of sites, and by a final section on Organisation, which is merely a statement of the division of responsibility for housing as it exists at the present moment.

The extent to which prefabrication is expected to contribute to the target is still unspecified, nor are there any details of costs or man-hours for different types of houses, which would make possible any rational comparison of the advantages of temporary as against permanent, prefabricated as against traditional building. The important question of subsidies has apparently proceeded no further than preliminary discussions with local authorities. Finally, although it is promised that the 110,977 temporary bungalows already allocated in England and Wales will be built, the White Paper gives no indication that the problem of finding the necessary sites for them is being realistically tackled. Only 55,000 sites—half what will be needed—have so far been approved; only 5,000 have been fully prepared. There is no hint that this deficit of sites is likely to be the greatest limiting factor on the discredited, but still important, temporary programme.

It is most unfortunate that a bad housing situation—which everyone deplores, but which, finally, no one can do much to alleviate—is being made worse by such poor presentation of policy. It is useless to criticise the Government or the White Paper for the inadequacy of their targets. It would be much worse if they proclaimed with fanfare a target which no one could humanly achieve, and hoped to be able to make excuses as they went along. As it is, the Government's target is insufficient (as any realistic target must be) but it is attainable without seriously handicapping other aspects of reconstruction. Whether they are going the right way about achieving such a target is another matter. If the Ministers responsible are unable to satisfy the House of Commons on the missing links of the White Paper and to inspire greater confidence in their enthusiasm for the task, the situation will justify severe criticism of the Government at the general election.

Leftward March in Finland

The parliamentary elections in Finland, which took place last week-end, resulted in a great success for the Democratic Union, the bloc of Communists, dissident Socialists and radical peasants. The bloc has won fifty seats in the Diet, a remarkable achievement since all those groupings were persecuted until the Armistice, and the Finnish Communist party has been illegal since 1918. The electoral chances of the Democratic Union, it is true, were partly improved by the appeals in favour of "new men" made by the Prime Minister, M. Paasikivi, and the Minister of Labour, M. Vuori. There can, however, be no doubt that the recent swing to the Left in the popular mood is genuine. The bloc led by the Communists is now equal in strength to the Social Democrats, who have lost thirty-three seats out of a pre-election total of eighty-five. In addition, within the ranks of the Social Democrats the men who oppose Tanner's war policy seem to be gaining the upper hand.

The swing to the Left has not destroyed or even upset the old political structure. The parties of the Centre and the Right, though weakened, are still strong enough to play a very important part in the new Diet. Even a coalition of the Social Democrats and the Democratic Union—a somewhat unlikely partnership—would command only a precarious majority in Parliament. More important than the

new parliamentary combinations will be the way in which the Finnish Government now tackles the tasks to which it is committed under the Armistice. On the morrow of the election, the Allied Control Commission informed the Finnish Government of its displeasure at the mildness and dilatoriness of the purge. One result of the election will certainly be a more drastic overhaul of the administration, in which those responsible for the Finnish war policy are still strongly entrenched. But the most challenging question of all—how Finland will meet its reparations bill—has not been, and could not have been, answered by the election.

Revision of Montreux Convention?

The Soviet Government has served notice on the Turkish Government that the Treaty of Friendship and Neutrality between the two countries, concluded on December 17, 1935, and prolonged several times since, will finally expire next December. The Soviet Government will propose a new "improved" Pact to replace the old one. The Treaty of 1925 was a bilateral agreement; and, technically, it can be replaced by another bilateral pact. In reality, any revision of Russo-Turkish relations at the present stage is bound to affect the international status of the Turkish Straits, which since 1936 has been regulated by the provisions of the Montreux Convention.

The Treaty of 1925 was born of Russian as well as Turkish opposition to the Lausanne settlement, under which the Straits were demilitarised and subjected to international control. The Turks saw in that settlement an infringement of their national sovereignty, while the Russians, with fresh memories of anti-Soviet intervention in the Black Sea, feared the freedom to operate in the Black Sea which the Western Powers had reserved for themselves. The Treaty was also part of a series of East European pacts concluded by Russia in order to create a counter-weight to the reconciliation between the Western Powers and Germany that had taken place at Locarno in the same year. There is therefore more than a grain of truth in the Russian assertion that the Soviet-Turkish Treaty no longer corresponds to the changed international relationships. It was, however, made partly obsolete by the Montreux Convention of 1936, which prohibited the entry in times of war of belligerent warships into the Black Sea. In recent years the Russians repeatedly stated that the clause allowing the entry of commercial vessels was a dangerous loophole which allowed the Germans to send camouflaged military craft into the Black Sea.

Russia's policy with regard to the Straits has traditionally fallen into two patterns. In times of her weakness Russia placed the greatest importance on closing the Black Sea to her potential enemies. In times of her strength (or when diplomatic relations favoured her expansive policies) Russia insisted on her freedom of egress into the Mediterranean through the Straits. This second policy found its climax in the secret Anglo-Russian Treaty of 1915, under which Russia was to acquire direct control of the Straits and annex Constantinople. The memory of that Treaty has undoubtedly haunted the Turks in recent years, though it seems very unlikely that the Russians would now go back to all the greedy dreams of Tsardom. But Russia will certainly seek to close the entry to the Black Sea even tighter than under the Montreux Agreement and probably also to secure for herself the freedom of egress into the Mediterranean. If so, there are plenty of historical precedents for a British-Russian disagreement. The Straits are part of Britain's as well as of Russia's immediate security zone. Any unilateral act committed in this sensitive point, where the security interests of both Allies overlap, would have critical consequences for their mutual relations. This is certainly a point which the makers of Russian policy must now keep well in mind.

But have the technical upheavals of this war made the traditional approach to the problem of the Straits obsolete? Air bases have become a new factor of security similar to the old naval bases; and the passage of bombers and fighters lends itself less to control than the passage of naval units through narrow straits. Too rigidly "Strait-minded" conceptions of security may be too narrow and ineffective to meet the requirements of modern military technique. This may eventually perhaps facilitate a new international agreement on the Straits; but it also tends to widen the problem of the Straits so as to include adjacent security areas in the Balkans.

Polish Deportees

The lot of the Polish deportees in Russia has been one of the chief sources of bitterness in Russo-Polish relations. The deportations were made in the years 1940 and 1941, and they affected great masses of people. The Russians' motive behind these deportations can only be guessed, but it was probably their desire to clear the borderlands of suspected or unreliable elements. The procedure was utterly ruthless and cruel. The Russians, apparently, acted on the crude principle that it was safer to deport people *en masse*, the suspected as well as the absolutely innocent, rather than to take the risk, through careful discrimination, of leaving behind any really unreliable elements (such as, for instance, the pro-German Ukrainians).

Siberian cold and the hard conditions of life in the interior of Russia, more than any deliberate persecution, have taken a heavy toll of the deportees. The Russian Government ought, obviously, to redress the Poles' entirely legitimate grievance by enabling these Polish deportees who have survived the ordeal to return to Poland. At the very least, they ought to allow Red Cross help and relief to reach them.

It is, however, difficult to see what the Poles here gain by issuing exaggerated statements on this tragic issue. The number of deportees has been put as high as 1,200,000 or even 2,000,000. In truth, the original number of the deportees was authoritatively estimated at between seven and eight hundred thousand. Between thirty and forty per cent of these were Jews whom the deportations saved from Nazi gas-chambers in Poland. Many of those Jews had fled from German-occupied Poland and were afforded refuge by the Russians on the condition that they would accept Soviet citizenship—which they did. A high proportion of the deportees were Ukrainians, who, whatever their possible grievances against Russia, do not regard any Polish Government as their trustees. Finally, more than a hundred thousand Poles have left for the Middle East with the Polish Army formed in Russia. The number of deportees, whose return to Poland may still be a practical proposition, may amount to some three hundred thousand people. This is a formidable figure and a formidable slur on Russian policy towards Poland. But the effective defence of the deported Poles is not helped by wild overstatements which expose their authors to the suspicion that they are more concerned with grinding an anti-Russian axe than with relieving the fate of their unfortunate countrymen.

Distribution of Industry

Although the Distribution of Industry Bill was given its second reading in the House of Commons on Wednesday without a division, there was cannon to the Right and cannon to the Left, and warning shots were fired in all directions. The provisions of the first part of the Bill, that dealing with Development Areas, were widely welcomed, though there was some reasonable criticism of the tendency to define these areas too rigidly.

The heaviest barrage of criticism came from those who regard all forms of planning as wicked threats to private enterprise, and it was unusual to find Sir George Schuster temporarily in their camp. He argued that the powers sought under the second part of the Bill—powers to define areas in which "the provision of further industrial premises . . . would be seriously detrimental to the proper distribution of industry"—would have a paralysing influence on initiative. He displayed a proper anxiety about the ability of the Board of Trade, as at present constituted, to formulate and administer a national plan of industrial location, and suggested

some body outside the political field which was capable of making an entirely independent and objective review of the position.

It would seem, in other words, that Sir George wants an appeals tribunal on the pattern of the Import Duties Advisory Committee. This suggestion is hardly practical. Decisions in these matters cannot be taken on the merits of each case; they can only be taken by somebody who can see the complete picture, and the points of high policy involved are so many that the Government could hardly divest itself of its responsibility. It is true that the chief instrument of the Board's control would be the power to say "No" to industrialists seeking permission to put their factories on unsuitable sites, but this power must be wielded effectively by some central authority if a rational

distribution is to mature at all. Apart altogether from economic considerations, the strategic argument, in this age of rockets, makes a policy of control of location essential, and some inconvenience, though it should be reduced to a minimum, is inevitable if the policy is to be effective.

Trade Disputes Act Again

The question of the Trade Disputes Act, 1927, which many thought had been unobtrusively shelved, has again been brought right into the foreground of the political stage. The Prime Minister's refusal to provide facilities for any amendment of the Act, because of the overwhelming opposition of the Conservative party, and his view that a decision should wait until after the General Election, appears to have come as a shock to the TUC. It must inevitably have caused the Labour Ministers considerable embarrassment. The whole question will be considered next week by the National Council of Labour, the highest authority in the Labour movement, which will probably agree to make it an election issue.

The Trade Disputes Act is hardly a subject upon which the electorate is likely to have strong feelings one way or the other. It is even doubtful how far it arouses strong passions in the breasts of civil servants, apart from the Post Office workers, whose decision in May, 1943, to break the law by applying for affiliation to the TUC precipitated a crisis, which was only averted by their withdrawal in order to facilitate a negotiated settlement. But the Act has certainly become a point of honour for the TUC, and both sides regard it as a symbol—one of victory for the Conservatives and one of defeat for Labour.

The TUC assumed—wrongly as it turns out—that the Conservatives could afford to be generous and would let bygones be bygones, after sixteen years and after Labour's co-operation in the war effort. This was certainly the impression left by Mr Chamberlain, who told a deputation in 1940 that their war record "would proportionately strengthen their position in any representations they might desire to make at the end of hostilities." Mr Churchill, too, in 1943 led them to understand that the "matter would be favourably considered" after the union's decision to confine their claim to a repeal of Clause 5 (which makes it illegal for civil servants to belong to a union affiliated to the TUC), and not to press for a repeal of the other clauses of the Act.

It is difficult to see the objection to civil service unions belonging to the TUC, if they want to, so long as there are safeguards against their engaging in party politics; 1945 is not 1926. Yet it is easy to understand Mr Churchill's position. The Conservatives would never voluntarily agree to amend the Act, and such a motion would be overwhelmingly defeated in the House of Commons, thus forcing the withdrawal of Labour Ministers. It might also be argued that since the matter has waited for so long, a few months' delay would be immaterial, and that it is an issue which should properly be decided by the electorate. But the present position is very unsatisfactory, and not calculated to make the maintenance of "national unity" any easier.

Civil Aviation

The reception of Lord Swinton's White Paper, both in the Press and in Tuesday's debate in the House of Commons, undoubtedly suffered from the imminence of a general election. A year ago, it might have been possible for the plan to be judged on its merits in the face of a given situation. Now, each aspect of Coalition policy is measured against the standards of party ideology. It was only to be expected that murmurs against the civil aviation plan would come from the Right, which resented interference with unfettered free enterprise, and from the Left, which resented the bolstering of vested interests.

Partly for these reasons, the debate was disappointing. The number of valuable contributions was small. Whatever might be desirable, from either point of view, it is indisputable both that completely free enterprise would be disastrously wasteful in a period of enormous expansion of air transport, and equally, that a completely nationalised system would be unequal to the task and costly to the taxpayer. Labour criticism tends to discount the advantages of recruiting outside interests and to ignore the safeguards on their activities which the plan proposes. The directors of the Corporations nominated by the railways or the shipping lines will have to be approved by the Minister; the schedule

of routes flown by the Corporations is subject to strict Ministerial supervision; and as an additional safeguard, an impartial tribunal is suggested in the White Paper to adjudicate on the rates and charges and the provision of adequate and efficient services.

This tribunal could serve a most useful purpose, freeing the scheme from any of the taints suspected by its critics. Its functions might also be widened to include the judging of appeals from independent operators seeking to provide additional services. Its composition is another difficult question. Impartiality would have to be combined with technical knowledge and a certain amount of air-minded vision. On the model of the American Civil Aeronautics Board, something more than a licensing authority and something less than the full dignity (and full legalism) of a High Court Judge, would seem to be needed. It will be for Lord Swinton, when he returns from Capetown, to evolve the form of this very necessary part of his machinery.

France and Italy

After somewhat protracted negotiations, the French and the Italian Governments have now resumed "direct" diplomatic relations. This was preceded by the cancellation of the 1896 Convention under which the Italians in Tunisia had enjoyed special privileges and had been allowed to retain Italian citizenship. When Mussolini's Italy made its bid for domination in the Mediterranean, Tunisia was a bone of contention between the two countries; and Fascism was able to build up its Fifth Column in the French Empire by exploiting the special status of the Italians in Tunisia. It is, therefore, not surprising that General de Gaulle was anxious to wipe the Tunisian slate clean before re-establishing relations with the Italian Government.

The future status of the numerous Italian colony in Tunisia remains to be worked out. Semi-official French statements have declared that the Italians will be free to run their established educational and charitable institutions, though there have also been some complaints about recent French discrimination against the Italians. On the whole there has, however, been surprisingly little of the aftermath of suspicion and hostility that might have been expected. The French have not so far made any special claims on the Italians; and they are not likely to do so in the future. The Italians, on their side, are anxious to prove their good will towards France, where many members of the new Italian administration found asylum when they were political refugees.

The friendly attitude of General de Gaulle's Government towards Italy may possibly be explained by his hope that the two countries may be linked by ties of close friendship within the broader framework of a Latin bloc. Whatever the motives behind it, the recent turn in Italo-French relations shows how easily popular memories of hostility and belligerency can be lived down, if only powerful propaganda machines refrain from stirring and maintaining fruitless animosity.

A Russian Broadside

An intermittent exchange of polemical shots has been going on for some time between the Russian and the American Press. Until lately, however, the operations were confined to journalistic sniping. Russian *franc-tireurs* replied in rather shrill tones to the equally vociferous critics of Russia in the Hearst Press and in isolationist newspapers. Last week, however, *The War and the Working Class* fired

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a salvo which has given the campaign a more serious political turn.

The target chosen for this Russian volley was Senator Vandenberg; and the occasion was his recent statement on United States foreign policy. However, splinters appear to have broken a few windows in the State Department and even in the White House. The Russian newspaper asks

Where has it been decreed that the other countries, big and small, including the Powers who have borne the full brunt of the struggle against Hitler's Germany, must now pay the United States for its participation in world affairs by renouncing their independence?

Any attempted American veto on regional security arrangements, on frontier settlements with neighbours or on alliances such as the Russo-French Treaty would be regarded by Russia as an encroachment on its independence. As to Senator Vandenberg's "defence of small nations" the Russian paper (which counts M. Litvinov among its editors) sees in it

merely a screen to cover up encroachment upon the rights of not only the small, but even the great Powers... a mask to conceal pretentious claims to establish the dictatorship of one Great Power over all other Powers, great, medium and small. One must, indeed, lack a sense of humour to advocate such mutual relations between the Allies and to dilate on the importance of Allied unity, while recalling the unity which Jonah enjoyed when he was swallowed by the whale. Vandenberg's scheme provides for a whale with an extremely capacious belly to hold all the United Nations.

The critic attributes to Senator Vandenberg and to other "converted isolationists" the vision of "the whole world with knee bent at the entrance to the shrine of the dollar." He regrets that "some US circles hastened to endorse" Senator Vandenberg's scheme and gives a warning that no post-war collaboration will be possible on any such basis.

The broadside clearly reflects a revived Russian fear of "dollar imperialism" and a warning that if economic relations between Russia and the United States are confused with political claims and demands, the Russians do not intend to play.

Grammar School Fees

From April 1st the fee-paying system will be abolished in 1,166 of the 1,398 grant-aided secondary schools. In the 232 grammar schools which get their grants direct from the Ministry of Education, not through the Local Education Authorities, new arrangements based on the recommendations of the Fleming Report will come into force. Places in these schools are in future to be of three types. In any year, not less than 25 per cent of new admissions will be free places open only to pupils who have spent at least two years at grant-aided primary schools; a further number up to 25 per cent (or even more if the governors agree) will be "reserved"—should the free places offered be insufficient for the local authority's requirements—and placed at the disposal of the LEA, which will pay the fees for them; the remaining places will be "residuary places" for which fees may be charged. These fees will be subject to the approval of the Minister of Education, and will cover all normal expenses of attendance at the school. Those for day pupils will be remitted or graded according to the parents' income. The income scales for this purpose will not be prescribed by the Minister, but it is suggested that these should be a complete remission where gross income falls below £5 10s. a week—with an allowance of 15s. for each additional child.

In principle, the new arrangements are unexceptionable. They are in harmony with the main objective of the new Act—to make educational opportunities available to those capable of profiting by them rather than to those merely capable of affording them.

But their immediate results may be less fortunate than those planned. These changes in the direct-grant system may exacerbate the problem of "class" distinction in education. It is probable that some of the direct-grant schools will prefer to sacrifice the grant of £16 per head rather than submit to the new regulations. Many parents will be unwilling to send their children to schools operating under these conditions and will prefer to send them to independent schools, even if, to replace the grant, they have to pay higher fees. Thus the actual result of the attempt to bridge the gap between the state system and the private system may be to widen it and to break down some of the bridges that already exist. This result is inevitable so long as the other half of the Fleming Report,

which prescribes for the completely independent public schools, remains unimplemented. So long as the public schools are untouched, the grammar schools will be under irresistible pressure from the parents to be recognisably similar to them. But the new regulations make this very difficult. They compel the bridge to choose between the two banks of the river, and some will choose one and some the other. Only when the public schools themselves have been assimilated to the state system can the grammar schools be brought into line without a feeling of victimisation.

De-requisitioning

It is clearly of great importance to the reconversion programme that requisitioned land and buildings should be released as early as possible. Unfortunately, the chances of any large-scale release in the near future are remote. The "requisitioning" departments (the three Service Departments and the Ministries of Works, Supply and Aircraft Production), which at present occupy 143 million square feet with their stores, are staking claims for a further 22 million square feet for use now and during the Japanese war. With the 36 million square feet of factory space regarded by the Board of Trade as the essential minimum to be released during the first year after the defeat of Germany there is, therefore, an additional effective demand for 58 million square feet.

The Select Committee on National Expenditure, in their 94th Report, are "greatly disturbed" by the problem of meeting this demand. Their solution rests first with the creation of a "supervising authority" charged with the tasks of reviewing departmental claims, of pressing for economy and safeguarding civilian interests. Neither the Board of Trade nor the Ministry of Works (itself a requisitioning department), the two authorities responsible for land and buildings and factory storage, has the necessary powers to undertake these duties.

Much could be done to ease the situation. Maximum use should obviously be made of overseas storage facilities for goods needed in the Japanese war; the procedure for declaring stores obsolete should be speeded up; and the emergency reserve space of the various departments might be pooled and cut down. Clearly some such body as the Committee suggests, and armed with bulldozer powers, will be necessary to clear enough space without further requisitioning. There is a case for saying that the body should be something other than a mere organ of the Government, for the Government is one of the contending parties and, with the end of the German war, it will be impossible to maintain the doctrine that the least important Government purpose has priority over the most important private purpose. Ultimately the Government will have to decide whether to allow large stocks to sterilize factory space pending disposal or to resort to scrapping. The only other possibility, the erection of new temporary storage accommodation, would mean yet another—probably an impossible—call on the building industry.

Relief from Sweden

Many Swedes have long been disturbed by Sweden's isolation from the war and its immunity from the evils of occupation and destruction which have struck down the other nations of Europe. They did not question the rightness of neutrality, but they felt nevertheless that their country ought to find some way of contributing to the struggle on whose successful outcome its own liberty depended. Now that the war is drawing to an end, and the degree of devastation in Europe becomes apparent, the Swedes hope that they will be able to transform their sense of obligation to their neighbours into practical measures for their relief. Their shipping will shortly be made available to the United Nations' shipping pool—a vital acquisition to the straitened supply, for the Swedes have been building ships throughout the war, and probably have a bigger merchant fleet now than in 1939. It would, of course, have been most unsuitable if these ships had started independent trading while other merchant fleets were still engaged on war and post-war needs.

The Swedish Government recently voted large sums for relief and for credits. They are naturally anxious to spend them as much as possible in the Scandinavian countries, and it is not yet clear whether the help given will take the form of gifts or credits. Many Swedes would prefer their assist-

ance to be a straight gift, but there are two obstacles to this—the attitude of the receiving countries and divided opinion in Sweden itself. As the experience of UNRRA has shown, national governments dislike "charity." They prefer to "pay" for the help they receive. In other words, they want credits, not gifts. At the same time, the reconstruction of Swedish foreign trade is such a vital issue that many Swedes feel that all post-war Swedish credits ought to be related to the restoration of markets and trade.

Church and State in France

Between the two wars, there was a marked decline in the violence of religious controversy in France. The Catholics more or less accepted the secularisation of the State, and maintained at their own expense their educational establishments. Their acceptance weakened secularist criticism, and there was even, during the last year of Pius XI's pontificate, a tendency among the Liberals to applaud Catholicism for its stand against the Nazis.

The war has again altered the picture. Pétain, actively supported by the Catholic Right and passively by the *bien pensants*—important sections of the Catholic middle-classes—set up a regime which repudiated the French Revolution and all its consequences, and attempted to restore compulsory religion. Religious instruction was for a time obligatory in schools, and the State undertook to subsidise Catholic education. At the same time, some of the higher clergy—the two successive Cardinals of Paris, Baudrillart and Suhard, and Cardinal Gerlier, of Lyons, gave varying degrees of support to the Pétain regime and its Nazi masters.

On the other hand, the record of some bishops and of the lower clergy as a whole, was one of resistance. The curé in most districts was an integral part of the underground movement. All Left Wing Catholic movements—for instance, the group connected with the newspaper *L'Aube*—were active patriots. M. Georges Bidault, the present Foreign Minister, and a member of the *Aube* group, was President of the National Council of Liberation.

The present prospects of the Church are thus confused. From Pétain, it inherits a legacy of contempt and disgrace, from the underground Catholics, one of respect and leadership. The position of Catholicism will depend upon the relative strength in post-war France of the Right and the Left, both within the Church and in the national life. It is a bad augury for good understanding that none of the high-ranking clergy has been placed in retirement. M. Jacques Maritain, a veteran leader of liberal Catholicism, would do much for his co-religionists if in his new capacity of French Ambassador to the Vatican, he could secure some changes in the French hierarchy. It is also possible that General de Gaulle, himself a Catholic, may seek the support of Conservative Catholics in redressing the balance of his personal power against the Left, for it is only too likely that, in the event of a rift between General de Gaulle and his left wing supporters, he could count on a great mass of Catholic support. The position of the Catholic Left would then be precarious. At present, it is mainly linked with the continuing Resistance Movement, and is, therefore, critical of the General's failure to "renew" the state. It is difficult to foresee what its position would be if a strong political opposition, based on the traditionally anti-clerical parties of the Left, were to come into being. Its fate would probably be isolation.

The alignment of forces may shortly be made clear by the controversy over religious schools. Many Catholics would like the subsidies of the Pétain regime to be continued, and General de Gaulle is said to be ready to accede to this desire. It is difficult to imagine anything more politically disastrous. The one hope of relative harmony on the religious issue is to wipe out all memory of the disgraceful Pétain episode. To claim privileges granted by that regime is to invite the revival of violent anti-clericalism.

Post-War Taxes—Correction

An error and an omission occurred in last week's article on "Post-War Taxes." The present rates of Purchase Tax were incorrectly stated as being 33½ per cent, 66½ per cent and 100 per cent of the wholesale price; the figures should have been 16½ per cent, 33½ per cent and 100 per cent. The omission occurred in the reference to Mr

Nicholas Kaldor's estimates of post-war taxation. The passage should have read as follows:

Mr Kaldor... reaches the heart-warming conclusion that a standard rate of income-tax of 5s. 10d. in the £, and a corresponding increase in the taxes that existed before the war, will be enough. But the optimism that is apparent throughout Mr Kaldor's estimates reaches its culmination in this figure, for to a very high estimate of national income he applies an almost incredibly low estimate of Government expenditure (providing, for example, an increase—at constant prices—of only £100 million a year above the pre-war figure in defence expenditure and of only £16 million in expenditure by local authorities).

The three words here printed in italics were inadvertently omitted last week. Neither of these corrections affects the argument of the article.

Shorter Notes

The debate on monopolies in the House of Lords on Wednesday, initiated by Lord Nathan, elicited almost nothing from the Government. Lord Woolton was content to say that it was an important matter which the Government was considering, but that it involved a number of difficulties. He did, however, drop the hint that the promised Bill, if it ever sees the light of day, would set up "a court of some sort... to which monopolists or the citizen could appeal, in order that the practices could be investigated." This will need a lot more defining, but at first sight it does not sound very promising.

Doubtless the inter-departmental committee on the provision made for children deprived of a normal home life will investigate the methods by which foster-parents are selected. But the Gough case has left people wondering how the couple could possibly have been thought suitable persons to be in charge of children. The husband, now convicted of manslaughter of a boy in his care, is revealed to have had a previous conviction for common assault against him, and to have been of such a violent and brutal nature that his wife had applied for a separation order. Were these facts not known to the local authority concerned? Did it make no enquiries which would have elicited them? The Home Secretary is said to be considering an investigation; it should be undertaken forthwith.

The following (amended) table gives the number of civilian casualties in air-raids since September, 1939:

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,981	3,475
Sept.-Dec., 1940.....	22,273	28,548	50,821
Total, 1941.....	20,881	21,841	42,722
Total, 1942.....	3,236	4,150	7,386
Total, 1943.....	2,372	3,450	5,822
Jan.-May, 1944.....	1,563	2,916	4,479
June-Aug., 1944.....	5,479	15,934	21,413
Sept.-Dec., 1944.....	1,425	3,134	4,559
January, 1945.....	585	1,629	2,214
February, 1945.....	483	1,152	1,635
Totals to date.....	59,791	84,735	144,526

Those killed in air-raids during February included 151 men, 243 women and 89 children under 16.

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AMERICAN SURVEY

Pressure on Wages

(From a Correspondent in Washington)

THE negotiation of new contracts between the mine operators and Mr John L. Lewis' powerful union involves the fate of the whole programme of wage stabilisation. The fact that stabilisation policy has withstood other formidable tests is no proof that it will survive this one. If it does, however, effective control of wages will probably be maintained for some time—at least until the collapse of German military power. Bargaining for, perhaps, their last wartime contract, the United Mine Workers will not shrink from extreme measures in order to win substantial wage increases. If they strike, as they did in 1943, the flow of munitions may be seriously curtailed. The War Labour Board, however, has already granted the miners a number of special wage concessions (including "portal-to-portal pay"—that is, pay for the full time from leaving the surface to returning to it) over and above the maximum general increase permitted under the so-called "Little Steel" formula. It is difficult to see how the Board can satisfy the miners' new demands without open abrogation of that maligned symbol of wage control.

Up to the present, the accomplishments of wage control have been somewhat beyond expectations. Although average weekly earnings in manufacturing industries have risen by about 75 per cent and average hourly earnings by about 51 per cent since January, 1941 (which marked the approximate beginning of the wartime rise of wages) these increases have resulted in part from longer hours of work, wage premiums for extra hours and for night work, the increased output of workers paid on an incentive basis, the transfer of workers into the higher-paid war industries, and similar factors. Increases resulting from such causes are held to be entirely consistent with wage stabilisation policy. A new index of the Bureau of Labor Statistics reveals that basic wage rates in manufacturing industry have risen but slightly more than 30 per cent, and more than half of this increase occurred before the passage of the Stabilisation Act in October, 1942. The average monthly increase in basic wage rates, which amounted to 0.8 per cent during the eighteen months prior to national wage stabilisation, dropped to 0.6 per cent during the following year and has recently declined further to about 0.3 per cent. Most manufacturing establishments have long since exhausted the 15 per cent general increase permitted by the "Little Steel" formula, and important gains during the last year have been confined largely to the low-wage industries, such as textiles and apparel, in which special increases have been authorised under the War Labour Board's sub-standard wage policy. Probably less than one worker out of twenty in manufacturing industry now has a basic rate below 50 cents per hour. The greatest wage increases are occurring in non-manufacturing industry, particularly in retailing and the service trades, in which wage levels are, of course, much lower than in manufacturing.

Wage stabilisation has been somewhat softened, to be sure, by the War Labour Board's liberality in dealing with the so-called "fringe issues." These involve the granting of vacations with pay, wage premiums for night work and work on holidays, and other issues that are distinct from the basic rate of wages. A very large proportion of all workers are now working under some kind of paid-vacation plan and the two-week vacation has made great headway. Some of the Board's decisions in such cases—for example, the granting of a shift premium in the steel industry, where shift rotation is practised—seem to constitute thinly disguised wage increases. The inflationary influence of such decisions, however, has been small, and they have probably served to ward off a general break in the stabilisation front.

Any union leader who could gain credit for the upward revision or complete destruction of the "Little Steel" formula would unquestionably win enormous prestige within the labour movement. This does not mean that the unions are unanimously opposed to wage stabilisation. Most re-

sponsible union leaders are convinced of the dangers of inflation and recognise wage control as an unpleasant but unavoidable concomitant of price control. In spite of occasional threats to withdraw, both the American Federation of Labour and the Congress of Industrial Organisations maintain representation on the War Labour Board. The unions contend, however, that the control of wages has been too rigid and that, as a result of rising prices, labour has borne a disproportionate share of wartime hardships. The attitude of the AFL has become increasingly bitter, and leaders of the CIO have begun to doubt the value of their victory at the polls in November.

There is no doubt that economic pressure is in part responsible for labour's opposition to the "Little Steel" formula. The cost of living appears to have risen about as much as basic wage rates in manufacturing—much less than weekly earnings. But with heavily increased taxes and deductions for war savings, many workers have little or nothing in the way of increased spendable earnings to show for their longer hours of work now, and union leaders are looking ahead to the decline in earnings that will take place when hours are reduced in the post-war period.

Beyond these considerations, however, labour's attitude reflects embarrassment over the unions' temporary impotence. For the first time, many unions feel that they have little to offer their members. They are no longer able to obtain wage increases and, in fact, non-union wages are inevitably, at this stage of the game, increasing faster than union wages. It is becoming increasingly apparent that many of the larger unions cannot guarantee post-war employment for all their members. From this angle, too, the demands of some union officials for the immediate raising of wage ceilings has had tremendous popular appeal and has forced support from even the more conservative leaders.

Despite the general opposition of organised labour, the great strength of the United Mine Workers, and the recklessness of Mr John L. Lewis, current wage policy will probably be maintained. The recent announcement of a reduction of clothing prices by the Office of Price Administration seems to indicate a determination to prevent a threatening rise in the stabilised cost of living. The public members of the War Labour Board insist on their intention of maintaining current wage policy. The firmness of the Director of Economic Stabilisation in dealing with the "fringe issues" appears to be another straw in the wind.

Yet how the "Little Steel" formula can be saved is admittedly difficult to foresee. Perhaps the board can pull yet another rabbit out of the hat in the form of a substantial "fringe" adjustment. Perhaps the miners, whose wartime record of production is impressive, will refuse to follow Mr Lewis in a protracted strike. Perhaps, in case of a showdown, the army can run the mines.

Looking beyond the immediate critical period, the wage outlook is considerably different. The early defeat of Germany, if accompanied by a substantial reduction in the scale of war production, would very probably be followed by a relaxation of wage controls. The Administration is concerned over the loss of national wage income that will result from the shortening of hours and the shift of millions of workers back to civilian production; these readjustments, unless offset by a substantial increase in employment, may eventually reduce annual wage income by as much as \$15 billion. However, many economists expect a marked increase in labour productivity, such as occurred after World War I, as management cashes in on wartime advances in organisation and technology. With this cushion for prices and with a reduced demand for labour the inflationary aspects of relaxing wage controls will be less threatening.

American Notes

Food Confusion

The Senate has voted unanimously to investigate the food shortage. The House has called for an investigation by its Agriculture Committee. One representative urged that a special committee investigate not only the food situation, but Lend-Lease shipments, foreign stockpiles and black markets. The American Meat Institute claimed that shortages in many parts of the country "border on famine" and scarcity was reported even in the great cattle areas of Texas, while in some Congressional circles rumour had it that there was no meat shortage at all, that greater stocks of live cattle and feeding corn existed in the United States now than at any time in history. The War Food Administration proposed to take Great Britain and the liberated areas off the meat list from April to June, but a spokesman of the Foreign Economic Administration said Britain should not be allowed to go short. The United States must meet international food obligations or suffer "embarrassing moments in international relations." The confusion was the only thing that was clear and thorough.

President Roosevelt stepped in, as he had to, and said quite clearly that Americans would have to tighten their belts. He was sure they would want to do the "decent thing" when the situation was properly explained to them. And that he promised to do this week.

The American meat rationing system has never made very much sense, and there has been a consistent refusal to profit by other countries' experience with rationing. In America, ten points a week cover cheese (about 6 points a pound), meat (which ranges from two points for tough cuts to 10 points for steak, which is rarely available) and butter (26 points a pound and, therefore, prohibitive). The most irrational part of the system is that the points can be saved from week to week, and spent without notice to the butcher—there is no registration, in any case. Such a system can clearly only work if supplies are fairly adequate. It is no wonder that any large cut in the present ration is declared to be administratively impossible.

Housing in War and Peace

A great deal of interest is being shown in legislation which Senator Wagner, of New York, will soon introduce into Congress for an urban and rural post-war housing programme. It will call for the annual construction of 1,500,000 housing units at an investment of \$7 to \$8 billion dollars a year. (During the ten pre-war years building averaged 275,000 units a year at an annual cost of one billion dollars.) Senator Wagner wants Congress to provide federal aid to supplement private investment; he wants long-term, low-interest loans for middle income families who do not require subsidies.

The war years have changed the face of America. It has been necessary to move 4 million war workers and their families from peacetime homes to war production communities in the middle of a mobilisation of industry that required all available energies and material. The War Production Board mobilised everything and everybody that could be spared and the workers were housed. They were housed in converted existing structures, in temporary dwellings built with federal funds, in permanent buildings erected with private capital; in well-equipped trailers and old elevated railway trains reconstructed and refurbished for living. An interesting experiment whose virtues were obscured by circus publicity, was a balloon building: a balloon was blown, wire mesh affixed to it, concrete sprayed, and the balloon deflated. To avoid ghost towns, the National Housing Administration secured from Congress a directive that all temporary housing should be removed within two years after the war's end.

Wartime housing is still keeping pace with production, and is now considered part of the whole intricate fabric. The NHA has only recently asked Congress for a \$90 million supplementary fund for 1945 needs.

Now the American worker is being wooed by real estate companies and house builders and manufacturers of plywood and plastics and aluminium, and new materials no one ever heard of before. They are offering him houses on wheels, houses that expand and contract, houses that revolve to face the sun, glass houses with collapsible umbrella roofs, and all sorts of fantasy, while what the worker wants is a house in which to live.

Aluminum Trust

A Special Court of Appeal has declared the Aluminum Company of America and Aluminum, Ltd., a Canadian subsidiary, guilty of monopolistic practices in violation of the Sherman Anti-Trust Act. This decision has the finality of a Supreme Court ruling since the special tribunal was appointed only because a quorum of six Supreme Court members with no previous connection with the Aluminum Company could not be found. The now celebrated case began back in April, 1937, when the Government first filed suit. The decision, written by Judge Learned Hand, takes the stand that dissolution of the Company is not a penalty, but a remedy—"if the industry will not need it (dissolution) for protection it will be a disservice to break up an aggregation which had for so long demonstrated its efficiency."

Actually, the question, "Shall Alcoa be dissolved?" is left to the New York Federal District Court, since the Appeal Court was only ruling on the law. Dissolution is not so urgent a question now, for the immense growth of Reynolds Metal Corporation during the war, the development of the magnesium industry and of steel alloy substitutes, have modified Alcoa's monopolistic position.

Some people would, perhaps, question Judge Hand's attribution of "efficiency" to Alcoa. It has certainly been efficient in throttling competition and in maintaining prices. But war needs have required a big expansion both of its private competitors and of publicly-owned plants. Plants financed by the Defence Plant Corporation have been built at Tacoma (Washington State), Salt Lake City and in South Carolina and other places. In all of these plants aluminium is being derived from clay in the earth's surface, in contrast to Alcoa's insistence on imported bauxite. Aluminium from domestic materials, however, is still more costly, even though, in five years of war production, costs have been reduced from around \$1 a pound to 15 cents.

Aluminium is now once again on WPB's short supply list. For the first quarter of 1945, production is 275 million pounds, about 100 million less than the amounts needed for the accelerated aircraft programme. Manpower, here as elsewhere, is a problem, with 5,000 men needed in the sheet rolling mills alone.

Exhaustible Arsenal

Oppressed by growing shortages, Mr Krug, the chairman of the War Production Board, recently said rather testily that the United States is not an inexhaustible arsenal of food and materials. "We have scraped the bottom of the barrel in several respects."

After steel, coal, food and aluminium, crude oil is the latest shortage. Although production is at the peak, it cannot meet the ever-increasing demands in Europe and the Pacific. Production is about 300,000 barrels a day under the military requirements of 5,000,000 barrels. To maintain even the present production the Petroleum Administration for War (PAW) estimates that 27,000 new wells are needed, 3,000 more than last year. But alloy steel tubing, in huge quantities, is needed for oil wells, and steel tubing, too, is short in supply and essential for rocket, bomb, artillery and shell programmes. A partial solution is the shipment of crude oil to United States refineries from the Caribbean area, particularly from Venezuela, which alone is said to have a potential output of 1,000,000 barrels a day. But potential output is not available in 1945.

Meanwhile the production of 100-octane aviation petrol continues to rise. When the United States started to prepare for war the rate of production was 46,000 barrels a day. Now the 600,000 mark has been passed. The demand for this aircraft fuel is so great and rising so fast that five new plants have had to be put under construction, with the approval of the PAW, to fill long-range military estimates.

Another headache for Mr Krug is synthetic rubber. In 1942, 96 per cent of the rubber used in the United States was natural. During 1945, natural rubber will constitute only 15 per cent of the total. The Rubber Reserve Corporation, a subsidiary of the Reconstruction Finance Corporation, says a sharp increase in the 1945-1946 programme is necessary to meet military and essential civilian requirements. The 1,000,000 tons scheduled for 1945, 58 per cent above 1944 production, can be reached if adequate supplies of petroleum, alcohol and chemicals are made available, if certain plant improvements are made, and if an ample body of skilled men is made available.

THE WORLD OVERSEAS

Canada's Next Election

(From Our Ottawa Correspondent)

THE exceptional obscurity which has clouded the Canadian political outlook for many months was somewhat clarified in a radio broadcast by the Prime Minister, Mr Mackenzie King, on March 2nd. The life of Parliament legally expires on April 17th, and it is virtually certain that the Government will not seek an amendment of the British North America Act to extend it. But meantime Parliament has been summoned to meet on March 19th, and will be asked (a) to vote sufficient supply, including, of course, war appropriations for the administration to carry on past a general election, and (b) to debate the foreign policy of the Government on collective security, so that the Prime Minister and his colleagues can go to San Francisco with an expression of confidence behind them.

The date for the general election was not announced, but the Prime Minister appeared to give a pledge that it would not take place earlier than the middle of June. How much later it may be depends on the course of events in Europe. The Government is determined to wait until hostilities cease there before appealing to the Canadian public.

Many forces have been battling for supremacy in recent Canadian political history, but transcending them all is Mr Mackenzie King's decision to avoid at all costs a general election fought on overseas conscription. Canadian unity is a laudable obsession with the Canadian Prime Minister. As a loyal follower of Sir Wilfrid Laurier in 1917, he saw with dismay the rift widen between the French Canadians and the English Canadians on the conscription issue, the evil effects of which still survive. For five years he sought to avoid bringing down an overseas conscription measure in this war—and almost succeeded, until the shortage of reinforcements, unexpectedly disclosed last autumn, created a crisis within the Cabinet overnight, and drove him against his wishes to adopt such legislation. The potential gulf between Quebec and the remainder of the country has since been disclosed in a variety of ways, the latest being a 67 to 3 vote in the Quebec Legislature adopting an anti-conscription resolution moved by Rene Chaloult of Quebec City. The Grey North by-election campaign, which ended on February 5th, unleashed a torrent of racial animosities, and provided a lurid preview of the emotions which would probably dominate any general election held in the present atmosphere.

Mr Mackenzie King has thus been driven by overriding considerations from sound political practice. Had hostilities ceased in Europe last year, there is not the slightest doubt that he would have called a general election immediately, well before the five-year term of Parliament had expired. He could probably have been returned to office then with a

handsome majority. Even had he chosen to go to the people a little later, in the midst of the reinforcement crisis, leading such Liberals as would follow him against compulsory overseas service, he might well—it is said to have been his own confident estimate—have come back with 100 seats and the largest group. But his determination not to permit a campaign on this deep-rooted emotional issue compelled him rather to ask for Colonel Ralston's resignation, to invite a Conservative, General McNaughton, into the Cabinet, and to seek to patch up for a time the controversy within his own party. All this has materially worsened his chances of coming back to power. He has been driven against his instincts to hang on to office and expose himself to the charge of clinging to power without the confidence of the country. He had no choice but to seek a constituency for the new Defence Minister, and there the party strategy went wrong, picking out a close seat and losing a Liberal riding to the Progressive Conservatives. This did further damage.

The Pressure of Events

Now events compel him to call a session of Parliament at which current controversies over reinforcements are sure to be bitterly renewed. With only four weeks left before the life of Parliament expires, the Opposition can, if it wishes to be awkward, hold up all progress, and even refuse to vote supply. Then, with Parliament no longer in existence, the Government will be compelled to make shift to finance its war effort, and the ordinary business of government, by Governor-General's warrants to the tune of \$15 million per day. If the European war drags on into the summer, the Government will be driven still further into the corner. It cannot hold off an election indefinitely. It can hardly ask for an extension of Parliament after Parliament is legally dead. In the end, it is conceivable that after the Prime Minister has moved heaven and earth to avoid a war-time election on reinforcements, the vote will still have to be taken while hostilities rage overseas. The one event which can save the Government from prolonged embarrassment, which is certainly the most acute in Mr Mackenzie King's twenty-five years of Liberal leadership, is thus an early end to the European war.

Quite apart from the damage which would be done to Canadian unity by a virulent election campaign on overseas conscription, a Parliament elected at the present moment would be chosen on an issue which will be dead as soon as the European phase of the war is finished. Clearly what Mr Mackenzie King desires is a Parliament specifically chosen to enact transition and post-war social and economic policies. Moreover, it is highly desirable, if not imperative,

that Canada's 750,000 service men and women be able to participate fully in the campaign, and that the new House should contain a good sprinkling of candidates now on active service.

The standing of the parties in the Canadian House of Commons, on March 6th, was as follows:

Liberals	155
Progressive Conservatives	40
C.C.F.	10
Social Credit	10
Others	18
Vacant	12
	245

Venezuelan Oil Expansion

[BY A CORRESPONDENT]

WHEN, in the early months of 1943, the Venezuelan Government submitted the draft of a new Hydrocarbons Act to the National Congress, the shares of British and American oil companies with interests in Venezuela began to fall on the London and New York Stock Exchanges. The Mexican oil expropriations of 1938 made investors suspicious of any move initiated by a Government of a Latin American republic. The new law has now been in force for close on two years and its effects on the Venezuelan oil industry can be assessed. In brief, the opinion expressed in *The Economist* of May 29, 1943, when the details of the new law were discussed—that the Venezuelan Government, so far from being antagonistic, was clearly anxious for the fullest co-operation with the foreign oil companies in order that oil production should be expanded—was fully justified.

The introduction of the new law could hardly have been better timed. It coincided with the Allied mastering of the U-boat menace, the first improvements in the tanker supply position and a steep rise in the oil requirements of the United Nations for military purposes. Even under the old regime, therefore, the past two years would have seen a rapid increase in Venezuela's oil production, but the new Hydrocarbons Act has helped it to expand still further. The provision allowing foreign oil companies to convert their old concessions into new ones of forty years' duration, with the option for renewal of another forty years after their expiry, enabled the companies to plan well ahead and to take risks. Moreover, the heavy surface taxes on unused oil lands, imposed by the new law, forced the companies to speed up exploration. The result has been an oil boom in Venezuela. Apart from the increased activities of the old-established producers, several big international groups have entered Venezuela for the first time. These groups include Socony Vacuum Oil, which is already producing on a small scale in one of its two Venezuelan properties, and Standard Oil of California, which, through a subsidiary, the Richmond Exploration Company, obtained two extensive concessions, totalling 2,750,000 acres, late last year. Part of the latter concessions are situated in areas west of Lake Maracaibo which have so far been only superficially explored.

A study of the latest reports and chairmen's statements of the British and United States oil companies working in Venezuela shows that, although the various groups are affected by the higher taxes and dues imposed by the new oil law as well as by the higher wages recently introduced, all of them are making the best use of the conditions created by the 1943 Act. The overwhelming majority of the old concessions have been converted into new ones of forty years' duration, and many more new concessions have been granted. All companies report intensified exploration and exploitation, and some of them—including the British-controlled Ultramar—have lately obtained new capital to finance extended operations.

The results are clearly shown in the figures of production. Venezuela's oil production, after reaching a peak of 223 million barrels in 1941, fell, owing to the U-boat menace in the Caribbean area and the partial destruction by enemy action of the Aruba refineries, in February, 1942, to roughly 180 million barrels in that year. In 1943 there was a recovery to about 200 million barrels, and preliminary returns suggest that last year's production reached a new maximum of about 237,250,000 barrels. Production was less than 600,000 barrels daily in the early months of 1944. It exceeded 700,000 barrels daily in the latter part of the year and, according to a recent forecast by the Vice-president of the Venezuelan Central Bank, it is expected to reach 1,200,000 barrels daily before the end of this year. Even at

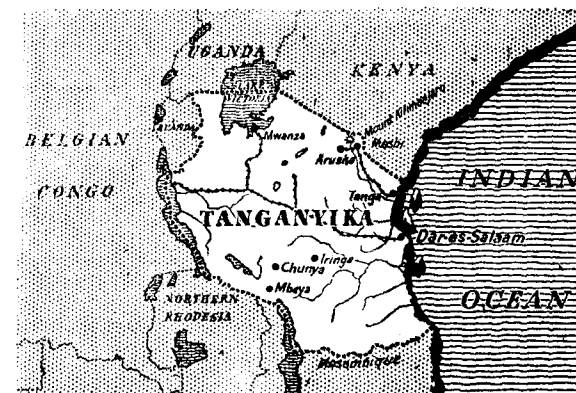
the current rate of production, Venezuela appears to have reached, if not exceeded, the output of Soviet Russia, for many years past the largest oil producing country outside the United States. As Russia—like the United States—absorbs most of its oil at home, while Venezuela exports the great bulk of its production, the latter may now be the world's largest exporter of oil.

Oil Refining

While Venezuela's oil exploration and crude oil production has made extraordinary progress in the past two years, the schemes for expanding the country's oil refineries are, naturally, held up by the shortage of equipment. For the present, therefore, the great bulk of Venezuela's oil continues to be refined in the Dutch West Indies. But the Venezuelan Government, in the negotiations leading to the revision of the oil law, came to an arrangement with the foreign oil companies. Under this agreement, the country's oil refining capacity will, within five years after the war, be extended from the present 72,000 barrels to 192,000 barrels daily. This policy has been carried farther since 1943. Most of the new concessions are granted subject to an undertaking that the oil found is either refined within Venezuela or in the importing countries. Moreover, in January last year, a US mission visited the country, on the invitation of the Venezuelan Government, to make plans for the erection of new oil refineries at the earliest possible date. On the basis of the present plans it is, indeed, probable that, within five years after this war, Venezuela will ship roughly one-third of its crude oil production in the form of refined products and that another large part will be shipped in the form of crude oil to the final consuming areas.

These developments are of the greatest importance to the United Kingdom, which for various reasons after the war will be anxious to extend its oil refining capacity. It may be recalled that Venezuela was already before the war the largest single source of the United Kingdom's oil supplies, although the greater part of these imports passed through the refineries of the Dutch West Indies. Large direct imports of oil from Venezuela may open a large market for British industrial equipment in that country.

No. 7—TANGANYIKA



TANGANYIKA TERRITORY covers an area lying between the Indian Ocean and the great African Lakes, 360,000 square miles in extent. On its northern frontier, Kilimanjaro, one of the most remarkable mountains in the world, rising to a height of more than 19,000 feet over-looks the borders of Kenya.

The coastal belt of Tanganyika was for many centuries visited by Arab traders and pirates. Eventually it became subject to the Imams of Muscat, one of whose descendants still rules in Zanzibar, under the protection of Great Britain.

The native population of more than 5,000,000 is mainly engaged in agriculture; the coffee and sisal plantations in the North producing the staple export crops. Cotton and groundnuts, hides, skins and gold are also exported.

The average annual value of Tanganyika's external trade for the years 1935/39 was about £8,000,000.

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Truffle-and-Nougat, Hazel Cluster, Liquid Cherry, Orange Cream, Strawberry Cup . . . heigh-ho. The girls loved 'em; and the boys took no poor view of them, either.

And now, you say, here it comes—"Come Peace, come Black Magic." But nothing of the sort. There will be a lot of pre-war goods back in the shops before Black Magic; for though we shall move fast, we shall take no short cuts—no half measures, no skimping.

Don't expect to buy Black Magic on Armistice Day; but when you do buy it, it will be as good as ever. We believe it will be better, but that will be for you to say.

Black Magic

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THE BUSINESS WORLD

The Cocoa Quarrel

THE Colonial Office's White Paper (Cmd 6554) on the control of West African cocoa received little attention from the public when it was issued last October. But the opposition from the interested parties that has since developed seems likely to push it into the limelight. One of these interested parties is the United States, which is by far the largest single consumer of cocoa; it is reported that the State Department has protested to the British Government against the White Paper's proposals.

In brief, these were that the wartime system, under which all West African cocoa is bought at fixed prices, should continue, and that from next October organisations should be set up in the Gold Coast and Nigeria empowered to purchase the crops, prescribe the prices to be paid to the producers and be responsible for the disposal of the crops.

These organisations would be established by, and responsible to, the Colonial Governments, and would be required to act as trustees for the producers.

The Americans' case against the scheme is clear from this quotation. They object to what they consider will be a cocoa cartel, a producers' monopoly, especially as the White Paper envisages that eventually the Government majority on the organisation would be replaced by a producers' majority. But the American cocoa trade, which in one breath is assuring the State Department that the proposed "cartel" will result in higher cocoa prices, in another breath is whispering in the ears of the brokers on the Coast—so it is reported—that if control were removed it would offer higher prices. It is thus difficult to take this American criticism with full seriousness. Moreover, the Colonial Office, which has so often had to tolerate American criticisms of "imperialism" and "exploitation," would surely be justified in retorting that this scheme is solely dictated by the interests of the "exploited" native producers of the Gold Coast and Nigeria.

Why the Colonial Office has felt compelled to act in the interests of the producer is clear to anyone who remembers the buying agreements of 1937, which led to a cocoa hold-up and an almost complete suspension of the Gold Coast's trade, and who has read the report of the Nowell Commission (Cmd 5845), which investigated not only the buying agreements but the marketing of West African cocoa in general. Before the war, about 98 per cent of the Gold Coast's crop was bought and shipped by thirteen European firms. Three of these were manufacturers of cocoa, who were established on the Coast to safeguard their supplies, and in particular the quality of their supplies, and they shipped about 22 per cent of the crop. The others were firms which also imported merchandise into West Africa; they were headed by the United Africa Company, which alone shipped over 38 per cent of the crop in 1936-37 and had by far the largest merchandise business.

It is a fantastic story, the account of these firms' operations in the Gold Coast. Not by any means to their advantage, the whole system of marketing was riddled with abuses. The African middlemen employed by the firms, who comprised brokers and sub-brokers numbering some tens of thousands in all and most of whom are also cocoa farmers as well, were given advances with which to purchase the growers' crops. When a change in the cocoa price was announced, the firms used to call for a declaration of stocks from their buyers. The result was "false declarations"—the buyers would hold back stocks for a rise in price and over-declare on a fall—which the firms' agents would counter with "false drops"—the announcement of a fictitious price fall in order to draw out supplies, quickly followed by the announcement of a price rise.

"False declarations," "false drops," faulty measures, money lending, speculation—all these abuses largely reflected the fierce competition between the firms for cocoa supplies. They dared not put a stop to a buyer's malpractices because they were afraid that he might take his cocoa to a competitor. "Tonnage-hunting"—that was the disease of which these abuses were only symptoms. Heavy

overhead charges, prestige, fear of being defeated in the competitive struggle, all these were factors impelling the firms to obtain cocoa at all costs, even if it meant paying higher prices than those ruling on the world markets. Another factor in later years was the firms' knowledge that sooner or later the "insane competition," the term which they themselves used to the Nowell Commission, would give way to combination—the buying agreements of 1937 were not the first. These agreements were based on the stabilisation of tonnages on past performances; therefore the higher the tonnage acquired in the period of competition the better the position of the firm during the period of combination. It would be wrong to blame these abuses—or all of them—on the buying firms, whose profits were not excessive. Equally with the growers, they were the victims of the system.

If it is accepted that the system of "insane competition" should end—and the Nowell Commission did accept it, though remarking drily that the competition of newcomers to the trade or of firms with an expansionist policy was based as much on method as on madness—what should replace it? The firms' own solution, illustrated in the buying agreements, is useless, if for no other reason than that their combinations could never last. The stabilisation of prices by agreement attracts newcomers to the trade; the ring is broken, and competition starts all over again. It was suggested that the colonial governments should help them to make their combinations infrangible. Even if the principle that a government could in some circumstances

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Paid-up Capital £2,000,000 Number of Shareholders 3,150
HEAD OFFICE - 66, BISHOPSGATE, LONDON, E.C.3
BALANCE SHEET, 31st DECEMBER, 1944

The Rupee Assets and Liabilities have been converted at the rate of 1/8 per Rupee.			
		£	a. d.
Capital: Authorised and Subscribed, 100,000 Shares of £25 each, £4,000,000.			
Paid up £12 10s. per share	3,000,000	0	0
Reserve Fund	2,200,000	0	0
Current, Fixed Deposit and other Accounts, including provision for Bad and Doubtful Debts and Contingencies	61,112,749	12	3
Bills Payable	676,761	6	3
Acceptances for Customers	62,134	12	0
Profit and Loss Account, as under	671,867	11	3
	£66,623,503	1	9

Bills receivable, re-discounted, £486,670 18s. 3d., all of which have since run off. Forward Contract outstanding for the Purchase and Sale of Bills and Telegraphic Transfers, £20,143,285.

ASSETS		£	a. d.
Cash on hand, at call, and at Bankers	23,197,966	5	6
Indian and Ceylon Government Rupee Securities	9,939,945	15	0
British Government Securities, Indian Government Guaranteed Debentures and other Securities (of which £500,000 War Loan lodged with Bank of England as security for Government Accounts)	13,928,992	0	9
House Property and Furniture at cost, less amounts written off	568,285	9	10
Bills of Exchange, including Treasury Bills	12,249,861	11	10
Discounts, Loans Receivable, and other sums due to the Bank	6,641,438	6	4
Customers for Acceptances per Contra	62,134	12	0
	£66,623,503	1	9

PROFIT AND LOSS ACCOUNT		£	a. d.
Dr. To ad interim dividend at the rate of 14 per cent. per annum for Half-year ended 30th June, 1944	140,000	0	0
By Balance	671,867	11	3
	£711,867	11	3

By Balance at 31st December, 1943		£	a. d.
Dividend at the rate of 14 per cent. per annum for the Half-year ended 31st December, 1943	140,000	0	0
Amount written off House Property Account	25,800	0	0
Staff Pension Funds	80,000	0	0
Contingencies Account	76,000	0	0
	300,800	0	0

Balance brought forward	269,916	15	4
Net Profit for the year ended 31st December, 1944, after charging Directors' Fees amounting to £7,220 11s. 0d. and providing for Taxation and all Bad and Doubtful Debts	441,946	15	11
	£711,867	11	3

R. L. HIRD, General Manager.
G. W. HARKNESS, Accountant.
R. LANGFORD JAMES
W. SHARFARAH
W. G. LLOYD, Directors.
REPORT OF THE AUDITORS TO THE MEMBERS.
We have audited the above Balance Sheet with the Books in London and the certified Returns from the Branches. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is full and fair, containing the particulars required by the Regulations of the Company and is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.
COOPER BROTHERS & CO.
W. A. BROWNE & CO., Auditors.
Chartered Accountants.
LONDON, 12th March, 1945.

endorse an agreement in restraint of trade were accepted, there is the attitude of the native producers, for whom the governments are trustees, to be considered. Never would the Africans concede that a buying agreement between the firms was for their own good. "We have experience of their actions and we believe them not." So said Sir Ofori Atta about the 1937 agreement, and suspicion would be no less strong after the war.

Thus the only acceptable course is for the governments themselves to secure stable conditions on the lines proposed in the White Paper. No details were given of how the selling organisation would work in practice, but the announcement of a fixed price—"fixed at any rate seasonally"—should prevent at least the abuses of over-payments and false declarations which the firms themselves regarded as having developed to a dangerous extent. It is therefore difficult to understand why the cocoa trade is opposed to the proposals, though it is understood that Cadburys have agreed to co-operate to the best of their ability. The Cocoa Association of London has issued a memorandum to members of Parliament giving its objections to the scheme. In essence, this memorandum is a plea for a return to the old system and for the abolition of state trading, though it suggests that a Government Board should have the responsibility of fixing and maintaining a minimum price for the grower. In the light of the conditions revealed in the Nowell Commission's report, this sort of argument

... the shipper, who is also the importer into Africa of merchandise of every description, should be fully maintained in all his activities, in order to encourage the export trade from this country. Any measures likely to detract from the merchants' efficiency would increase the cost of handling these exports and should be vetoed.

does not hold water. The pre-war system was anything but efficient; and if the merchants lost money on their cocoa purchases in recent pre-war years, as they claimed before the Commission—which accepted the claim with reservations—one would have thought they would have been only too glad to beat an honourable retreat, or at least be content with the reduced functions which the scheme will allow them. Or were their purchases not so unprofitable as they made out?

Et tu... there are times when one feels really sorry for the Colonial Office. Opposition from the cocoa trade, here and in America, may have been expected. But the opposition expressed in West African newspapers must be a little hard to tolerate. Actually, this opposition may turn out to be more vocal than real. Partly, it is a case of any stick to beat the Government with. Partly it represents opposition from the brokers rather than the farmers; there is evidence that the chiefs are adopting a constructive attitude. Partly it is based on misunderstanding. For instance, the White Paper's

reference to the official policy of fostering and developing the co-operative movement among producers is seized upon; our co-operatives, says the African, are not to be government affairs, they are to be "free and independent"—without realising that even in the most advanced countries co-operative societies are subject to regulation. Partly, too, there is a suspicion that the United Africa Company is after all behind the scheme. This is symptomatic of the Africans' perennial attitude towards that firm; and since their suspicions are shared by many European officials on the coast, the company, in its own interest, might welcome an impartial enquiry into the effects of its dominating position on the West African economy.

It is difficult to see any alternative to the main proposal of the White Paper. A theoretical attachment to the principle of free competition can hardly be stretched to cover a case that has involved such inequality of resources between buyer and seller and such fantastic abuses. But this is not to say that an official board, devoted to the growers' interests, is by any means an ideal solution. Past experience—especially that of the Colonial Office—goes to prove that if the prices determined by a price-fixing board are low enough to move the supplies, they are also low enough to arouse high indignation from the producers who complain that their own board is letting them down. And if, on the other hand, the board yields to the pressure of its own constituents, the resulting price is so high that it can only be maintained—and even then only temporarily—by "buffer stocks," restrictions on exports or production and the rest of the familiar devices. It will take very great wisdom and very great firmness on the part of the colonial governments to resolve this dilemma. In their favour is the fact that producers and consumers have grown accustomed to control after six years of it, and the likelihood of a world demand for cocoa for some time after the war. But before very long they may be fervently wishing that the price were fixed by external forces, by the pressure of the market—by anything or anyone other than a group of officials in Accra struggling, under constant criticism, to square the circle.

Moreover, even if the scheme works, it is important, from the West African point of view, that the sheltered position in which the growers would then be placed vis-à-vis the vagaries of the world market should be used to put their house in order. Part of the profits realised from wartime trading are to be used for research, for combating the diseases which threaten the very existence of the cocoa industry and ultimately the whole economy of the Gold Coast. It is also necessary that vigorous efforts should be made to put an end to the indebtedness of the cocoa-growing community. It is thus high time that the objects and methods of the scheme were fully explained by the Colonial Secretary. If this cocoa venture is to be a prototype, it is time the world learned more about it.

London's Fur Trade

ON January 22nd the Board of Trade fixed maximum prices for "utility furs" and simultaneously reduced the purchase tax from 100 per cent to 16½ per cent of the wholesale price. The Board of Trade's decision was designed "to provide the fur trade with the necessary basis in the home market for reviving and developing London's position after the war as a world fur centre."

The reasons that originally led to the creation of an international fur market in London are the same as those that favoured the establishment of other commodity markets in Great Britain. Originally, the furs brought to London were mainly of Empire origin; the Hudson's Bay Company held its first big auctions in 1672. At a later stage the London market attracted furs from all over the world; during the pre-war decade, when turnover reached its highest level, less than a quarter of the furs brought to London were of domestic or Empire origin. The growth of the trade in London was greatly assisted by the financial and trading facilities it offered as a market. It was also encouraged by the geographical position of London on the fringe of Europe, for more than half the world's supply of furs used to be absorbed by Europe, including Great Britain. The trade was assisted, too, by the freedom enjoyed by foreign traders in this country. After the Russian revolution a number of important fur traders from that country settled in London. Again, after 1933 Jewish fur dealers came to this country from Leipzig, and as a result London displaced Leipzig as the world's leading fur market. The

fur turnover of Leipzig, as reflected in German imports and exports, was halved (from Rm. 244 million to Rm. 125 million) between 1932 and 1937, while that of London was doubled (from £16 million to £31 million).

The real significance of the fur market to this country is not immediately apparent from the figures of trade. In 1929, imports exceeded exports in value by £4,298,000; during the last three pre-war years the adverse balance still averaged £2,176,000. This is due, of course, to the fact that a proportion of the furs imported raw or in the early stages of processing were retained for use in this country. Actually, the fur trade brought more dollars to Britain than any other product listed separately in the trade returns, with the exception of spirits. Its exports to the United States exceeded British imports from that country by £3,350,000 in 1937 and by £2,879,000 in 1938. It also had a favourable trade balance with European countries, but an unfavourable one with the countries exporting raw furs, such as Russia, Afghanistan, Iran, the British Empire and a number of other areas. In a narrow sense, the fur market does not employ a large number of workers. But the number engaged in the various stages of processing is by no means negligible. The number of workers engaged in the dressing and dyeing of furs must have increased appreciably in the pre-war decade; in 1929 there was an import surplus of £3,823,000 in dressed and dyed furs, but in 1938 there was an export surplus of £1,250,000.

There is, in sum, a strong case for the revival of the

London fur market and of its processing trades. After the outbreak of war London, inevitably, lost its position in the trade and New York has become the leading centre. New York now absorbs the greater part of the world's exports in raw furs; the leading London auction houses, headed by the Hudson's Bay Company, have transferred their auctions to the United States. True, the British dressing and dyeing industry has been kept in being; it has been engaged mainly on work for the Royal Air Force, for the Russian armies and on other essential contracts. Exports to the United States of domestic furs, especially of rabbits, have been encouraged, and have fluctuated around the rate of £1,000,000 a year. The dressing and dyeing industry, however, has made a good deal of technical progress, especially in the treatment of rabbit and sheep skins. In a technical sense, therefore, this country would have no difficulty in resuming its position as a world fur centre. But Britain's technical qualifications, personal contacts, and the measures taken in January by the Board of Trade to popularise the use of fur garments are not sufficient, by themselves, to restore the London trade to its former position. A number of other conditions must also be fulfilled.

The first of these conditions is the restoration of the facilities formerly enjoyed by the fur market in London. In so far as there will be a need for adequate shipping, warehousing, export credit and other facilities, the problem of restoring the fur market is similar to that of other commodity markets. The restoration of these facilities for furs, however, need not be conditional upon the restoration of those for other commodities still covered by bulk purchase agreements. In any case, the fur trade is unsuitable for international regulation; it is still largely a luxury trade, based on highly-skilled handling and sorting, and on close contacts between individual dealers and their clientele. Once transport is re-opened, control could largely disappear.

Secondly, steps will have to be taken to ensure supplies of raw furs to this country; this will mean, in effect, the partial re-transfer to London of supplies that have been sent to New York since the outbreak of war. In Russia and Afghanistan, two of the chief and most highly valued sources of supply, exports are controlled by the Governments, and shipments are determined largely within the framework of

general export policy. Government initiative may, therefore, be needed to resume large-scale British imports of furs from these two countries. The fur interests in New York that have taken over the trade from this country in an emergency can, perhaps, not be blamed for wishing to cling to this heritage, though, in all fairness, London has every right to make a determined effort to recover its trade. And since a sizeable part is played in the American market by British firms—notably by the Hudson's Bay Company—the effort ought not to be unsuccessful.

Finally, there is the problem of bringing back to London its former custom—that is to say, to resume the export trade in raw and prepared furs and in fur garments. This will involve, as a beginning, the re-transfer of fur auctions to London. Before the war London had the advantage over New York in that its clientele was international, whereas the latter relied chiefly on national demand; in consequence, the prices obtainable in London were often higher than those that could be obtained by direct sales to the United States. One difficulty in restoring a large and free market in this country is that Europe, formerly responsible for the absorption of about half the furs entering international trade, will be poorer, and that the United States may absorb a higher proportion of the furs than before. This is certainly true of the more expensive luxury furs. But this difficulty can easily be exaggerated, first because some of the colder countries of Europe—such as Poland and the Balkans—will again need fur garments, even if they cannot afford a high proportion of the more expensive varieties; and secondly, because the trade in luxury furs is a fashion trade which would only be lost if London and Paris were unable to maintain their position as world fashion centres.

The London fur trade, in fact, is an interesting example of the kind of difficulties likely to be encountered by trades that have migrated across the Atlantic during the war. The case for recovering the trade is strong, for it may once more become an important source of foreign exchange, especially United States dollars. But, although technically London is still qualified to resume its former position, the trade will need assistance—not merely negatively by the restoration of trading facilities, but positively in order to ensure a steady flow of raw furs to this country.



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Business Notes

Commonwealth Debt

The decision of the Government of Australia to take the first opportunity of dealing with the large mass of 5 per cent debt optionally repayable in 1945 will cause no surprise. Indeed, the main outlines which the operation was likely to assume were discussed in *The Economist* last July. In the 1920's the Commonwealth and States issued loans at 5 per cent, most of which were repayable 1945-75. Of these, £94,311,567 mature on July 1st or August 1st this year, and a further £14 million odd of New South Wales stock on December 1st. The latter must be left for the time being, but holders of stocks issued by the Commonwealth, South Australia and Victoria, with maturities in July, and of those of Tasmania and Western Australia, repayable in August, are offered conversion or repayment.

Conversion is limited to £60 million and rather over one-third of the total sum maturing is to be repaid out of accumulated sterling balances. These represent, in part, the sterling equivalent of dollar payments to Australia, and it is understood that, after the repayment, the total will still exceed £100 million. It is a further feature of the issue that, if the whole £60 million is not taken in conversion, the deficit will be taken by the Commonwealth Bank. But the British Treasury is still prepared to make advances for the repayment of any part of this £60 million which is not covered from other sources.

The new stock to be issued is a 3½ per cent 1965-69 one at par, which means that Australia is breaking new ground. The terms are even slightly more favourable to the borrower than those of the recent New Zealand offer, which was made at ½ point discount and ran only to 1962-65. The difference reflects, however, the improvement in the gilt-edged market rather than the relative status of the two borrowers. The new rate of interest and the extent of the net repayment cannot fail to have an effect on security prices. This may be greatest in other Australian stock and least in equities, but it is likely to pervade the whole market to the extent that the event has not yet been fully discounted. Since, however, the lists for conversion do not close until May 25th, or when the full amount has been taken, whichever happens first, the effects may be deferred. The immediate reaction has been a ½ point rise in the maturing issues and a slight acceleration of the improvement in the Funds.

The Saving of Interest

The Commonwealth loan operation, although by far the largest, is only the latest of a long series of conversions and repayments spread over the past 12½ years. By August next some £378 million of stock will have been converted and some £52½ million repaid, while in addition a UK Government advance of £12 million, made in the early years of the war, has been liquidated. These repayments exclude sinking funds and were all effected during the war. The saving in interest from the latest operation will be some £1,710,334 per annum and the total since 1932 some £5,300,000 or £6,600,000 Australian currency.

With the exception of the £14 million of New South Wales stock, mentioned above, and a 5½ per cent loan 1947-57 of the same borrower, the present operation eliminates all Commonwealth and State loans bearing interest of more

than 4 per cent. There are, however, £30 million outstanding and repayable at any time on due notice, bearing that rate. It would not be surprising if, provided the 3½ per cent rate is established for loans of some 25 years, conversion of these were undertaken in the autumn.

The total saving in interest is substantial in the Australian context and, coupled with the fall in the value of the pound, will very considerably reduce the real burden of the debt service to this country. It will be a welcome offset to the fact that a proportion of Australia's wartime overseas revenue will fall off after the war precisely at a time when the desire for replacements from overseas will be very much in excess of the pre-war normal. From the standpoint of this country, the conversion of the loans to a lower interest basis will mean a further cut in the income from the depleted stock of overseas investments.

US Shipping Disposals

A letter addressed by Mr Joseph Grew, United States Acting Secretary of State, to Representative Schuyler Bland, chairman of the House Committee on the Merchant Marine and Fisheries, sets out the State Department's policy on the disposal of Government-owned ships. (This House Committee is at present considering a Bill to provide for the sale of Government-owned vessels.) The significance of the letter lies not merely in its outline of general policy, but also in the methods it suggests for disposal. The disposals policy of the United States transcends the interests of British shipowners.

At the end of the war the Government of the United States will own the greater part of the world's ocean-going merchant tonnage. Mr Grew, therefore, argues:—

The general policy adopted and developed to govern the post-war sale of Government-owned merchant vessels should be in close harmony with the broad foreign economic policy which will best serve the national interests of the United States. In the post-war disposal of its merchant vessels, the Government of the United States might seem to pursue a narrowly nationalistic policy involving undue emphasis on short-range considerations. It might seek to advance its national shipping interests by endeavouring to utilise its somewhat monopolistic position as the owner of the major portion of the world's ocean-going tonnage, to face increased participation by American shipping in the internationally competitive commercial traffic of immediate post-war years. Such a policy could have only limited and temporary success, and it would be distinctly out of harmony with the broad policy of promoting the flow of trade through the reduction of nationalistic restrictions and discriminations.

If the Government of the United States were to attempt to take advantage of the war losses of other countries and of the wartime increase in its own merchant fleet to establish itself in a dominant shipping position, it would be acting contrary to its basic policy of promoting sound international economic relations and an increasing flow of commerce.

Mr Grew's statement of policy is unexceptionable, but it still remains to be translated into detailed action.

Ships for Sale and on Lease

As it stands, the Bill for the disposal of ships owned by the Government of the United States only provides for disposal to other countries by way of sale. There is no provision for chartering vessels. The absence of such a provision has given rise to a good deal of criticism and anxiety in other countries. Several million tons of United States Government-owned vessels—chiefly "Liberty" ships—are at present chartered to members of the United Nations, including Britain, which may require them, at least temporarily, after the suspension of hostilities. If there is no authority to continue these charters, the countries now operating the ships would either have to return them or purchase them. To quote again from Mr Grew's letter:

Refusal to charter such vessels might result in the forced purchase of some additional vessels by foreign operators. However, a policy of compelling foreign operators to buy ships from us for their temporary post-war needs would not be consistent with our broad national interests. It would likewise not be to the long-run advantage of the American shipping industry.

In the view of the State Department, "forced" purchases would not materially affect the rate of replacement by way of new construction in other countries. They would re-sell their forced purchases, in all probability to operators whose participation in international shipping competition is based primarily on "sub-standard manning and working conditions and operating practices." Mr Grew, therefore, suggests that authority to charter vessels of "Liberty" type to foreign shipowners should be included in the Bill for the disposal of ships; this suggestion will be welcomed by British shipowners.

The Engineering Employers' Reply

The Engineering Employers' Federation on Wednesday gave a negative reply to the ambitious threefold application of the engineering unions—for a forty-hour week without reduction of wages, for the extension of annual paid holidays from six days to twelve, and for a "substantial advance" in the wages of adult male workers. The wage claim will therefore be referred to arbitration and the hours and holidays claims will be reviewed by the engineering joint trades movement. Replying for the employers, Sir Alexander Ramsey said that the 40-hour week would be far too great a risk to add to industry's liabilities when the world's economic outlook was so uncertain, and that industry's first obligation will be to meet the economic and social needs of the country.

The engineers were the first to set the forty-hour ball rolling. They presented their claim in September, 1944, even before the Trades Union Congress had decided to place the forty-hour week in the forefront of their post-war programme. The present discussions are, therefore, in the nature of a test cast for the whole of industry, and the engineering employers' reply may be taken as representing the attitude of the leaders of industry. The unions' claim is based on the argument that with the increasing productivity of labour and the progressive improvements in methods of production, hours can be reduced without causing any reduction in output. There is undoubtedly also the underlying desire to safeguard against the possibility of post-war unemployment by spreading work over a lesser number of hours.

The same arguments are applied in the claim for higher wages. Though the unions did not specify any sum, their demand for a "substantial" increase is primarily designed to safeguard the post-war position of their members. Engineers are now among the highest-paid industrial workers. According to the latest Ministry of Labour survey, the earnings of adult male workers in the engineering and shipbuilding group in July, 1944, averaged 131s 9d a week, an increase of 85 per cent over October, 1938. (The wages of women engineers, unless they are employed "as men" under the Relaxation Agreement, are the subject of separate negotiations and are not included in the present claim.) The unions point out that wartime pay-packages are swollen as a result of abnormal conditions—overtime, night work and Sunday work—and the extension of piece-rate systems, and not because of high wage rates. The district average and weekly minimum is £4 11s 6d for a skilled worker and £3 15s 6d for an unskilled worker. Though long-term negotiations for a revision of the industry's entire wage structure, described as crazy and antiquated, are now proceeding, the engineers want to have their "jam to-day." But to claim at the same time higher wages and shorter hours is to confront the issue. In the long run, the pressure for higher wages is a powerful stimulus to the introduction of more efficient methods of production and, hence, to the rise in productivity. At this stage the unions must make their choice: more money or more leisure, and not more money and more leisure.

Planned Reconversion

Plans for industrial reconversion are now beginning to take shape, and the Board of Trade has announced that nineteen Government factories—recorded in the accompanying table—have already been allocated to private firms for peacetime production. The total factory space in these factories amounts to 7 million square feet. It represents a capital value of about £10½ million, and should provide employment for rather more than 50,000 workers. The space so far allocated is not a very large proportion of the

total space available in Government factories, but the number of applications received—2,700 applications for 100 million square feet—is about three times as great as the total space available.

In view of the excess of demand over supply, and of the importance of the premises factor in industrial location, it is very essential that the Board of Trade should, as far as

GOVERNMENT FACTORIES ALLOCATED TO PRIVATE FIRMS

LOCATION	ALLOCATED TO	PRODUCTION
Llanelli	Morris Motors Ltd.	Motor cars
Cwmbran, Newport	J. Lucas & Co., Ltd.	Motor equipment
Bristol	Bristol Aeroplane Co., Ltd.	Aero engines
Solihull, Birmingham	The Rover Co., Ltd.	Motor cars
Chester	Brookhirst Switchgear Ltd.	Switchgear
Speke, Liverpool	Dunlop Rubber Co., Ltd.	Tyres, footwear
Coventry	Standard Motor Co., Ltd.	Motor cars
Coventry	Rootes Securities Ltd.	Motor cars
Peterborough	British Thomson Houston Co., Ltd.	Refrigerators
Doncaster	International Harvester Co. of Great Britain Ltd.	Farm machinery
Canbome	Holman Brothers Ltd.	Mining equipment
Cheadle, Stockport	Oilwell Engineering Co., Ltd.	Oilfield plant
Portadown, N. Ireland	Hamilton Robb Ltd.	Yarn bleaching
Duston, Northampton	British Timken Ltd.	Roller bearings
Oldham	Parkinson Stove Co., Ltd.	Gas appliances
Hadley, Salop	Blockleys Ltd.	Bricks
Seaton Carew	Head Wrightson Ltd.	Drop forgings
Armley, Leeds	Wilson & Mathieson Ltd.	Gas stoves
Workington	C. Corner & Co., Ltd.	Gas stoves

possible, plan the allocation of these factories—most of which are well equipped modern buildings—so as to conform to the most urgent production needs and to utilise the available labour force and plant to the maximum advantage. It would seem, to judge from the initial list, that the Board is in fact adopting the policy of encouraging the manufacture of motor cars and machinery—articles that will be in demand abroad—and of household equipment.

But some criticism has been made of the decision to allot the Speke aircraft factory at Liverpool to Messrs Dunlops for the production of tyres and footwear, which will employ largely unskilled female labour and will not absorb the skilled engineering labour released from aircraft production.

The orderly transition from war to peace should be enormously facilitated by the use of the location "planning room" which the Board of Trade has inherited from the

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SHARE & DEPOSIT FUNDS	£125,206,791
MORTGAGE ASSETS	£78,452,412
LIQUID FUNDS	
Trustee Securities	£47,711,398
Cash at Banks and in hand	£6,058,180
Reserve Funds & Undivided Profit	£6,675,468

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GLASGOW	119, ST. VINCENT STREET
LEEDS	32, COMMERCIAL STREET
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Ministry of Production and is adapting to peacetime purposes. The maps, charts and diagrams contained in this room provide a complete information service, in accordance with Clause 8 of the Distribution of Industry Bill. Any industrialist who is thinking of setting up a factory can obtain a detailed statistical picture of the advantages and disadvantages of any particular area—such as the availability of labour and factory premises, its transport and power facilities, and housing for workers. A location index, such as this, will surely become an indispensable feature of post-war organisation.

Mr Courtauld Protests

In view of the excellent preliminary statement of Courtaulds, dealt with on page 321 of *The Economist* of March 10th, the full accounts, summarised on page 389, call for no comment beyond regret at the absence of consolidation. This, however, is not the case with the statement of Mr Courtauld about the future of the company. A year ago he gave some vague indications of the post-war plans of the group. This year he is more precise. Orders have been given for a 50 per cent increase in the staple fibre factory in North Wales, a site has been acquired in Belfast and negotiations are proceeding for others in West Cumberland and Dundee, while British Nylon Spinners has acquired a site in South Wales for a further full-scale works. Overseas, the Canadian plant is to be extended, and among other Empire developments a site has been acquired in Australia for a large rayon yarn and staple fibre factory. Even more interesting, the group is considering the extended manufacture of chemicals for its own use and the building of improved textile machinery.

Evidently, whatever other textile manufacturers mean to do, Mr Courtauld does not intend to stand still, and he has funds, to the tune of well over £40 million, to back his projects. But so far there is no means of carrying out the plans made. Shareholders are warned that it will take years to build, equip and put into operation factories on the scale intended, and there is so far little sign of when a start can be made. And this brings Mr Courtauld to the essential point of his statement, namely a complaint at the unco-operative attitude of the authorities. Staff and directorate are strained to breaking point,

we are now in danger of seeing much of our important planning practically brought to a standstill. Some Ministers seem incapable of understanding that British industry can neither build up an export trade nor help in the development of the Empire—to say nothing of establishing full employment at home—if industrial staffs are to be kept depleted of some of their most active brains until the time for effective action is passed.

These are strong words, and all the stronger coming from a man whose public utterances have usually been very moderate in tone. The men in question are not in the armed forces and, rightly or wrongly, a large body of industrialists in the country feels that the time has come when a substantial part of the personnel, whose work has greatly helped in carrying on the war, ought now to return to their normal jobs so that industry may be prepared for peace. It is difficult to say that this claim is not justified in view of the preparations which are being made in other countries, but it may be doubted whether the fault ought

to be laid entirely at the doors of individual ministers. There are cases where they appear to have been unduly complacent, but it may well be that they too have not a call on the "most active brains" available. The fact is that the War Cabinet, even at this juncture, is absorbed in winning the war and that there is nobody of the requisite stature outside to support the claims of industrial reconstruction.

A Contrast

The full accounts of Bradford Dyers' Association show that the increase in profit disclosed in the preliminary statement was virtually all absorbed by higher tax provision, so that the increased dividend was provided by cutting down the addition to the carry forward. The transfer of £50,000 to reserve is, however, repeated. The accounts are summarised on page 389. The remarks of the chairman, Mr George Douglas, are concerned almost exclusively with the post-war position, but, in contrast with Mr Courtauld, he has nothing to say of the plans of the group or of the industry of which it forms a part. Instead, he advocates an extremely repressive policy towards the aggressors of the war. Having demanded stringent control and rigid supervision of their exports and imports, he continues:—

No half-way measures will suffice, and I would say, further, that apart altogether from the fact that past experience shows with what facility these countries have been able to apply the rewards of industry to the purposes of war, both German and Japanese products should be excluded from every market where their presence would be detrimental to the interests of the countries who have been the victims of such grievous wrongs and have endured such unheard of barbarities.

This would seem to mean that in no case and in no country may goods produced by the aggressor countries compete with goods of Allied origin, or perhaps that they might compete with American but not with UK or French goods. If this is so one is entitled to ask how the aggressor countries are to live, but one is left in very little doubt that the need for a drastic overhaul of production methods in important sections of UK textile manufacture would be somewhat reduced. It can only be hoped that Mr Douglas's words do not represent the contribution of the Association to reconstruction. Enterprise and efficiency, rather than protective devices, are the means to the maintenance of prosperous textile trades.

A minor contrast with the experience of Bradford Dyers' is provided by the fortunes of Woolcombers. From regular distributions of 26½ per cent tax free pre-war the dividend has fallen by steps to 15 per cent tax free for 1944. In conjunction with its main business the group produces wool-grease, lanoline and rust preventatives. The chairman, Mr W. E. D. Shaw, sees a large programme of reconstruction and modernisation ahead for which he would seem to have made adequate financial provision. But he is uncertain about future trading conditions. Referring to the need for a 50 per cent increase in exports he says:—

In my opinion, it is very necessary to state that unless there is considerable relaxation of Government control of industry at the earliest possible date so as to allow reasonable freedom for initiative and enterprise it will not be possible to achieve the desired objectives.

It is regrettable that Mr Shaw and others who voice similar beliefs are not more explicit. Nobody who has studied the subject believes that all Government control can be relaxed. Would it not be worth while for industrial leaders to state the minimum relaxation considered necessary so that the matter can be publicly discussed?

Budget Estimates

With only a fortnight to go from this week's Exchequer Return to the end of the financial year, the composition of Great Britain's annual balance sheet is fairly clear. Broadly, it looks as though the estimates given in the Chancellor's Budget speech will prove very near the mark. The pattern of war finance during the last two years has been much more easily predictable—in many sections it remained almost stable—than in the early years of the war. Fairly accurate estimation was therefore to be expected, though for the next financial year, and for the transition period beyond, the task may prove more difficult.

So far only excise, estate duties, motor duties and miscellaneous receipts among the important revenue items have passed the totals predicted, and the first three of these by narrow margins. With income tax it will be touch and go whether the higher Budget estimate of £1,300 million this year will be reached, and surtax seems destined to fall short of its target of £80 million. But customs, EPT and NDC will almost certainly finish well over the mark, and a total ordinary revenue surplus over the estimate of around £100 million seems likely.

On the expenditure side, the Budget estimate had to be revised in an upward direction when the last vote of credit was sanctioned at £1,250 million, against £1,000 million for the four previous ones. Actual ordinary expenditure seems likely to fall between the original estimate of £5,937.4 million and the revised estimate of £6,199.3 million, though not more than about £50 million above the former figure. This would leave the current deficit around £50 million short of the amount foreshadowed in the Budget, with revenue covering some 53 per cent of expenditure. In the financial year 1943-44, the deficit fell short of the original Budget estimate by £88.4 million.

The Demand for Small Change

Complaints are being heard of a shortage of small change. The coinage situation to-day is curious. There is far more coin in circulation now than ever before, yet the banks are unable to meet their customers' demands in full. For some reason the heavy paying-in of coin to the banks that usually takes place in January with the post-Christmas shopping lull was absent this year. It seems that many tradespeople, publicans and others, fearing a possible shortage, are hoarding coin instead of banking it. This is especially true of small change. Sixpences, for instance, may be difficult to obtain from the banks, but they are plentiful in circulation. In some places there is even a glut. This coin has been freely minted during the war; some 200 million have been struck since 1939—an extra seven for each member of the spending public.

Many millions of shillings are immobilised in gas and electricity meters. The numbers so immobilised have increased lately, partly owing to the increased number of

COIN HOLDINGS OF THE BANKS OF THE UNITED KINGDOM AND EIRE

(32 Banks, including the Bank of England)

Year	Day of the Week	Gold Coin	Silver Coin	Nickel-brass Threepence	Bronze Coin
June 30 1939	Friday	45,283,569	17,403,503	224,461	2,847,271
1940	Saturday	10,255,889	17,183,538	244,486	2,656,536
1941	Monday	256,404	20,197,775	285,809	2,247,879
1942	Tuesday	903,144	19,899,236	638,337	2,106,824
1943	Wednesday	911,340	20,759,440	833,772	1,920,113
1944	Friday	922,217	18,059,395	1,025,157	1,662,643

meters installed and partly because, owing to the labour shortage, the meters, and possibly ticket machines, are not emptied so often as in the past.

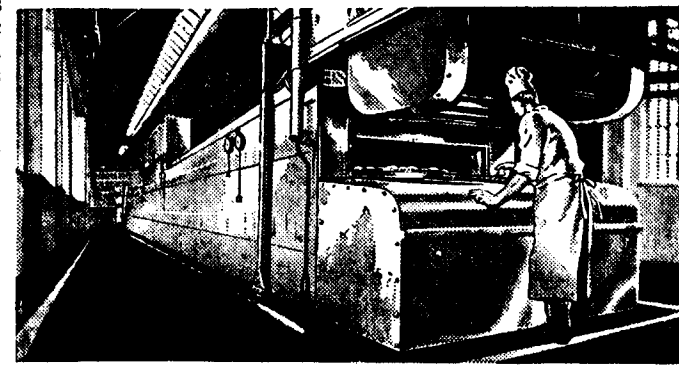
The demand for pennies has risen sharply since last autumn, when it was announced that the minting of pennies had been resumed after an interval of four and a half years. This revival of demand was probably psychological, as plentiful supplies of the new threepenny bit had been minted to take the place of pennies.

There should be no real shortage of coin, as the Royal Mint has issued about 1,500 million coins since the outbreak of war. The trouble seems to lie in a slowing-up of circulation and in unnecessary hoarding. The banks, at any rate, cannot be accused of hoarding coin. Figures are now available of coin held by the banks on June 30, 1944, and these are given in the above table. It will be seen that these holdings are the lowest for some years. The bronze coin at £1,662,643 shows a very heavy fall of 41 per cent from the peak figure of £2,847,271.

New Life Assurances in 1944

The volume of new ordinary life business effected in 1944 represents an advance of nearly 6 per cent on 1943 figures, a rather larger gain than in the previous year. In the table on page 396 offices have been divided into three groups: ordinary life offices, composite offices (including in this group ordinary life offices which are actively associated with well-developed fire and accident companies) and industrial-cum-ordinary offices. Nearly the whole of the 1944 increase is accounted for by the composite offices—the second of these three groups—the ordinary offices showing only a modest gain and the industrial-cum-ordinary offices registering no change on the level of the two previous years. Measured against 1938 sums assured, however, the industrial-cum-ordinary group still shows the greatest activity, with 85 per cent of the pre-war figure, compared with 71 per cent for composite offices and 44 per cent for ordinary offices; it is this last group which has suffered most from staff shortage during the war years. In considering the tables, allowance must be made for the effect of large individual offices such as the Eagle Star, which has been energetically developing its group life business, and has a 1944 new business figure equivalent to 161 per cent of that for 1938. In view of the higher level of many incomes in comparison with those prevailing before the war, substantial increases in new business figures may be expected as soon as offices recover their pre-war staffs, and the increases may well be greatest in the ordinary life group.

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London Dock Enquiry

The committee of enquiry into the recent London dock strike held its first meeting on Wednesday. The committee consists of nine members, the National Dock Labour Corporation, the Port of London Authority and the Trade Unions having three representatives each, with a chairman, Lord Ammon (chairman of the Corporation), elected from the committee members and a secretary appointed by the Ministry of Labour. The committee's terms of reference are "to enquire into the conditions of work at the London docks," and since the men only agreed to return to work on the understanding that there would be an investigation into their grievances, it may be expected to report to Mr Bevin as rapidly as possible. The men's Strike Committee is being kept in being, for the purpose of collecting evidence and representing the point of view of the rank and file dockers, who are not directly represented on the committee.

Although the immediate cause of the stoppage was a minor incident—the moving of a calling-on hut at the Royal Albert Dock—the strike showed that there was a great deal of unrest among the dockers, who resented what they regard as the arbitrary and autocratic disciplinary methods of the Corporation's officials. There seems to be a curious conflict between the dockers' traditional dislike of outside control and their appreciation of the benefits of decasualisation which the Corporation has conferred. On their side, the Corporation points out that absenteeism has been reaching alarming proportions and that it had become necessary to take a strong line. One of the proposals which the union representatives will make is that the men should have some machinery for collectively putting forward their case. Dock employment probably does not lend itself to any form of joint production committee. Some scheme on the lines of that introduced with considerable success in certain mining districts for dealing with absentees by fining absentees on the spot, with assessors from both sides, might, however, be adapted to the docks.

It will be the committee's task to sort out all the issues and arrive at a workable solution, which will prevent the repetition of the recent deplorable strike. It would perhaps

have been wise to appoint some independent investigator, such as Sir John Forster, whose impartial conclusions would be accepted by all sides.

International Nickel

Both output and profits of the International Nickel Company of Canada have declined during 1944. Sales of copper, at 269 million lbs, were roughly the same as in 1943, and slightly lower than the average production for 1936-38; but sales of nickel in all forms, at 250 million lbs, show a decline of 15 million lbs in 1943, although still higher by some 70 million lbs than the 1936-38 average. In addition, the company has continued its wartime practice of refining a certain amount of nickel and copper on behalf of other mining concerns. While nickel production has expanded, sales of gold and silver have continued to contract during wartime. No statement on the amount of platinum produced is available, but its exclusive use for war purposes has led to an increased production of palladium for dentistry and jewellery.

International Nickel's main difficulty is the serious fall in both supply and quality of labour, which has led to further rises in production costs as well as to reduced output. Full figures for 1944 are not yet available, but trading profit has declined since its 1941 peak, while throughout the war much higher appropriations for taxation, depreciation and contingencies have been necessary. The common share dividend of \$2, paid from 1938 on, was exactly covered for 1943. For 1944, earned for common has fallen to \$1.71, which is lower than any year since 1935, and the common dividend has been reduced to \$1.60.

The outlook, however, is much brighter than falling profits suggest. Mr Stanley, the chairman and president, points out that the company has no serious reconversion problems and that, given sufficient manpower, its plants are equipped for record production. The suspension during the war of the mining development plan, which called for capital outlay of \$35 million, has added to the wartime drain on ore reserves; but proven ore reserves are still reasonably strong, and the company has strong liquid reserves for financing post-war capital development. The loss of the Petsamo nickel concession, in return for \$20 million compensation paid by the USSR, cannot be regarded as a serious blow. The company's chief market for refined copper is Canada, and for nickel the US, and the latter market, at any rate, may well expand. Good prospects in the sale of stainless and special steels, and in the utilisation of techniques arising from wartime research, further justify Mr Stanley's balanced optimism.

French Exchange Control

On January 15th the French Government made an Order strengthening its foreign exchange control system, which, until then, had remained virtually unchanged since 1939. The new Order was merely designed to close a number of loopholes in the original regulations. Its object was, first, to prevent capital exports by methods until then still permissible, and, secondly, to control financial transactions in France, likely to profit the enemy, by persons resident in neutral countries. To this end the French Government took power to call for the disclosure of foreign assets in France, and to prohibit, by decree, purchases of real estate, of shares and, in fact, all kinds of transactions involving transfers of property and capital by residents abroad or by their agents in France. In other words, the French Government decided to stop transactions of a kind that had been stopped as a matter of routine in this country long ago.

It was made perfectly clear in the text of the Order that the control of capital transactions was to be applied flexibly, in order not to prejudice French financial and economic relations with other countries, that countries which can give effective guarantees against the infringement of the blockade of the enemy would be granted reciprocal treatment, and that the Exchange Control Office was given power to grant facilities for legitimate transactions. To say that "it is obvious that the measure will lead to the elimination of foreign capital invested in France, and French firms with foreign associates will thus find themselves penalised as compared with purely domestic concerns"—as one British newspaper did—is to read into the Order intentions that are not warranted by the text.

Exports to India

The importance of relaxing onerous controls on trade as soon as possible needs no further emphasis in words. The Government of India have now decided to issue an open general licence on imports of certain consumer goods from the United Kingdom. The list of goods which can now be imported without the formality of an individual import licence is published in this week's *Board of Trade Journal*. Excluded from it are such things as cotton piece goods and cycles, which are produced, though in small quantities, in India. For these, a simplified form of control will remain, until a tariff investigation can establish the extent to which industries greatly expanded during the war can, as promised, be fiscally protected against a flood of foreign imports. In practice it will not be the Indian import controls, but rather the controls on British production which will limit exports to India in the near future.

The same is true, of course, for every kind of export to India. The Indian Government's action, however, will do much to increase the attractiveness of the Indian market to British exporters. No other Empire country has so far taken similar action. India also has the advantage that there is no reason for restricting exports on grounds of shipping shortage. As an operational base, India is assured a steady supply line and supplies for war and for civilian consumers are, as cargoes, generally complementary.

It is not surprising that the relaxation should apply only to imports from the United Kingdom. From most other exporting countries, the major limiting factor is that of shipping. From the United States, whose manufacturers have shown increasing interest in the Indian market, the scarcity of dollars makes import control a matter of vital importance to the Government.

For the present, the new relaxation can have little immediate effect on the volume of civilian supplies sent to India. That volume, however, has been steadily mounting since the trough of 1942 and 1943. Last year it was to the tune of £6,000,000. It is, however, an indication of the anxiety of the Indian Government to improve the dangerous scarcity of consumer goods in the country.

A Case of Procrastination

Earlier this month, on March 6th, Mr Astor asked the President of the Board of Trade, Mr Dalton, in the House of Commons whether he had considered the Palache Report on tendencies to monopoly in the film industry and whether he could make a statement on it. Mr Dalton replied that he had asked the various sections of the industry to let him have their views. Pressed by Mr Astor to indicate when the sectional views of the industry are likely to be submitted, Mr Dalton evaded the issue by saying that three out of eight sections had sent in replies and that it was not his intention "to begin to form a view" unless he had "those communications."

This, clearly, is a case of procrastination. The Palache Report was submitted to the Films Council in July last year (it was discussed in *The Economist* of August 12, 1944). Mr Dalton's reply amounts almost to an invitation to those sections of the industry who might have an interest in the maintenance of the state of affairs disclosed by the Palache Report not to send in their replies or, at any rate, to postpone them indefinitely. The least he could do now is to fix a time limit for the outstanding replies; and this should be short.

Shorter Note

The figures of the Capital Issues Committee's operations provided by the Chancellor of the Exchequer throw little light on this aspect of war finance. They cover the war period up to the end of last month; they show that applications have been numerous and that the amount involved has been

	Approved		Rejected	
	Number	£ Mn.	Number	£ Mn.
New projects.....	8,670	242.0	345	31.3
Conversions.....	3,683	599.3	330	38.2
Total.....	12,353	841.3	675	69.5

substantial. No classification is provided beyond the statement that £207 million came from Governments, local authorities and public bodies. There is no differentiation between issues on the capital market and the creation of

charges to cover loans. Finally, the relation between rejections and acceptances is an indication of differences of opinion as to the scope of the regulations and not of the amount of money which would have been sought had they been less restrictive.

Company Results

The Bradford Dyers' Association.—Dyers of silk, rayon, mohair, wool, worsted and cotton fabrics.

	Years to December 31,		
	1942	1943	1944
Profit.....	590,191	580,333	684,968
Depreciation.....	146,309	145,901	139,229
Directors' fees.....	44,383	44,383	44,383
Debiture interest.....	201,608	195,660	256,112
Income tax.....	27,174	23,366	20,568
War damage contribution.....	159,327	63,730	63,730
Preference dividends.....	11,300	107,293	108,938
Ordinary shares:—			
Earned.....	11,300	107,293	108,938
Paid.....	1.0	45,176	56,470
Earned %.....	1.0	9.6	9.6
Paid %.....	...	4	5
General reserve.....	50,000	50,000	50,000
Carry forward.....	19,563	31,680	34,148

Net fixed assets.....	4,572,574	4,020,665	3,992,471
Net inter-company items.....	158,334	169,901	169,901
Net liquid assets.....	2,026,755	2,474,321	2,662,681

Gross liquid assets.....	3,464,871	4,682,836	5,179,374
Stock in trade, etc.....	950,139	1,109,068	1,232,774

† All appropriations, including income tax on undistributed profits, are made in accounts of subsidiaries.

‡ Voted in respect of 1943.

* Two and a half years paid in 1942. On a single year's dividend, earned for ordinary equals 9.5 per cent.

‡ After deducting provision for tax and deferred repairs.

The ordinary stock units of £1, quoted at 26s. 6d., yield £3 16s. 11d. per cent.

Courtaulds.—

	Years ended December 31,		
	1942	1943	1944
Profit.....	3,995,401	3,687,422	3,202,434
Taxation.....	2,733,271	2,554,299	2,278,251
Preference dividend (net).....	200,000	200,000	200,000
Ordinary shares:—			
Earned.....	1,063,130	933,123	784,183
Paid (net).....	900,000	900,000	900,000
Earned %.....	8.9	7.8	6.9
Paid %.....	7.1	7.1	7.1
Carry forward.....	656,185	689,308	513,491

Net fixed assets.....	7,675,107	6,886,924	6,186,381
Net inter-company.....	4,342,564	4,243,702	5,289,061
Net liquid assets.....	41,499,139	42,415,039	41,914,468

Gross liquid assets.....	47,293,810	48,588,345	48,318,629
Stock in trade.....	3,506,560	3,914,061	4,206,045
Tax certificates.....	2,000,000	2,100,000	4,100,000

† After all costs, including deferred repairs, and depreciation of £947,352 in 1942, £890,217 in 1943 and £853,228 in 1944.

‡ Liabilities deducted include deferred repairs and renewals of £245,000 in 1942, £421,700 in 1943 and £900,301 in 1944.

The £1 units of ordinary stock, quoted at 55s. 3d. ex dividend, yield £2 14s. 4d. per cent.



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the North of England is thinking, not only of finance and politics, but of matters in everyday living. After all, Yorkshire is not only the heart of industrial production, but a big slice of our National consuming market.

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COMPANY MEETINGS

THE NATIONAL BANK OF INDIA, LIMITED

STRONG LIQUID POSITION

VITAL IMPORTANCE OF INDIAN AGRICULTURE

The annual general meeting of the National Bank of India, Limited, will be held, on the 27th instant, at 24 Bishopsgate, London, E.C.

The following is an abridgment of the statement by the chairman, Mr R. Langford James, circulated with the report and accounts:

In my address to the shareholders last year I commented on the admirable manner in which the many difficulties arising from the war had been tackled successively and overcome by business concerns, and I mentioned that assistance in this respect had come from a speeding-up of the overseas mail service. The regularity and speed of the Eastern mail service have been still further improved, and this is exemplified by the fact that, whereas in 1943 we found it impossible to place our report and the annual accounts in the hands of the shareholders before the middle of May, and last year not before the middle of April, this year we are able to hold our annual meeting at its accustomed time, the end of March.

A RECORD BALANCE-SHEET

The total of the balance-sheet at £66,623,503 1s. 9d. creates another record for the bank. It is an increase of about £4,750,000 over the previous year. It is accounted for entirely by an increase under the heading current, fixed deposit and other accounts, and reflects the continued increase in the volume of money passing into the hands of the bank's constituents largely as the result of war expenditure. It is of interest to note that the total of the current, fixed deposit and other accounts at about £61,000,000 is more than double the total of these same accounts in our balance-sheet of December 31, 1939. Cash on hand and with our bankers and money at call at £23,000,000 show an increase of nearly £2,000,000. This with our large holding of Treasury bills, which has increased by over £2,000,000, constitutes a very liquid position, which in these times is highly desirable. Government securities are up by almost £1,000,000.

Since we met last what a remarkable and what a heartening change has been effected in the war situation! But though this affects all of us, of course—and the temptation to dwell on the broad subject must be obvious—I will confine myself to affairs in the territories that principally concern the bank—India, Burma and Ceylon. Of these, Burma presents most interest, for in the past few months the Allies have embarked on large-scale operations which are surely, though necessarily comparatively slowly, evicting the Japanese from that country. We have in Burma two branches, in Rangoon and Mandalay, awaiting reopening, and our arrangements for doing so are complete so far as it lies in our power to make them. There still appears to be some doubt as to whether the Government's plans are in a corresponding state of advancement, but this is presumably a matter that is receiving unremitting attention.

ACHIEVEMENTS IN INDUSTRIALISATION

The Japanese are being pressed back with much success, and, in the case of India and Ceylon, it is not being over optimistic to suppose that, so far as actual fighting is concerned, they have seen the last of the war. But of course they are still intimately concerned, India as an arsenal and a producer of supplies of every description and

Ceylon as the headquarters of the South-East Asia Command. To both—and particularly to India—the war has brought great prosperity. It is probably not an over-statement to say that without the war the degree of industrialisation attained in India in the past five years might not have been reached within perhaps 25—possibly more.

Achievements to date have quite naturally fired enthusiasm, and so, in addition to the Bombay Plan, to which I referred last year, other "plans" for the economic development of India have been produced. Indian capitalists are shrewd, and my individual opinion is that they could be relied upon to develop industries at a pace at which the resulting products would find markets without any attempt at hot-house forcing.

Be that as it may, however, and whether any cut-and-dried programme is adopted or not, I venture once again to stress the vital importance of giving agriculture a foremost position. The distressing famine conditions of 1943 are sufficiently vivid in the minds of all interested in India for them to be regarded as a solemn warning. In a lecture at Delhi in January Sir Jogendra Singh estimated that by 1971 the population of India may be about 580 millions. Industrialisation would come naturally and normally (that seems obvious), but to me it appears that the primary need of the country is such an improvement in agricultural methods that the increase in food production shall keep pace with the expected increase in the numbers to be fed.

MERCHANTS' AND MANUFACTURERS' INSURANCE

CONTINUED EXPANSION

The twenty-fifth annual general meeting of Merchants' and Manufacturers' Insurance Company, Limited, was held in London on the 20th instant.

Colonel William Parker, D.S.O., T.D., D.L., presided.

The managing director and secretary (Mr Edgar Wheeler, F.C.I.I.) read the notice convening the meeting and the report of the auditors.

The chairman said:—I am pleased to say that the company's business continues to expand and progress is particularly marked in the fire department. The premium income of the company has advanced to £188,005 and the year's trading has resulted in the satisfactory profit of £24,593. The board recommend a dividend of 6 per cent., which is at the same rate as has been paid for the past eighteen years.

As much as 58 per cent. of our funds is invested in British Government Securities and the market value of the investments is considerably above their book value so that the investment reserve is entirely free. The total assets of the company amount to £466,756.

It is our constant endeavour to keep abreast of the requirements of the business community, and to this end we issue a special motor traders' policy for the protection of garage proprietors and a comprehensive policy which covers in one document the many risks against which shopkeepers so urgently need insurance protection.

During the past year we have continued to receive the same excellent support from Lloyd's Brokers as hitherto, and to them and to all our officials and staff I express my appreciation and thanks.

The report and accounts were adopted: the retiring director, Lieut. Col. Miles Backhouse, D.S.O., T.D., was re-elected and the auditors, Messrs. Peat, Marwick, Mitchell and Company, were re-appointed.

NORTH-EASTERN ELECTRIC SUPPLY COMPANY, LIMITED
SUCCESSFUL RESULTS

At the annual meeting of the North-Eastern Electric Supply Company, Limited, held on the 21st instant, a final dividend on the ordinary stock, making 7 per cent., was declared for the year ended December 31, 1944.

With the lifting of the ban relating to the accounts of public utility undertakings, the gross profits of the company during the war period were disclosed, viz., £1,685,772 for 1940, £1,748,670 for 1941, £1,884,045 for 1942, £2,031,510 for 1943 and £2,237,239 for 1944. The carry forward to 1945 is £234,408 against £232,595 brought in from 1943. Net capital expenditure during the year amounted to £268,220, some £390,000 less than 1943. It would be observed that they had altered the form of accounts to bring them into line with the recommendations of the Council of the Institute of Chartered Accountants.

The amount of electricity supplied in 1944 exceeded that supplied in the last complete year of the pre-war period (viz., 1938) by over 634 million units. The increase in 1944 over 1943 exceeded 73 million units.

CHAIRMAN'S REVIEW

In reviewing the company's activities, the chairman, Mr R. P. Sloan, CBE, stated that during the war attention had been concentrated on meeting the heavy demand for the production of munitions. Generating plant and transmission system had been extended, including, in 1941, two additional boilers at North Tees Power Station.

Development in the domestic side of their business had, of course, practically been at a standstill during the war years, and, although there had been some relaxation of blackout restrictions, the necessity to economise in the use of electricity—as in the case of gas—was still continuing. Despite increases in costs, the company had not increased its tariffs.

Although they had not escaped interference by enemy action, they could rightly claim to have achieved a high degree of success in their endeavours to maintain continuity of supply.

NEW POWER STATION—SERIOUSNESS OF DELAY

In regard to the proposed new power station in County Durham, he stressed the seriousness of the delay in a decision being reached by the Ministries on whose behalf public inquiries on the subject were held early last December. He explained how this delay had already caused a setback of a whole year as regards availability of much-needed additional generating capacity required for meeting the demand for electricity during winter months. The electricity supply industry had played a great part in the production of munitions, and in many other ways had assisted the war effort, and it would be called upon to play an equally important part in the post-war period. But it was perhaps not generally known that the imperative need to concentrate the manufacturing resources of the country on the production of munitions of war had, for the past three years, seriously retarded the expansion of generating resources. There had been no corresponding pause in the expansion of the demands for electricity. The industry was thus faced, in the next few years, with the double task of making up this leeway and, at the same time, providing for the further growth of demand.

It was, therefore, a particularly unfortunate time for the introduction of a new public policy, under which it seemed to be taken for granted that any important extension programme must be opposed, and, indeed, frustrated, if possible, by some body or another, or at all events that it should be made extremely difficult to carry out.

COUNTY OF LONDON ELECTRIC SUPPLY COMPANY, LIMITED

IMPROVED RESULTS

SIR ROBERT RENWICK ON NATIONALISATION

The fifty-first ordinary general meeting of the County of London Electric Supply Company, Limited, was held, on the 20th instant, in London.

Sir Robert Renwick, Bt., the chairman, in the course of his speech, said:

SUMMARY OF POSITION

The output for the year 1944 was 2,481 million units, as compared with the 1939 figure of 2,243 millions. The output for 1944 was the second highest output in the history of the company. The record output was that for 1943 at 2,566 million units.

The gross revenue for the past year, at some £7,898,000, shows an increase of 6.3 per cent. over 1943 and 38.6 per cent. over the year 1939. This present remarkable figure compares with a revenue of just over £3,000,000 in 1934 and £4,000,000 in 1936, and has shown a substantial increase each year during the war years. On the other hand, our expenditure on revenue account for the year 1944, at £4,956,000, has increased by £1,869,000 since 1939, and is attributable to extra expenditure arising out of war conditions.

The number of our consumers at present totals 357,983, an increase of nearly 11,000 over the 1939 figure. The figure for the inner London area shows a decrease of some 9,000 consumers over the 1939 figure; in our outside London areas the total has grown very substantially.

The excellent position has been achieved with only a very moderate increase in our prices to consumers.

REVENUE

As I have said, the gross receipts on revenue account are £7,897,985. The increase in expenditure over the previous year is some £346,700, and of that increase no less than £288,000 is accounted for in the cost of coal. Again, there is an increase of some £65,800 in the purchase of current, which also reflects the increased price of coal. The increase in the price of coal per ton since 1939 is no less than 88 per cent.

A final dividend for the year has been declared on the ordinary stock of 5 per cent., making with the interim dividend 8 per cent. for the year, and there remains to be carried forward £796,941, as compared with £787,759.

ENGINEERING ASPECTS

In spite of adverse circumstances our generating station at Barking has come through the period with flying colours, without any interruptions of supply to our consumers and with the record of meeting efficiently all demands made upon it. The plant capacity at Barking has been increased during the war period by the addition of another 75,000-kw. generator and four boilers.

It is not possible to give you a full story of the difficulties under which Barking has operated during the war period. Quite apart from other troubles our main difficulties have arisen from labour and coal. It has been, indeed, a major difficulty at our station to obtain a sufficient number of suitable men to replace the experienced pre-war regular workers, and, in addition, to make up the number needed to operate and maintain the additional plant installed. You will appreciate that under such conditions it has been difficult to sustain the high standard of maintenance upon which we had always prided ourselves.

INCREASED FUEL COST

I have mentioned previously the alarming increase in the cost of fuel, even though

METROPOLITAN ELECTRIC SUPPLY COMPANY, LIMITED
INCREASED SALES

The fifty-eighth ordinary general meeting of this company was held, on the 20th instant, in London.

Major H. Richardson, M.C., J.P. (chairman and managing director), said that at the end of the year supply was being afforded to over 206,000 consumers, the net increase for the year being only 173, the new consumers in the western area being offset by further evacuation of consumers from the company's London areas. In spite of that decline and the Government's appeal for economy in the use of fuel, they had sold approximately 84 million units in the London areas, 484 million in the distributing undertakings and subsidiary companies in their western areas and 188 million in bulk to other authorised undertakers, making a total of 756 million, being 40 million, or 5.6 per cent., in excess of the units sold during the preceding year.

With regard to the effect of the war on the business of the company during the war years, that in their London areas evacuation of consumers, combined with lighting restrictions and later the fuel economy campaign, had caused an immediate diminution of business so drastic as to result in a loss of net revenue from those areas. The setback, however, was more than compensated for by the large increase in business in the other undertakings operated by the company in the western area.

Combining the London areas with the western area, gross revenue during the period had increased from £1,707,000 to £3,032,000, an increase of £1,325,000, or 78 per cent., whilst the surplus on trading rose from £431,000, to £681,000, an increase of £250,000, or 58 per cent. Despite the loss of net revenue from the London areas the dividend to ordinary stockholders had remained at 8 per cent. for each of the last five years.

The report was adopted.

NATIONAL PROVIDENT INSTITUTION

STRONG POSITION SHOWN

The following is a summary of the address to be submitted by the chairman, Mr Vincent W. Yorks, at the annual general meeting of the National Provident Institution for Mutual Life Assurance to be held, on the 27th instant, in London.

Our new business shows a moderate increase over that of 1943 and is satisfactory in present circumstances. Our claims by death are larger than in the previous year and include some £60,000 due to the war, but the total is still within that expected according to the mortality tables on which the actuarial valuation is based.

Our funds now amount to approximately £13,500,000, having increased during the year by about £260,000. We have again given full support to the Government War Loans, and our holdings of British Government securities now stand in the books at £3,553,000.

Our financial position is strong; our assets are worth a good deal more than the figure at which they stand in the books, and our interest earnings have been maintained in spite of heavy taxation and the necessity in present conditions of investing large sums at relatively low rates of interest. After a careful review of the position we have felt justified in increasing the rates of interim bonus fixed two years ago, and the present rate of interim bonus on whole life policies is 35s. per cent. per annum, while that on endowment assurance policies varies according to the maturity age from 25s. per cent. to 35s. per cent. per annum.

As at December 31st next we shall make the customary triennial actuarial investigation of our assets and liabilities. I cannot, of course, foretell what the result will be, but the present rates of interim bonus may be taken as an indication of the sort of bonuses we hope to declare at the end of the year.

the fuel is far inferior to our pre-war grades. It is not for me to dilate here upon the position or future of the mining industry, but I will only observe that large consumers of coal such as ourselves, and, indeed, I think the whole industry of this country, are even more concerned with the position than our friends in Parliament. It is worthy of note that the votaries of nationalisation of the coal-mining industry claim that it will be necessary for the taxpayer to subsidise this industry for a long time to come. Ordinary business people like ourselves might wonder why the running of this most vital of all our national industries could not be got on to the ordinary business principle of paying its own way and having some regard to its consumers' interests. I wonder if the trouble is that the mining industry has been sunk in politics for so many years. If I am right—and I think I am—what a warning it is for so many industries threatened with political interference.

GREATER PRODUCTIVITY

Perhaps I may now turn to the future. There is one thing abundantly clear to me—that to these two persistent and very virtuous slogans of "Full Employment" and "Social Security" there needs to be added even more persistently and even more virtuously a third, namely, "Greater Productivity." Without greater productivity there can be no full employment and the social security we all want. So much does your company believe in it that already our programmes of development have been submitted to the authorities, and, so far as material is available, work has already been put in hand. You have doubtless heard of the £90,000,000 programme of expenditure on generating stations throughout the country. You will be interested to hear that the estimated generation expenditure for this company and our associated companies, alone, over the next ten years, which has already been considered by your board is of the order of £21,000,000.

With regard to transmission and distribution, the estimated expenditure even for the next five years is something of the order of £12,000,000, and we believe that if this country is to revive and become once again a leader in industrial matters, such a programme is absolutely essential.

FUTURE OF THE INDUSTRY

These vast sums of money are not going to be found by subsidies from the Government or even by the Central Electricity Board. They are to be found by people like ourselves who have to put such experience and such wisdom as we have accumulated into the wise expenditure and operation of these vast resources. I was asked recently by a politician as to why we should involve ourselves with all this planning and expenditure in the light of what he thinks is a possibility of this industry being nationalised or regionalised in some way. The only immediate answer I could think of for him was that we were not politicians.

It appears to be, however, that there are ideas in the minds of such as my friend and others that a prosperous industry such as ours should be nationalised and that the Government—that is, the taxpayer—would find these vast sums of money for development. What is always forgotten is that with the industry as it is at present there is a background of vast technical and other professional experience among both directorates and staffs. Some people think; apparently, that all this experience will pass over to the Government at salaries and fees consistent with Treasury regulations. We have only to look at the record of this industry during the war years, which proves that it is highly organised and efficient, and it will be a very unwise Government which decides on any interference of a major character for no other reason than that of political expedience. I have said to you before that your board is strongly of the opinion that no major operation is necessary, although improvements can be made of what I called a first-aid nature within the industry itself.

The report was adopted.

EQUITY AND LAW LIFE ASSURANCE SOCIETY

SATISFACTORY RESULTS

LIFE ASSURANCE OFFICES AND POST-WAR INVESTMENT

SIR GEOFFREY ELLIS'S SPEECH

The annual general meeting of the Equity and Law Life Assurance Society was held, on the 22nd instant, at the Law Society's Hall, Bell Yard, London, W.C.2. Sir Geoffrey Ellis, Bt., M.P. (chairman), presided.

The Chairman said: Gentlemen,—I rise to move "That the report and accounts for the year ending December 31, 1944, be received and adopted and entered on the minutes." These have been in your hands for some days and I assume may be taken as read.

First, I wish to mention some matters of general importance to all life assurance offices, and then to say something about the domestic affairs of the society. It is all too clear that the transition period which will follow the end of the war in Europe must be a period of shortages. There will be a dearth both of labour and of materials, probably for several years. The spending power of the public will need to be severely restricted, and it will be of the utmost importance that the community should continue to save. The post-war savings campaign ought to run along much broader lines than the war-time appeal to invest in Government loans. In this period we hope that life assurance will be allowed to play its part as a form of saving well suited to the requirements of many people.

"EMPLOYMENT POLICY" WHITE PAPER

After the transition period will come that shaping time of the future to which so much attention has been directed by the recent White Paper on "Employment Policy." This White Paper marks a notable development in the relationship between politics and economics. The Government "accepts as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war," and one of their guiding principles is stated to be as follows: "Everything possible must be done to limit dangerous swings in expenditure on private investment, though success in this field may be particularly difficult to achieve."

CONTROL OF INVESTMENT DURING TRANSITION PERIOD

Life assurance offices are one of the main channels of investment. With the high rates of taxation now ruling and the consequent and continuous decline in the amounts that can be made available to industry by wealthy persons, these institutions must play an ever increasing part in transmitting the savings of the community into productive enterprise. It is stated in the White Paper that during the transition period "the use of capital will have to be controlled to the extent necessary to regulate the flow and direction of investment"; with this we most fully agree. As the transition period fades, however, we hope that a large and increasing measure of freedom will be returned to institutions such as ours. Over-all guidance will continue to be necessary, but we are entitled to expect that within such guidance we shall be free, in the light of our own knowledge and experience, to play our part and to exercise our judgment in the encouragement of productive enterprise. We support unreservedly the Government's aim of maintaining a high and stable level of employment, and we believe that the path which I have indicated—namely, that judgment shall be exercised by those qualified to do so—offers the best prospects of success.

THE NEW FINANCIAL CORPORATIONS

We welcome the proposed formation of the two new financial corporations, especially the "Finance Corporation for Industry," in which we expect to participate. The precise part which these corporations will play in the industrial and financial structure of the company can only become evident as events develop—the Chancellor of the Exchequer has already indicated the Government's views. I would say, however, that we consider it to be of paramount importance that the corporations should—to use the Chancellor's own phrase—"have an identity of their own." Their boards must be strong and independent, and—to quote the Chancellor again—must consist of "men of wide industrial and general business experience."

During the year the Government has given indications as to the manner in which they propose to carry out the transfer of man-power from the Armed Forces to civilian life, and as between one industry and another, on the cessation of hostilities with Germany. We have for some time past been giving considerable thought to the problems which will arise on the return of those members of our staff who are serving with the Forces—these men represent rather more than two-thirds of our total peace-time staff. One decision which I think will interest you is our intention to build up a larger branch organisation than that which we had before the war, and to extend our connections throughout the country. We are hopeful that many of the men now serving with the Forces will find scope and opportunity in this larger organisation.

NEW BUSINESS

During the year we wrote 334 policies providing new sums assured of £475,196 and 242 annuity contracts in respect of which the considerations were £353,154. In passing, I would remark that new business for the current year shows a substantial improvement over that for the corresponding period in 1944, particularly in respect of with-profit policies.

NEW RATES OF PREMIUM

In July last we reconsidered the rates of premium which we were charging for non-profit assurances—both whole-life and endowment. We felt that the desire and need for war risk cover for civilians in this country was no longer so pressing as when we introduced this cover in the spring of 1940. We therefore decided to exclude war risk cover from our normal form of contract and to revise our rates of premium accordingly. We believe that these rates now compare most favourably with any available in the market. We are still prepared to cover civilian war risks in this country at a premium, additional to our reduced normal rates, of 5s. per cent. per annum.

CAPITAL ANNUITY SCHEME

Our capital annuity scheme has had an excellent response, and clearly meets a need among prospective annuitants. The scheme was only introduced in June, but by the end of the year considerations amounted to £247,000, and by now they exceed £400,000. Your society is thus maintaining its reputation as a specialist in annuity business. The scheme is fully explained in our leaflets.

THE ECONOMIST, March 24, 1945 ACTUARIAL VALUATION

You will remember that our triennial valuation took place as at December 31, 1943, and the year 1944 is thus the first year of the new triennium. I am pleased to be able to tell you that the actuarial valuation, which we make every year for internal purposes, has shown that the trading results for the year 1944 were satisfactory. In my remarks to you last year I drew attention to the effect which the increase in the funds, resulting from the various transfers made as at the end of 1943, would have on the rate of interest. The rates of interest shown in the present report—£4 10s. 2d. per cent. gross and £3 10s. 11d. per cent. net—are thus not comparable with those given in the last report; they are very satisfactory, especially in relation to the strength of the investment portfolio—witness our holding of over £10,000,000 British Government securities—and having regard to current interest levels.

We look forward with confidence to the next triennial valuation, which falls to be made at December 31, 1946, and in the meantime interim bonus is being paid in respect of claims arising on with-profit policies, and is being allotted in respect of each year's premium falling due on or after January 1, 1941.

TRIBUTE TO STAFF

By the time our triennial valuation comes to be made we hope that many of our men now serving with the Forces will have returned to us. Many of these men have now been absent for well over five years—to them all we send our greetings and our best wishes for a safe and speedy return. To those of our staff who remain, and to those who have joined us temporarily for the war period, I say thank you—they have worked well, and the more senior among them are giving much thought to the return of their serving colleagues.

The report and accounts were unanimously adopted.

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

MR K. A. E. MOORE'S REVIEW

The annual general meeting of the above society was held, on the 21st instant, in London.

Mr K. A. E. Moore, F.C.A. (the chairman), in the course of his speech, said: The year 1944 was the first year in the new valuation period, and the report and accounts now before you indicate that the society continues to prosper. There are one or two matters of interest in the accounts on which I should like to comment.

(a) The amount of new business secured has again shown a substantial increase, and the 1944 figure is as much as 62 per cent. of our record pre-war total obtained in 1938. This fact, I think, affords evidence that the excellent valuation report we were able to put before you a year ago has been well received, and it is also a tribute to our hard-worked and greatly depleted outside staff. Nevertheless, the war has severely checked our net rate of growth, as will be seen from the fact that the premium income remains roughly at the pre-war level.

(b) An increase in the death claims has been nearly counter-balanced by a corresponding decline in the claims paid by maturity. The death claims, amounting to £197,000, included £29,000 in respect of war casualties. On the whole, the incidence of the claims was less favourable in 1944 than in 1943, which, however, was a year in which mortality profit was exceptionally high.

(c) Although interest income has increased, the rate of interest earned has declined from £3 0s. 11d. per cent. net to

THE ECONOMIST, March 24, 1945

£2 7 8d. per cent. net. Thus, for the first time in nearly 100 years, our rate of interest has fallen below 3 per cent. It will be recalled that the rate of interest in our case is calculated on all funds, including reserve funds. It thus represents the overall yield on the total net assets, including Stock Exchange securities at their market value—a calculation which, of course, yields a lower rate than the more usual method which takes into account only the life assurance fund.

(d) I have remarked before on the low level to which surrenders and lapses have fallen, and this tendency has been still further in evidence during last year. We have found also that, no doubt as a result of the larger spending power in the hands of the community, premiums are received more promptly and there has been a movement towards changing from payments by half-yearly or quarterly premiums to payments by yearly premiums and by bankers' order.

(e) The annual revaluation of Stock Exchange securities has once again yielded a satisfactory appreciation—on this occasion amounting to as much as £195,000, and, as you will see from the balance-sheet, this has been credited, as before, to the reserve fund, which now stands at the substantial total of £638,000. Amongst our securities, the group which shows again the largest movement is British Government securities, which have expanded by another £162,000—much more than the increase in the life assurance fund. The further investments made last year, in accordance with our duty to support the national finances, have raised the total sum invested in this way to well over £1,000,000 since the beginning of the war.

INTERIM BONUSES MAINTAINED

All the foregoing matters and many others are, of course, taken account of automatically in the actuarial valuation of our liabilities. For internal purposes we naturally make such a valuation every year, and I am glad to say that the results of the 1944 valuation were satisfactory, and your board, therefore, had no hesitation whatever in deciding to continue to pay the same interim bonuses as before.

SOCIETY'S CONTRIBUTION TO HOUSING PROBLEM

In the hope that the end of hostilities in Europe is not far off, we have been considering what contribution the society can make towards the housing problem, which, after the war, will obviously occupy a high place in the list of priorities. We have, therefore, decided to launch a scheme which will enable intending home owners to purchase their houses by borrowing from the society up to 80 per cent. of the purchase price, subject to certain safeguards, in conjunction with a life policy for redeeming the loan at the end of a term of years or at previous death. We propose to offer special inducements to existing members to take advantage of this scheme, and we shall hope to make it more widely known as time goes on and scope for so doing increases.

RELAXATION OF RESTRICTIONS ON WAR RISKS

Your board has also been contemplating some further relaxation in the restrictions upon war risks in our policies. A year ago I was able to tell you that the experience of our "war risks" scheme had been such that we were able to allot full bonuses to all policies covering home war risks, and that, in consequence, the society had undertaken full war risks cover in this country up to December 31, 1943, without any charge. This decision was greatly appreciated at the time by our members. We now feel justified in carrying the matter a stage further by covering war risks in this country, excluding only aviation risks, for new with-profits policies without any extra charge in the future. This means that we shall no longer require new policyholders temporarily to surrender their par-

ticipating rights in consideration of war risks in this country being covered. Moreover, this decision will be applied as far as possible to all existing with-profits policies issued since the war whether or not home war risks have hitherto been covered. We hope, and believe, that this decision also will be well received by the members and by the public.

LIFE ASSURANCE AND POST-WAR SAVING

It is now possible to visualise to some extent the general financial conditions likely to exist in this country in the aftermath of the war. Clearly there will be a vast purchasing power in the hands of the public in the shape of accumulated war savings and gratuities, coupled with a national income—on paper—far in excess of the pre-war figure—and the available goods and services at best can only increase very gradually. For some years after the war, therefore, a high rate of saving will continue to be essential.

During the war, saving has been more or less forced upon the community as the result of rationing and other restrictions of supplies, but in the post-war years it must depend to a larger degree upon voluntary effort. Here life assurance can play an important part, and, by increased investment in life policies, the individual can do himself, his dependents and the country a good turn.

No change has occurred in the composition of the board during the past year, and it remains for me to conclude these remarks by placing on record our sincere appreciation of the efforts of our much-depleted staff. We hope the strain upon them will soon be eased by the return of those at present away on military service, and to them we send our remembrances and good wishes.

The report and accounts were unanimously adopted.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

FAST WAR EFFORT

The adjourned ordinary general meeting of this company was held, on the 20th instant, at Birmingham.

Sir Bernard D. F. Docker, K.B.E. (the chairman), said that the profit on trading and income from investments, after providing for E.P.T. and N.D.C., was £1,340,371, compared with £1,306,952.

The war production of the B.S.A. Group provided most impressive figures. Of all the small arms of all kinds used in the whole of the three Services, B.S.A. were proud to have produced more than one-half, reaching a peak output of two guns per minute.

Of over 100,000 cycles supplied to the armed forces, a large number of special folding bicycles were made for our airborne troops. The B.S.A. motor-cycle had gone to the war to the tune of 100,000 machines and the number of forgings produced was 42,000,000.

As car manufacturers, the Daimler Company had actually turned with war towards armoured cars, of which they had made nearly 9,000, first with the Daimler Scout Car, incorporating many tried Daimler features, especially in engine and transmission, together with many novel ideas for this special job. It was interesting to record that it was chosen as personal transport by the late Field-Marshal Rommel, to whom many alternatives must have been available. In addition, the Daimler Company had made a vast number of engine parts and gun turrets for aircraft.

Jessop and Saville's knowledge in the making of special steels was applied to the production of vital steel for the power units of jet-propelled aircraft, and they could, therefore, look forward to participation in any of its future developments, which might be quite startling.

The report was adopted.

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

SUBSTANTIAL INCREASE IN NEW BUSINESS

The 131st stated annual meeting of this Society was held at the head office, Edinburgh, on the 20th instant, Mr T. J. Carlyle Gifford, W.S. (chairman of the ordinary court of directors), presiding.

In moving the adoption of the report and accounts, the chairman said:

A year ago we were presenting our report on the quinquennial investigation and I was able to enlarge on the progress of the society's business during the war years. The results then disclosed and the bonus declared are eminently satisfactory. The report and accounts now before you cover the first period of the new quinquennium and disclose the same satisfactory position.

It is gratifying to be able to report a substantial increase in our new business, both gross and net, following the inevitable and continuing decline since the outbreak of war. Although at a little over £21 million, the new business is less than half of the average of the five years preceding the war, this is a satisfactory achievement at a time when so large a proportion both of our own field staff and of the young population in the country is in the fighting services. It is a tribute to the Society's reputation and the loyal support of our agents and connections throughout the country. As was said from this chair a few years ago, our aim in wartime has been more to conserve the goodwill of the society's connections than to achieve high new business figures.

Last year I referred in some detail to our mortality experience in the war years and pointed out that notwithstanding war deaths our mortality had been much lighter than might have been expected. In the year under review this experience has fortunately been repeated despite the invasion of Western Europe. The sums payable on deaths due directly to war operations were £169,000 as compared with £156,000 in 1943 and other death claims were also higher. Nevertheless, the net cost to the society of the total claims by death in 1944, after deducting the reserves held against the policies concerned, was slightly less than in the preceding year.

The figures in the revenue account and balance-sheet call for little comment. The same tendencies which have developed during the war years are still in evidence. The increase in our funds and a proportion of our maturing obligations have again been invested in British Government securities with the result that the average rate of interest earned continues to decline, though judged by current standards £3 8s. 5d. per cent. after deducting income-tax is a high rate. As I said a year ago, this demonstrates the stability attaching to an old society whose invested funds bear a high ratio to their annual increase. Investment values have again increased during the year and with them the substantial margin between the market value and the book value of our securities.

With the experience of another year of war behind us we have reviewed the intermediate bonus which was conservatively fixed at 28s. per cent. and have now fixed the rate for the present at 30s. per cent., the same rate as that declared for the quinquennium a year ago. This rate will continue to be reviewed from time to time.

I concluded my remarks last year by saying that the account I had given could not fail to be encouraging to those contemplating taking out a with-profits policy with the society. Those remarks apply with equal force to-day, and we trust the time is not far distant when the war will be over and those serving in the Forces will be returning. Then we look forward to the energetic development of our business which our strong position justifies and which has been interrupted by the war.

The directors' report and accounts as audited were adopted unanimously.

DORMAN LONG AND COMPANY, LIMITED

FIVE YEARS' WAR EFFORT

COMPANY'S GREAT ACHIEVEMENTS

The adjourned fifty-fifth ordinary general meeting of this company was held, on the 22nd instant, in London.

The Rt. Hon. the Viscount Greenwood, P.C., who presided, in the course of his address, said:

Profits on trading show an increase over last year. In arriving at this figure taxation has, as usual, been provided on all profits to date.

General reserve shows an increase of £730,092, of which £473,099 is in respect of the excess of the premium received on the issue of ordinary shares over the premium paid on the redemption of the 5 per cent. debenture stock and the expense of the share issue. The balance of the increase consists of £6,993 provision for sinking fund on the 4 per cent. prior lien stock and £250,000 allocated from profit and loss account.

Capital expenditure shows a reduction of £298,431. Additions during the year amounted to £72,493, against which there were realisations of £95,924 and provision for depreciation for the year of £275,000.

The whole story of our activities, and they have been entirely directed to war requirements, is too long to recount in detail, but a few facts will indicate the scope and importance of Dorman, Long's operations in the national interest.

In the five years ended September 30, 1944, the company's main steel production included over 6,500,000 tons of ingots. All this steel has gone into the war effort in a variety of forms—shells, bridges, Bailey bridges, ships, constructional steelwork, etc. Dorman, Long in the same period mined more than 16,000,000 tons of coal, 8,750,000 tons of ironstone and 1,500,000 tons of limestone.

In association with our subsidiary companies, we built 236 ships (tank landing craft and other types). We also supplied a large tonnage of pre-fabricated parts to shipbuilders engaged in the building of invasion craft.

A VITAL CONTRIBUTION

Our company also played a vital part in the construction of the invasion harbours. One of our largest constructional shops at Middlesbrough was laid out and equipped for rapid mass production of highly specialised floating bridge work, and for almost six months we operated day and night shifts and week-end working.

A great deal of our output of structural steel in the early years of the war was required in the construction of the numerous great airfields laid out in these islands. Much was supplied for special Admiralty requirements, and in this connection we erected a jetty and other works in Iceland. Our bridge department has carried out a number of contracts connected with war developments.

An important and, for Dorman, Long, novel contract undertaken by the company for the Admiralty has been for the construction, equipment, launching and testing of a floating dock of 17,000 tons lifting capacity to be built at Durban, South Africa. This is the first time the company has built a floating dock, and it is the first dock to be built in South Africa. The fabrication and assembly of the hull and the erection of all equipment has been carried out by Dorman, Long (Africa), Limited.

One of our earliest problems concerned the loss of foreign ore supplies, which immensely increased the difficulties and greatly raised the cost of pig-iron manufacture.

TECHNICAL PROBLEMS

Changes in the blast-furnace burden presented many problems to our technical and operating staffs, as you will realise our plant was designed for the use of a large

proportion of rich foreign ores. In 1939 for each ton of pig-iron produced 3 tons 14 cwt. of solid materials passed through the blast-furnaces, but the change in the burden meant that in 1944 the material passing through the furnaces had risen to 4 tons 16 cwt. for each ton of pig-iron made. It is not necessary to emphasise the difficult technical and handling problems this imposed.

The performance of the steel plants was adversely affected by the stoppage of Swedish ore supplies and the deterioration in basic iron quality. These factors caused a prolongation of the time necessary to work each charge, with consequential increases in fuel consumption and wear and tear of furnace linings, and decreases in outputs.

At the same time we had to meet an increased demand for special steels for military purposes, requiring conformity with rigid specifications. The effect of all these factors upon cost of production was cumulative.

Continuous operation of plant at high pressure over a period of five years has created many problems. Regular stoppages for repairs and overhaul have had to be reduced to a minimum, although wear and tear, due to high outputs, has been abnormal. These difficulties have been met by the skill and resource of the works managements, whose efforts have enabled us to continue to meet the many demands of the Supply Departments. In common with all similar undertakings, there will be considerable rehabilitation work to be done when the pressure of war requirements is relaxed.

Plans for post-war development must obviously be flexible. The ability of the iron and steel industry to export its products will be affected by its production costs. It is essential that large-scale development work should be undertaken by the industry, and it has been estimated that early projects of development and rehabilitation may well commit the iron and steel industry to a capital expenditure of £100,000,000.

In addition to the financing of these projects, there is the effect upon costs of production of the high price of coal and the course of prices in relation to other materials and labour. The price of coal has been doubled since 1939, and direct coal costs now represent over £4 per ton in the cost of heavy steel products. The post-war costs of foreign ore and shipping freights are not clear, while the basis on which international trade will be resumed has yet to be determined.

OVERSEAS TRADE

Our interest in export business has always been large, and before the war we exported more heavy steel products than any other steel manufacturers in Great Britain. When the war comes to an end we shall continue to display an active and energetic interest in overseas trade, whose development will be of the highest importance to your company.

The British iron and steel industry will be called upon to make a great contribution to world reconstruction, and it is anxious and ready to play its part. Much attention has been given by your board, in consultation with the special directors, to the steps necessary to enable Dorman, Long to share extensively in this great work. Although it is not possible at present to make any detailed reference to our plans, you may be assured that these have been carefully considered and are well advanced.

We are now in a strong financial position, and our plans are prepared for great developments to insure the continued progress of our company and the employment of our people in peace-time production.

The report and accounts were adopted.

GAS LIGHT AND COKE COMPANY

GAS PRICE MAY BE REDUCED

The ordinary general meeting of the Gas Light and Coke Company was held, on the 15th instant, in London. Mr Henry Woodall, deputy governor, presided in the absence through illness of the governor, Sir David Milne-Watson, Bt., L.L.D. D.L.

The governor, in the course of his speech, which was read by Mr Woodall, said: A panel of London gas company accountants was formed to investigate, amongst other things, the question of uniform presentation of gas company accounts and statistics, and a unanimous report was issued.

Compared with 1943 there has been an increase in revenue from gas of £689,000. The revenue from by-products was up by £212,000. On the other side of the revenue account the cost of manufacture of gas went up by £380,000, and was mainly due to the increased cost of wages and materials. From the revenue account a balance of £3,864,000 is carried forward to the net revenue account.

PROFIT AND DIVIDENDS

After providing for taxation on the basis of profits for the year, a profit of £942,000 is left. The directors recommend the payment for the December half-year of the full dividends on the preference and maximum stocks and a dividend at the rate of 2½ per cent. on the ordinary stock, making a total dividend of 5 per cent. for the year.

In the balance-sheet the item hire purchase has now dropped to £60,000. You will realise that the capital laid out by the company on its appliance-selling campaigns before the war has nearly all been repaid. On the other side of the balance-sheet you will see that the provision for equalisation, maintenance, renewals, etc., stands at £2,626,000. The reason for this relatively high figure is that the company has continued prudently to make provision for necessary maintenance and renewals of its plant, but has been unable to spend the money, owing to the difficulty of getting the work done.

POST-WAR PRICE OF GAS

By good management the company has re-established its finances. We have reviewed the results of the past year, and were it not that the war still goes on (and while it does so it would be imprudent to ignore the risk of further setbacks) we should now be in a position to reduce the price of gas. After the cessation of fighting in Europe a scheme for the readjustment of our charges, which will mean a general reduction, will be quickly brought into operation.

EFFECT OF ENEMY ACTION

The company suffered very severely during the air attacks on London in 1940. Practically all our works were damaged, gasholders were destroyed and many mains broken. The highest praise is due to the courage, resourcefulness and tenacity displayed by the staff. A large number of people left London, and our consumption fell by about 17 per cent., while expenditure was necessarily high. We were unable to pay dividends for the second half of 1940 and the whole of 1941, and incurred a deficit in paying debenture interest. At the beginning of the war the price of gas stood at 9.75d. per therm, but the company was forced to raise the price by 2½d. per therm in November, 1939. It was not until March, 1942, that the Government authorised us to charge an additional 1½d. per therm. In August of the same year we were again forced, by increases in the price of coal, to make a further increase of 1½d. per therm. The price of gas has been increased by 44 per cent., whereas the pit price of coal has risen by 100 per cent.

The report was adopted.

BRITISH ASSETS TRUST, LIMITED

INCREASED PROFIT

MR W. H. FRASER'S REVIEW

The forty-seventh annual general meeting of British Assets Trust, Limited, was held at Edinburgh, on the 22nd instant, Mr W. H. Fraser, chairman of the company, presiding.

In moving the adoption of the report and accounts, the chairman said:

You will see from the report that the Marquess of Lanningow was re-appointed a director last July. Since the close of the year, in consequence of his appointment as chairman of Midland Bank, Limited, we have been obliged, with great regret, to accept his resignation. His help and wise counsel will be much missed. Colonel Ivory is still overseas, but we hope that his return will not long be delayed.

TAX POSITION OF AMERICAN OFFICE

In 1936 the company established an office in the United States of America for the more efficient conduct of its important American interests. A decision of the United States Supreme Court pronounced last December, reference to which has already been made in the Press, to the effect that for the years 1936-39 inclusive the company was a "Resident Foreign Corporation" for United States tax purposes, will entitle it to relief from substantial United States tax liability for which provision has been made. The decision also covers the basis for assessment for 1940 and 1941. In the absence of actual figures the accounts have been made up on the same basis as hitherto. Since the Supreme Court's decision was announced last December, the company's counsel in the United States have advised the directors that, owing to a change in the wording of the 1942 Revenue Act, the decision does not cover the company's tax position for subsequent years, which has still to be determined.

YEAR'S RESULTS

For the past year our gross income (excluding arrears), after allowing for interest on temporary loans and Dominion and foreign taxation, but before deducting British taxes, amounted to £369,584 against the previous year's figure of £351,940. After providing for taxation, expenses of administration, interest and preference stock dividends, there remains £66,393, equal to gross earnings on the ordinary stock of 25.7 per cent. against 21 per cent. for the previous year. We recommend a dividend of 15 per cent. and, in addition, a bonus of 2½ per cent. We do not expect that income for the current year will show any marked variation on that of the year under review. Certain non-recurring arrears of Dominion income-tax relief have been received during the past year, with the result that a substantially larger amount of relief is on this occasion being passed on to stockholders.

CAPITAL POSITION

The capital position remains satisfactory. Share prices over the next few years are likely to fluctuate very considerably, and therefore undue importance should not be attached to capital values at a particular date.

As showing how widely our stocks are held, it may be interesting to note that at January 15th there were approximately 2,800 ordinary stockholders, 3,100 preference stockholders and 1,800 debenture stockholders on our registers—a total of 7,700.

The report and accounts were unanimously adopted.

LANCASHIRE STEEL CORPORATION, LIMITED

CHANGEOVER PROBLEMS

The fifteenth ordinary general meeting of the Lancashire Steel Corporation, Limited, was held, on the 19th instant, at Warrington, Mr John E. James (chairman and managing director) presiding.

The chairman said that the directors had decided to recommend payment of a dividend for the year at the rate of 5½ per cent. on the non-cumulative redeemable second preference stock and at the rate of 7 per cent. on the "A" and "B" ordinary stocks.

The production of the undertaking had, in one form or another, continued to be confined almost entirely to the national war effort. He thought, however, it was reasonable to hope that during the present year they would be allowed to return, to some extent, to the manufacture of their normal peace-time products. A changeover to peacetime requirements from those demanded by total war would be a task of considerable magnitude involving both technical matters and problems of personnel. During that changeover period they must also, without interfering unduly with their manufacturing production, carry out the necessary arrears of repairs and maintenance of plant and buildings, in order to restore these to the high standard of efficiency they observed in pre-war years. The re-instatement of employees now serving with the Forces, whom they would welcome back to civilian life, was a further matter to which much patient thought and foresight would be given.

He was not one of those who thought that this country should be content with the capacity for making iron and steel products which it possessed at the beginning of the war. Nonetheless, not only the expansion of their output, but the maintenance of the old level of production would, in his opinion, depend largely upon the raw material factor.

The report and accounts were adopted.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

MR H. J. WELCH'S ADDRESS

The annual general meeting of the Rubber Plantations Investment Trust, Limited, was held, on the 22nd instant, in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from the chairman's address circulated with the accounts:—With the plantations of the Far East in enemy occupation and the Ministry of Food the sole purchaser of the exportable teas of India and Ceylon, only limited opportunities have occurred of advantageously varying or increasing our investments.

Of the total investments held at a book cost of £3,174,308 the quoted portion, costing £2,295,551, exceeded their market valuation by £318,194. This is comparable with a like excess of £703,786 at the end of 1943, thus showing an improvement in quoted values of £385,592. Against the depreciation we held free reserves and "carry forward" aggregating £705,084.

The revenue of the "Trust" for 1944 slightly exceeded that of the previous year, and after providing for taxation and all expenses there remained a net sum of £18,544, which has been added to the sum carried forward, now amounting to £155,084.

Tea: Once again it is impossible to give a full review of the figures of production, home consumption, re-exports and absorption in various countries, as few of such figures are issued. The prospects for producers appear to be reasonably good for years ahead.

Rubber: Supplies of natural rubber during 1944 seem to have been more or less in line with expectations and were probably in the neighbourhood of 200,000 tons. It is unlikely that the current rate of output can be substantially increased.

The report was adopted.

WILLIAM HOLLINS AND COMPANY, LIMITED

DEMAND EXCEEDS SUPPLY

The thirty-seventh annual general meeting of William Hollins and Company, Limited, was held, on the 16th instant, at Nottingham.

Mr Douglas Hamilton, the chairman, in the course of his speech, said: The year under review has not differed in any material respect from the two preceding ones. Demand has once again greatly exceeded supply, whilst shortage of labour in all our factories, due to the demands of national service, has become even more acute than last year. We have now reached the stage when goods of our manufacture, particularly men's and boys' pyjamas, shirts, etc., will be more difficult than ever to procure. This has involved a strict and most careful rationing of all our merchandise; but, in spite of this, I am glad to say that customers in every part of the world have complimented us on the fairness with which these restrictions have been imposed.

POST-WAR AIMS

During the year your board have felt justified in devoting more time to the consideration of post-war developments. In our old-established "Viyella" and "Clydella" and our war-time utility "Dayella" we have cloths which the public, both at home and abroad, appreciate and will buy in increasing quantities as soon as available. Our aim for the future is to ensure that at every stage of manufacture, from the raw material to the finished piece or garment, there shall be a maximum of efficiency and a minimum of waste.

In spite of substantial re-equipment a few years ago, we still have a considerable amount of old machinery, and we shall not be satisfied until this has been replaced by plant as up-to-date and efficient as the best makers are able to produce.

Shareholders have, by now, become familiar with the most striking feature of our accounts, namely, the vast percentage of our profits swallowed up by taxation, compared with the very moderate amounts paid to them in dividends. During the six war years, 1939 to 1944 inclusive, your company has earned in profits approximately £1,509,000. Of this amount about £1,219,000 has been, or will be, paid to the Chancellor of the Exchequer and little more than £250,000 in dividends to the shareholders, both ordinary and preference. Whilst the Excess Profits Tax has proved a valuable source of revenue to the Exchequer, its continuance after the war would cause serious harm to British industry. It recognises no distinction between profits earned as a result of the war and those earned in spite of the war. It tends to stifle enterprise and discourage thrift.

AN IMMENSE VACUUM

When the war is over British industry will be called upon to exert itself to the utmost to fill an immense vacuum at home and abroad in the shortest possible time. Private enterprise, stimulated by the much-abused "profit motive," can do this more effectively than any other system, but it cannot be expected to operate successfully if hampered at every turn by controls and discouraged by unfair forms of taxation.

The result of the year's working shows a trading profit of £247,653, which compares with £254,015 for the year 1943, which I feel sure you will agree is very satisfactory. After providing £197,500 for taxation and £5,571 for war damage contribution, you will observe that your board recommends the payment of a dividend on the ordinary shares for 1944 at the rate of 6 per cent., less tax, which, after paying the preference dividend for the year, leaves a balance of £20,845 to be carried forward to 1945, as compared with £16,613 brought forward.

The report and accounts were adopted.

ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

The fifty-fifth ordinary general meeting of this company will be held, on the 28th instant, at Winchester House, London, E.C.

The following is an extract from the report of the directors, which incorporates the information given in normal times at the annual meeting by the chairman, Mr F. A. Robinson:—The net profit is £58,827. The directors recommend the payment of a dividend of 5 per cent., leaving a balance to be carried forward of £26,089. The dividend is subject to income-tax at 5s. 6d. in the £. The net dividend is the equivalent of 7½ per cent., less tax at 10s. in the £.

The net value of the company's assets at December 31, 1944, amounts to £1,083,780, the surplus thus being £333,780.

Shareholders are being invited to approve a resolution for the conversion of

the company's shares into stock. The rights of members will not be affected by the conversion.

BRITISH HOME STORES, LIMITED

INCREASED PROFITS

The seventeenth annual general meeting of British Home Stores, Limited, was held, on the 21st instant, in London, Mr Horace Moore (the chairman) presiding.

The following is an extract from the chairman's report circulated with the accounts:—The accounts now before you show a net profit of £170,325, an increase of £26,443 over last year. Your directors recommend an ordinary dividend of 33½ per cent.

Stocks show a considerable reduction. We welcomed the utility clothing scheme and have given it our fullest support. It is regrettable that this type of clothing, representing the best value obtainable, should now be in the shortest supply and

terribly inadequate to the public demand. We hope that when more textiles can be made available the Board of Trade will recognise this situation and legislate accordingly until the return of more normal conditions. Supplies of general merchandise have shown slow but steady improvement. You will probably have seen references to our acquisition of Hills and Steele, Limited. This purchase, which gives us nine additional effective units, should prove a valuable asset. The merging of the business of Green Shops, Limited, has been completed. I believe this is an instance where the combination of two businesses has proved equally satisfactory to both parties to the merger.

Your directors record their appreciation of the support our manufacturers have continued to give. A modern efficient retail organisation is the natural complement to efficiency in production. It is only by the close liaison between the distributor and manufacturer in the interpretation of consumer demands that the public may obtain the full benefits of planned factory production.

The report was adopted.

RECORDS and STATISTICS

INVESTMENT Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
March 15...	5,571	4,583	115.2	137.0	3.01	3.71
" 16...	5,590	4,628	115.2	137.1	3.01	3.71
" 18...	5,924	6,128	115.3	137.1	3.00	3.71
" 20...	5,678	5,023	115.5	137.1	3.01	3.70
" 21...	5,586	4,448	115.7	137.1	3.01	3.70

* July 1, 1935=100. † 1926=100. 30 Ordinary shares, 1945: highest, 115.7 (Mar. 21); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.1 (Mar. 9); lowest, 136.3 (Jan. 2).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS (1926=100)

1945	Average	Transactions	1945	Average	Transactions
			Mar. 12...		
Mar. 9...	137.4	1,840,000	136.5	136.5	920,000
" 10...	135.0	2,040,000	" 13...	136.5	750,000
" 15...	135.9	750,000*	" 14...	136.7	750,000

1945: High, 140.4 (Mar. 7). Low, 129.2 (Jan. 23). * Two-hour session.

(WEEKLY INDICES) (1935-39=100)

	1945		Feb. 26, 1945	Mar. 7, 1945	Mar. 14, 1945
	Low Jan. 24	High Mar. 7			
20 Industrials	108.4	118.0	117.3	118.0	114.8
20 RAIL	116.1	127.8 (a)	126.8	127.2	124.3
20 UTILITIES	93.3	97.8	97.5	97.8	96.2
400 Stocks	106.7	115.4	114.8	115.4	112.5
Av. yield %†	4.43	4.15	4.30	4.15	4.39

(a) Feb. 21. † 50 Industrial Com. Stocks.

Capital Issues

Week ending
March 24, 1945

Particulars of Government issues appear on page 397.

Year (to date)	Nominal Capital	Con- versions	New Money	Including Conversions	Excluding Conversions
1945	309,071,821	281,413,859	818,587,446	309,071,821	818,587,446
1944	281,413,859	281,413,859	281,413,859	281,413,859	281,413,859

Destination*	Nature of Borrowing*	Deb.	Pref.	Ord.
U.K.	£1,177	125,350	280,715,907	186,250
Foreign Countries	£1,177	125,350	280,715,907	186,250
U.S.	£1,177	125,350	280,715,907	186,250
Other	£1,177	125,350	280,715,907	186,250

* Includes Government issues to March 14, 1945, only. † Includes Government issues to March 14, 1945, only. ‡ Includes Government issues to March 14, 1945, only.

GOVERNMENT RETURNS

For the week ended March 17, 1945, total ordinary revenue was £63,073,000, against ordinary expenditure of £142,694,000 and issues to sinking funds of £480,001. Thus, excluding sinking fund allocations £5,649,280, the deficit accrued since April 1 is £2,722,978,000 against £2,682,114,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)			
		April to Mar. 18, 1944	April to Mar. 17, 1945	Week ended Mar. 18, 1944	Week ended Mar. 17, 1945
ORDINARY REVENUE					
Income Tax	130,000	113,180	124,292	20,700	32,597
Sur-tax	80,000	71,872	69,286	2,780	2,705
Stamp duties, etc.	100,000	94,056	106,713	2,238	2,960
Stamps	19,000	16,440	14,430	412	980
N.D.C.	500,000	30,707	32,389	7,994	7,733
R.P.T.	1,000	451,895	462,391	10	90
Other Ind. Rev.		878	702		
Total Ind. Rev.	200,000	179,902	192,889	34,134	47,065
Customs	564,900	540,672	559,885	14,676	11,966
Excise	472,900	458,400	475,600	3,600	3,300
Total Customs & Excise	1,037,800	999,072	1,035,485	18,276	15,266
Motor Duties	27,000	27,294	28,832	...	104
P.O. (Net Receipts)	4,850	4,340	4,420	...	...
Wireless Licences	800	980	960	...	...
Crown Lands	7,350	6,449	7,514	...	360
Sundry Receipts	24,000	73,385	85,328	2,070	278
Miscell. Receipts	310,180	291,058	309,137	54,480	63,073
Total Ord. Rev.	3,101,800	2,910,548	3,091,378	1,450	1,750
SELF-BALANCING					
P.O. & Brdcastg.	112,370	107,100	113,200	1,450	1,750
Total	3,214,170	3,017,648	3,204,578	55,930	64,823

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Estimate, 1944-45	April to Mar. 18, 1944	April to Mar. 17, 1945	Week ended Mar. 18, 1944	Week ended Mar. 17, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	420,000	361,929	410,569	2,383	2,606
Payments to N. Ireland	9,000	7,882	8,822	...	...
Other Cons. Fund Services	7,000	7,007	7,008	69	...
Total	436,000	376,818	426,399	2,452	2,606
Supply Services	550,139	520,884	537,208	12,205	14,089
Total	593,739	557,702	579,807	12,457	14,694
SELF-BALANCING					
P.O. & Brdcastg.	112,370	107,100	113,200	1,450	1,750
Total	604,979	568,482	591,197	12,597	14,444

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £41,407 to £2,856,510, the other operations for the week (no longer shown separately) increased the gross National Debt by £80,246,844 to £22,305 million.

NET RECEIPTS (£ thousands)

Overseas Trade Guarantees	96
NET ISSUES (£ thousands)	200
P.O. and Telegraph	200

FLOATING DEBT (£ millions)

Date	Treasury Bills	Tender Tap	Ways and Means Advances	Public Depts.	Bank of England	Treasury De- posits by Banks	Total Float- ing Debt
1944							
Mar. 18	1170.0						
Dec. 16	1470.0						
" 23	1470.0						
" 30	38.06.0						
1945							
Jan. 6	1470.0						
" 13	1470.0						
" 20	1460.0						
" 27	1450.0	2341.8	489.3	1799.5			6080.6
Feb. 3	1440.0						
" 10	1430.0						
" 17	1430.0						
" 24	1430.0	2309.2	542.4	1801.0			6082.6
Mar. 3	1430.0						
" 10	1430.0						
" 17	1430.0						

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allot- ment %	Per Cent. Allotted at Min. Rate
1944					
Mar. 17	90.0	177.2	90.0	19 11.84	31
Dec. 15	110.0	219.1	110.0	20 1.03	28
" 22	110.0	205.4	110.0	20 1.60	27
" 29	110.0	206.0	110.0	20 0.67	17
1945					
Jan. 5	110.0	224.2	110.0	20 1.81	36
" 12	110.0	211.1	110.0	20 1.60	37
" 19	110.0	216.3	110.0	20 1.19	32
" 26	110.0	207.8	110.0	20 0.31	39
Feb. 2	110.0	225.0	110.0	20 0.13	31
" 9	110.0	218.0	110.0	20 0.53	37
" 16	110.0	207.3	110.0	20 0.99	17
" 23	110.0	209.8	110.0	19 11.37	21
Mar. 2	110.0	232.9	110.0	19 11.50	21
" 9	110.0	236.1	110.0	19 11.77	27

On March 16, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of the following week were accepted, as to about 27 per cent. of the amount applied for, and applications at higher prices for on Saturday were accepted in full. (110 millions of Treasury Bills are being offered for March 23. For the week ended March 24, the banks will be asked for all Treasury deposits at a maximum amount of £100 millions.)

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
1945				
Jan. 9	4,798	2,385	6,659	8,227
" 16	4,647	2,022	5,923	10,108
" 23	4,950	1,774	5,755	10,118
" 30	4,036	1,548	5,587	11,177
Feb. 6	5,034	1,794	7,052	11,573
" 13	5,344	1,941	7,655	13,801
" 20	5,197	1,849	7,557	16,201
" 27	4,841	1,767	7,587	18,160
Mar. 6	4,394	1,923	10,312	18,160
" 13	4,387	1,189	15,134	15,258
" 20	...	...	6,142	19,285
Totals to date	1,337,736*	796,641*	1,904,598†	186,334‡

* 277 weeks. † 220 weeks. ‡ 20 weeks.

Interest free loans received by the Treasury up to Mar. 20th amounted to a total value of £70,947,615. Up to Feb. 24th principal of Savings Certificates to the amount of £208,120,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

1945	Rs.	a.	Pine Tola	100 Pine Tolas	Silver per Rs.
Mar. 15	68	7	124	11	
" 16	68	13	125	6	
" 17	69	9	125	3	
" 18	72	4	127	6	
" 20	73	0	128	12	
" 21	72	6	128	9	

BANK OF ENGLAND RETURNS

MARCH 21, 1945

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	£
In Circul.	1,222,835,846	Other Govt.	11,015,100
In Bank, De-		Securities	1,238,321,472
partment....	27,405,872	Other Secs.	653,872
		Silver Coin	9,556
		Am't. of Fid.	
		Issue	1,250,000,000
		Gold Coin and	
		Bullion (at	
		168s. per oz.	
		fine).....	241,718
	1,250,241,718		1,250,241,718

	Feb. 4, 1944	Jan. 19, 1945	Jan. 26, 1945	Feb. 2, 1945
ASSETS				
Gold coin and bullion.....	87-73	99-62	100-56	101-19
Bills discounted.....	14-22	25-73	24-35	23-81
Invest. and other assets.....	92-89	95-29	97-94	97-99
LIABILITIES				
Notes in circulation.....	49-21	56-02	56-47	58-2
Deposits: Government.....	28-87	5-72	5-27	4-0
Bankers'.....	228-67	135-86	159-06	157-6
Others.....	4-39	3-36	5-31	5-8
• Reserve ratio.....	45-9%	44-1%	44-7%	44-8%

	Feb. 8, 1945	Feb. 15, 1945	Feb. 22, 1945	Mar. 1 1945
ASSETS				
Gold	75,151	75,151	75,151	75,151
Private discounts and advances	42,033	41,845	39,674	37,219
Advances to State:				
Total	488,212	488,662	488,212	492,412
(a) Incapacitation costs	426,000	426,000	426,000	426,000
(b) Treasury advances	7,700	8,150	7,700	11,900
(c) Fixed advances	54,512	54,512	54,512	54,512
LIABILITIES				
Notes	569,718	568,959	568,899	574,337
Deposit total	38,571	38,789	36,916	34,464
(a) Government accs.	765	716	777	748
(b) Other accounts	37,806	38,789	36,916	33,716

	Feb. 15, 1945	Feb. 22, 1945	Mar. 1, 1945	Mar. 8, 1945
ASSETS				
Gold	32,094	32,094	32,094	31,723
Foreign exchange	1,050	1,040	1,018	1,414
Private loans and discounts	2,925	1,724	1,619	3,395
Loans to State	56,391	37,191	38,210	39,781
LIABILITIES				
Notes	47,392	47,944	49,030	49,902
Current accounts:				
(a) Govt. accounts	4	1	5	7
(b) Private accounts	3,694	3,444	3,995	3,934

	Feb. 23, 1944	Feb. 7, 1945	Feb. 14, 1945	Feb. 21, 1945
Assets				
†Reserve: Gold				
Other	0.32	175.56	175.56	181.61
LIABILITIES				
Securities	1280.42	1519.32	1505.38	1500.37
Note circulation	867.47	1021.54	1020.05	1021.03
Deposits: Dom. Govt.	49.37	36.09	33.51	31.12
Chartered banks	337.87	415.04	418.43	410.61

	Mar. 4, 1944	Mar. 11, 1944	Mar. 3, 1945	Mar. 10, 1945
ASSETS				
Gold.....	2-65	2-65	2-65	2
British Govt. secs.....	22-91	22-91	27-84	27-84
Sterling balances.....	1-93	2-07	1-51	-4
LIABILITIES				
Notes in circulation.....	27-96	28-07	32-13	32-30

	Feb. 14,	Feb. 5,	Feb. 12,	Feb. 19,
ASSETS	1944	1945	1945	1945
Gold and English ster.	43.04	50.86	50.86	50.86
Other coin, bullion, etc.	11.36	21.12	23.03	25.59
Call money, London	64.48	129.17	130.10	135.92
Secrts. and Treas. bills	243.94	259.52	259.52	260.00
Discounts and advances	26.81	25.74	25.50	25.31
LIABILITIES				
Notes issued	166.26	193.74	193.24	193.24
Deposits, etc.	181.21	205.89	211.84	206.16

	Feb. 23, 1944	Jan. 31, 1945	Feb. 7, 1945	Feb. 15, 1945	Feb. 23, 1945
ASSETS					
Gold	4233.3	4576.7	4570.7	4598.3	4593.5
Foreign exchange	93.4	94.9	97.6	101.3	107.6
Discounts, etc.	107.3	167.8	165.8	190.8	230.5
Advances	14.5	14.8	14.2	15.9	14.3
Securities	64.7	64.4	64.4	64.4	64.4
LIABILITIES					
Notes in circulation	2837.9	3409.9	3370.7	3350.9	3401.9
Other liabilities	268.5	243.0	244.2	225.7	246.8

	Jan. 1	Dec. 25	Jan. 1	Jan. 8
ASSETS				
Gold and Stg. exch.	1944	1944	1945	1945
Advances to State	37.77	42.46	42.08	42.46
Advances to State	41.75	28.12	27.98	27.98
Investments	10.32	11.74	11.74	11.74
LIABILITIES				
Bank notes	37.08	41.38	41.12	40.28
Demand liab. to State	3.38	5.23	8.83	11.25
Banks and others	33.14	30.63	30.53	28.36
Reserve to sight liab.	42.56	52.25	52.25	52.25

COMPANY RESULTS (March 7, 1945, to March 21, 1945)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Courage & Co.	Dec. 31	1,140,136		160,870	265,886	25,000	126,000	18	...	+ 9,870	918,186	133,684	15
Meux's Brewery Co.	Dec. 31	355,695	23,241	71,707	202,175	15,513	57,077	11	...	+ 1,117	329,611	64,364	10
Octagon Brewery Limited	Dec. 31	33,392		18,060	29,170	10,500	10,500	15	3,000	+ 2,560	24,120	14,297	13
Coal, Iron and Steel													
B. Birds & Dalmellington	Dec. 31	248,467		248,467	410,768		130,499	16	100,000	+ 17,968	230,791	230,791	16
Clarke, Chapman & Co.	Dec. 31	135,292	25,275	87,402	126,304	4,890	60,000	124	20,000	+ 2,512	122,448	86,038	124
Dorman Long & Co.	Sept. 30	1,251,688	275,000	857,666	920,837	320,913	278,491	8	250,000	+ 8,262	1,106,938	604,830	8
Lancashire Steel Corporation	Oct. 31	591,061	200,000	255,445	341,182	56,957	121,178	7	75,000	+ 2,320	458,646	199,473	7
Rivet, Bolt and Nut	Dec. 31	64,595	19,478	40,117	52,545		25,781	10	10,000	+ 4,336	60,385	37,662	10
Electric Lighting and Power													
British Power & Light	Dec. 31	390,865		140,432	298,328	43,500	71,050	7	...	+ 25,882	344,694	126,983	7
Lancashire Electric Light & Power	Dec. 31	444,901		171,475	186,352	61,999	108,750	7½	...	+ 736	444,754	170,202	7
Financial, Land, &c.													
Artisans' and General Dwellings	Dec. 31	415,763		74,874	160,155	26,561	52,761	6	...	+ 4,448	427,037	90,821	6
Bowman's Limited	Oct. 31	63,146		22,101	50,532	20,000	...	...	...	+ 2,101	62,783	27,708	NH
City Offices Co.	Dec. 31	69,789		Dr. 1,465	Dr. 1,077	649	...	...	Dr. 4,726	+ 2,612	68,499	Dr. 679	NH
Java Investment Loan and Agency	Dec. 31	25,835		8,719	25,386		5,500	24	5,000	+ 1,781	24,526	7,609	24
Lamson Investments	Dec. 31	153,847		94,016	116,057	25,000	67,500	71	...	+ 1,515	143,011	93,904	71
Law Land Co.	Dec. 31	287,981		32,841	40,773	15,750	17,500	5	...	+ 409	279,469	32,087	4
Lewis's Investment Trust	Feb. 28	487,669		228,435	293,997	117,691	92,531	15	10,000	+ 8,211	483,318	227,244	15
Rubber Plantations Investment Trust	Dec. 31	35,982		18,544	155,084	...	...	...	...	+ 18,544	35,171	15,188	NH
Motor, Aviation, &c.													
Birmingham Small Arms Co.	July 31	1,374,839	221,538	72,899	334,354	15,596	105,569	71	...	+ 48,266	1,306,952	144,310	71
Vauxhall Motors Limited	Dec. 31	936,824	387,402	432,484	2,856,628	9,000	150,000	20	...	+ 273,464	974,669	384,714	20
Oil													
Kern Oil Co.	May 31	183,071	67,949	21,718	52,052	...	36,750	6	...	+ 5,032	189,763	36,352	6
Trinidad Leasehold	June 30	1,608,506	397,894	183,394	326,785	...	182,389	15	...	+ 1,005	1,424,107	140,230	15
Rubber													
Bah Lian Rubber	Oct. 31	5,935		1,973	5,973	...	...	...	...	+ 1,973	9,996	1,859	NH
Buloh River Rubber	Sept. 30	3		Dr. 813	Dr. 6,175	...	...	...	...	+ 813	3	Dr. 965	NH
Padang Senang Rubber	Sept. 30	1,572		636	11,686	...	...	...	...	+ 636	1,339	488	NH
Shops and Stores													
British Home Stores	Dec. 31	197,698	22,146	59,025	81,734	19,000	23,147	33½	15,000	+ 1,878	171,183	52,881	25
Evans (D. H.) & Co.	Jan. 31	345,603	20,493	60,385	97,111	6,000	40,500	9	14,064	+ 179	339,484	63,404	9
Freeman, Hardy & Willis	Dec. 31	216,051		202,538	307,186	140,000	59,375	25½	...	+ 3,163	214,759	201,159	25
Garage (A. W.)	Jan. 31	76,585		24,238	109,158	4,812	18,750	78	...	+ 676	96,265	8,235	78
Greenlees & Sons ("Easioph") Fr. wt.	Dec. 30	87,751	12,380	31,501	63,131	18,750	27,000	10	...	+ 14,249	86,232	56,632	10
Mappin & Webb	Dec. 31	259,627		51,751	141,161	24,375	13,867	8	...	+ 13,509	325,834	50,601	8
Roberts (J. R.) Stores	Feb. 14	27,621	881	5,868	14,648	500	4,844	12½	...	+ 524	25,742	5,611	12½
Robinson (Peter)	Jan. 31	184,974	12,501	34,694	92,117	15,562	12,500	5	4,634	+ 1,908	184,679	27,285	NH
Saxone Shoe Co.	Dec. 31	286,346	27,731	45,189	79,526	15,434	29,687	12½	...	+ 64	213,185	52,206	12½
Sears (J.) & Co.	Dec. 31	239,232		161,575	300,923	111,642	34,765	12½	15,000	+ 168	235,058	157,266	12½
Textiles													
Bairns Wear Limited	Dec. 14	74,947		17,018	27,231	4,125	12,403	15	...	+ 490	80,190	16,492	15
Bradford Dyers' Association	Dec. 31	485,731		172,668	202,348	63,730	56,470	5	50,000	+ 2,468	434,432	171,023	4
Courtaults Limited	Dec. 31	3,202,434		924,183	1,613,491	200,000	900,000	7½	...	+ 175,817	3,687,422	1,133,123	7½
Fleming Reid & Co.	Dec. 31	179,189		56,960	85,474	5,250	38,281	8½	...	+ 13,429	104,095	17,809	7½
Hart & Levy	Oct. 31	70,040	9,642	16,355	33,727	5,400	6,750	6	...	+ 4,205	61,776	14,335	4
Hoffins (William) & Co.	Dec. 31	262,421		44,582	61,195	2,250	38,100	6	...	+ 4,232	267,809	55,214	6
Jackson & Steacie	Dec. 28	29,365	1,825	12,990	23,278		7,875	224	5,000	+ 115	28,280	13,594	224
Taylor (C. F.) & Co.	Dec. 31	58,964	7,070	33,640	59,613	9,600	16,000	10	5,000	+ 3,040	68,123	33,777	10
Woolcombers Limited	Dec. 31	119,061		55,132	89,501	15,750	60,000	15½	...	+ 20,618	133,715	69,959	15½
Trusts													
British Assets Trust	Jan. 15	369,584		135,006	191,911	68,613	45,099	17½	19,569	+ 1,725	351,940	117,007	15
English and Scottish Investors	Jan. 31	49,865		20,275	41,770	7,875	5	...	...	+ 588	49,602	20,145	4
General and Commercial Invest. Trust	Feb. 28	37,286		15,166	20,838	6,250	7,912	10	...	+ 97	37,131	15,028	10
London and Bradford Investment	Jan. 31	80,575		26,485	33,679	12,600	10,000	5	5,000	+ 252	79,497	25,408	5
London, Border and General Trust	Jan. 31	126,579		63,754	109,394	45,000	13,000	2	5,834	+ 920	121,271	58,297	2
Merchants Trust	Jan. 31	169,526		65,005	144,966	32,500	26,338	6	40,000	+ 33,833	188,896	58,123	5
Redeem. L. Securities & Gen. Invest.	Dec. 31	20,412		8,126	14,566	6,450	1,671	11	...	+ 5	20,022	7,944	11
Scottish Eastern Investment	Jan. 31	97,858		31,877	67,238	11,553	11,993	7	5,000	+ 3,331	94,939	30,143	6
Scottish Northern Investment Trust	Feb. 5	98,094		62,874	96,540	19,125	37,500	12½	...	+ 6,249	94,972	60,713	12½
Second Conversions Investment	Jan. 31	18,366		9,774	20,593	6,732	4	...	...	+ 3,042	17,639	8,805	4
Second Edinburgh & Dundee Invest.	Jan. 31	69,172		18,100	33,551	10,213	4,085	3	5,000	+ 1,198	67,340	16,975	2
Union Commercial Investment	Jan. 31	48,328		14,912	15,174	11,625	2,325	1½	...	+ 962	45,139	12,874	1½
United States Debenture Corporation	Jan. 31	254,203		175,691	275,691	57,750	100,000	10	17,941	+ ...	246,430	167,350	10
Utilities and General Trust	Dec. 31	45,141		11,511	19,563	6,614	3,307	2½	2,000	+ 420	43,357	10,478	2
Other Companies													
Arnott & Harrison	June 30	27,401	5,000	20,252	30,568		10,500	20	...	+ 1,752	24,776	18,225	20
Bowaters & Lloyds Sales Co.	Sept. 30	101,078		56,378	87,406	20,000	34,312	22½	...	+ 2,065	90,004	50,619	22½
Bowaters & Lloyds Paper Mills	Sept. 30	142,483	50,000	49,027	126,303	77,916	...	...	Dr. 7,500	+ 8,111	129,273	54,947	NH
Bowaters Paper Mills	Sept. 30	204,244	35,000	117,064	298,862	151,666	...	...	Dr. 40,000	+ 5,398	180,722	93,312	NH
British Pepper & Spice	Dec. 31	20,467		7,496	12,562		8,000	10	...	+ 504	19,613	9,412	10
British Thomson Houston Co.	Dec. 31	596,527	228,975	279,536	528,204	52,500	70,000	7	150,000	+ 7,336	580,362	266,637	7
Bruce Peckles & Co.	Dec. 31	44,054	20,000	22,554	34,336	5,167	14,223	8	...	+ 3,224	41,042	19,737	8
Consolidated Signal	Sept. 30	27,597		27,226	28,903	6,426	21,077	28	...	+ 277	27,882	27,220	28
Copestake, Crompton & Co.	Dec. 31	73,690	1,004	15,973	24,419		12,500	5	...	+ 3,475	54,155	14,138	5
Ericsson Telephones	Dec. 31	414,371	30,000	115,507	131,407	13,998	75,008	20½	20,000	+ 7,501	363,176	112,837	20½
Erith & Co.	Dec. 31	35,898		18,614	102,724		9,993	17½	1,982	+ 7,039	33,137	16,065	17½
Foster Yates & Thom.	Sept. 30	57,003	14,054	10,098	11,925		6,000	5	...	+ 4,900	98	84,025	5
France Fenwick (W. M.) & Co.	Dec. 31	191,488	30,391	48,435	94,926	4,125	37,500	10	5,535	+ 1,275	158,488	41,604	10
Gallaher Limited	Dec. 31	980,329		399,288	592,521	32,500	234,788	27½	130,000	+ 2,000	983,383	368,380	27½
Hecht, Lewis & Kahn	Mar. 31	16,468	281	6,777	31,720		...	...	...	+ 6,777	21,998	12,572	NH
Hine, Parker & Co.	Jan. 31	18,569		11,377	11,788	5,500	8,250	7½	...	+ 7,458	13,324	8,324	7½
Holborn and Frascati	Dec. 31	33,523		17,008	27,575	3,750	5,800	5	...	+ 7,458	13,324	8,324	5
Hoover Limited	Dec. 31	574,967		129,317	155,635	16,500	100,000	25	...	+ 12,817	452,659	107,248	25
H.P. Sauce Limited	Dec. 31	273,244		153,257	251,850	9,100	113,998	35	30,000	+ 159	259,914	149,335	30
Hugon & Co.	Dec. 31	79,786	15,000	44,302	82,818		43,083	15	...	+ 1,219	80,733	44,096	15
Humphreys Limited	Nov. 30	53,618	311	18,386	59,872	2,750	5,000	10	25,000	+ 14,364	77,073	29,419	10
International Paint and Compositions	Dec. 31	291,638	5,394	131,603	156,468	12,000	106,900	20	10,000	+ 7,603	274,147	152,142	20
Inversk Paper Co.	Dec. 31	266,579	18,500	116,779	186,595	75,342	19,577	6	14,226	+ 2,734	280,766	112,116	6
Lawson Paragon Supply	Jan. 31	98,765		97,182	170,584	36,000	50,020	10	...	+ 11,162	98,359	56,586	10
(Edward) Limited	Sept. 30	350,920	180,000	171,151	492,538	231,000	...	...	Dr. 65,000	+ 5,151	335,154	150,635	NH
(John) & Sons	Dec. 31	96,647		26,861	31,975	3,000	16,045	12½	7,500	+ 316	61,452	26,339	12½
Medical Products	Mar. 31	11,623		5,526	12,401	4,061	...	...	...	+ 1,465	11,710	6,606	NH
Union Limited	Dec. 31	294,978		148,522	304,377	32,626	113,128	10	...	+ 2,768	300,478	151,110	10
ids & Sons	Jan. 15	355,400											

UNITED STATES: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1943				1944					
		1929	1932	1939	1940	1941	1942	1943	Sept.	Oct.	Nov.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.
Population June, 1940 : 131,954,000 : Area : 3,078,89 sq. miles ; 7,839,432 sq. kms.																	
1.	Industrial production, adj. F.R.B.	1935-39=100	110	58	108	122	155	...	244	247	247	241	232	230	232	232	232
2.	" unadj. F.R.B.	"	110	58	108	122	155	199	239	243	249	247	239	232	234	234	232
3.	Manufactures, dur. adj. F.R.B.	"	132	41	109	139	201	279	361	368	374	376	365	348	342	345	342
4.	" non-dur. adj. F.R.B.	"	93	70	109	115	142	158	176	179	179	180	174	168	168	169	173
5.	Minerals, adj. F.R.B.	"	107	67	106	117	125	129	132	138	136	133	137	142	143	143	142
Building contracts awarded :-																	
6.	Total, adj. F.R.B.	1923-25=100	117	28	72	81	122	166	68	65	49	60	61	41	39	42	42
7.	Residential, adj. F.R.B.	"	87	13	60	72	89	82	40	35	34	37	35	13	13	13	13
8.	Other, adj. F.R.B.	"	142	40	81	89	149	235	92	89	61	78	81	63	61	65	65
9.	Freight-car loadings, adj. F.R.B.	1935-39=100	152	78	101	109	130	138	137	140	137	139	144	142	139	137	141
10.	Dept. store sales, adj. F.R.B.	"	117	75	106	114	133	149	168	162	174	181	165	187	183	194	210
Employment :-																	
11.	Non-agricultural, adj. F.R.B.	'000	...	...	50,353	51,784	53,668	58,447	59,728	59,475	59,486	59,526	59,476	58,654	58,352	58,213	58,099
12.	" unadj. B.L.S.	"	...	...	50,353	51,784	53,668	58,447	59,728	59,678	59,718	59,847	60,197	58,744	58,523	58,414	58,400
13.	" adj. F.R.B.	1939=100	106.0	77.6	100.0	104.7	117.5	126.7	130.7	130.1	130.1	130.2	130.1	127.3	126.4	125.9	125.4
14.	Factory, adj. F.R.B.	"	106.1	66.4	100.0	107.5	132.1	152.3	168.7	170.1	170.5	171.0	169.1	156.9	156.1	153.3	153.4
15.	" unadj. F.R.B.	"	109.8	50.7	100.0	114.5	167.5	242.3	316.4	328.0	332.6	336.5	328.2	313.1	316.4	314.4	311.6
16.	" payrolls, unadj. F.R.B.	Numer	...	...	...	...	...	...	...	44.7	45.6	45.5	44.8	45.2	44.9	45.6	45.3
17.	Average hourly earnings, B.L.S.	Cents	...	45.8	64.4	67.0	73.6	...	...	99.3	98.9	99.7	99.5	101.6	103.1	103.1	103.3
18.	Cost of living, F.R.B.	1935-39=100	122.5	97.6	99.4	100.2	105.2	116.5	123.6	123.9	124.4	124.2	124.4	126.4	126.5	126.4	126.6
Wholesale prices :-																	
20.	Farm products, B.L.S.	1925=100	104.9	48.2	65.3	67.7	82.4	105.9	122.6	123.1	122.2	121.4	121.8	122.6	122.7	123.4	124.4
21.	Foods, B.L.S.	"	99.9	61.0	70.4	71.3	82.7	99.6	106.6	105.0	105.1	105.8	105.6	104.8	104.2	104.2	105.2
22.	Other commodities, B.L.S.	"	91.6	70.2	81.3	83.0	89.0	95.5	96.9	97.2	97.3	97.4	97.6	98.6	98.6	98.7	98.8
23.	Wholesale com. city prices, unadj., F.R.B.	"	95.3	64.8	77.1	78.6	87.3	98.8	103.1	103.1	103.0	102.9	103.2	103.9	104.0	104.1	104.4
Bank Debits :-																	
24.	Total, all reporting centres	Million \$	81,878	...	35,328	37,155	44,783	53,481	66,078	75,758	66,266	65,025	76,499	69,124	70,389	73,864	77,715
25.	New York City	"	50,257	...	14,265	14,299	14,810	18,905	24,697	27,913	23,990	23,277	28,936	26,165	26,860	28,558	30,016
26.	Gold stock	"	3,996	3,952	17,644	21,995	22,737	22,726	21,938	22,175	22,116	25,065	21,938	20,926	20,825	20,717	20,688
27.	Money in circulation	"	4,476	5,328	7,598	8,732	11,160	15,410	20,449	18,844	19,250	19,918	20,449	23,292	23,794	24,425	25,019
28.	Member Bank Res. Balances	"	2,358	2,114	10,466	13,331	...	...	...	11,864	12,086	1,102	12,688	13,072	13,548	14,148	14,781
29.	Excess Reserves	"	43	258	4,469	6,376	...	...	...	1,684	12,081	985	1,236	846	1,025	980	1,179
30.	Capital issues, C.F. Chronicle	"	595	99	186	163	238	89	51	101	105	165	143	101	113	111	114
31.	354 Indus. securities, Stand. Statistics	1939=100	...	...	...	...	...	...	...	1.00	1.00	1.01	1.01	1.10	1.11	1.14	...
32.	Yield on Govt. bonds	%	3.00	3.66	2.36	2.21	2.05	2.09	1.98	1.90	1.90	1.94	1.95	1.90	1.93	1.93	1.90
33.	Income payments, adj.	1935-39=100	122.9	70.6	105.5	113.8	137.3	171.9	211.4	215.2	217.5	220.8	222.9	233.7	232.7	235.5	237.9
34.	Treasury receipts	Million \$	4,032	2,076	5,995	7,606	8,269	13,668	23,385	5,448	2,069	2,370	5,737	2,859	5,927	2,054	2,506
35.	" expend., national defence	"	...	...	...	...	6,301	26,011	72,109	6,952	6,989	7,541	6,718	7,511	6,998	7,479	7,479
36.	" total	"	3,852	4,320	9,528	12,774	12,711	32,397	78,179	7,535	7,459	7,452	8,179	7,930	8,024	7,820	8,401

(Continued from page 396)

The new T.D.R. call from the banks of £100 millions involved no more than £10 millions of "fresh" money, as there had been few prior encashments among the nominal maturities of £100 millions. With a considerable surplus of credit in the market at the end of the previous week and substantial balances coming through from Government Departments—including the large monthly payment by the Milk Marketing Board—calling by the banks was easily absorbed and outside quarters had difficulty in finding borrowers at rates above $\frac{1}{2}$ per cent. The allotment of Treasury Bills to the market, though 6 per cent. up on the previous week, was still relatively low at 27 per cent.

With credit so easy and comparatively few bills to take up, discount houses were reluctant to satisfy the demand for bills by the banks to the full. A considerable volume of Agricultural maturities did, however, change hands. The rise of £27.6 millions to £218.4 millions in Bankers' Deposits shown in this week's Bank Return is a reflection of the easiness of credit.

MONEY RATES, LONDON.—The following rates remained unchanged between

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, $1\frac{1}{2}\%$; 3 months, $1\frac{1}{2}\%$; 4 months, $1\frac{1}{2}-1\frac{3}{4}\%$; 6 months, $1\frac{1}{2}-1\frac{3}{4}\%$. Treasury Bills: 2 months, $1-1\frac{1}{2}\%$; 3 months, $1-1\frac{1}{2}\%$. Day-to-day money, $2-1\frac{1}{2}\%$. Short Loans, $1-1\frac{1}{2}\%$. Bank deposit rates, $\frac{1}{2}\%$. Discount deposits at call, $\frac{1}{2}\%$; at notice, 3% .

(b) 14 months.

(b) 10 months.

† Free of Income Tax.

(Continued from page 398)

Exchange Rates.—The following rates fixed by the Bank of England between March 15th and March 22nd. (Figures in brackets exchange).

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4-86½) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25-22½) 17-30-40. **French Empire.** Francs 199½-200½. **Syria.** p. 8-81-85. **Sweden.** Krona (18-159) T.F. 16-85-95. **Dutch West Indies.** Florin (12-11) 7-58-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** \$4-02-04; mail transfers 4-02-04½. **Brazil.** 83.84569½ (buying). **Uruguay.** 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. **Spain.** Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71-25 lire.

Market Rates.—The following rates remained unchanged between March 15th and March 22nd.

Egypt. Piastres (97½) 97½-98. **India.** Rupee (18d. per rupee) 17½-18½. **Belgian Congo.** Francs 176½-177. **China.** National \$3-3½. **Iran.** Rl. 128-130. **Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21
Cables —								
London	402½	402½	402½	402½	402½	402½	402½	402½
Montreal	90-750	90-125	90-250	90-125	90-125	90-375	90-810	
Zurich	23-40	23-40	23-40	23-40	23-40	23-40	23-40	
Buenos Aires	25-06*	25-06*	25-06*	25-04*	25-04*	25-04*	25-04*	
Rio de Janeiro	5-25	5-25	5-25	5-25	5-25	5-25	5-25	
Lisbon	4-08	4-08	4-08	4-08	4-08	4-08	4-08	
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25	
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86	23-86	

* Official Buying Rate 29-78. † Free Rate \$ 13d.

INDUSTRY AND TRADE

"The Economist" Sensitive Price Index.—There change in the index during the week ended March 21st. complete index (1935 = 100) was 161.3; crops 140.3 and materials 185.5.

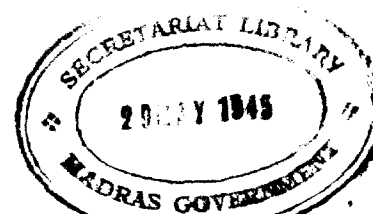
Cost of Living Index.—The Ministry of Labour's cost of living index (1914 = 100) was 102 on March 1st. The food component was 168. Both figures are the same as on February 1st.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927 = 100)

	Mar. 31, 1937*	Aug. 30, 1939	Mar. 7, 1944	Feb. 27, 1945	Mar. 13, 1945
Cereals and Meat	93.0	66.9	108.6	108.4	109.5
Other Foods	70.4	61.1	107.3	107.3	107.3
Textiles	74.2	54.3	92.4	103.9	103.9
Minerals	113.2	95.4	135.9	145.5	147.9
Miscellaneous	87.0	77.6	126.7	128.9	129.8
Complete Index	87.2	70.3	114.2	119.4	119.1
1913-100	119.9	90.8	157.1	162.9	161.9

* Highest level reached during 1932-37 recovery.



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By Order of the Board,

F. W. CATER, Secretary.

Toll End Road, Tipton, 6th March, 1945.

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As at 30th June, 1944—General Bank Balances ... £399,106,788

Savings Bank Balances ... £200,536,705

Note Issue Department ... £199,587,843

Rural Credits Department ... £2,472,859

Mortgage Bank Department ... £1,360,486

Other Items ... £2,320,811

£925,076,904

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Colonial Issue

WHEN the Secretary of State for the Colonies addressed a meeting of the American Outpost last week on the British colonial empire, he was probably speaking to a far wider public than his immediate audience. His recent visit to the United States may have prompted his rebuttal of the perennial American criticisms of British colonial rule. But when he spoke of the future of the British colonies, his remarks were of present importance, for the colonial question is to be one of the big subjects for discussion at the San Francisco Conference.

It is evident, from the inspired reports appearing in the American Press, that the United States Government intends to make some proposal at the San Francisco Conference on the general subject of colonies. Just what the proposal is has not emerged and, since there is to be a preliminary conference of the Big Three at Washington before the San Francisco Conference assembles, the original idea may never see the light of day. But it is apparent that the general idea behind the American proposals is that of "collective trusteeship," which is opposed to "exclusive imperialism." Clearly this might mean anything from a re-affirmation of the mandate system and its extension to all colonial territories to the complete disappearance of colonial empires and their replacement by a system of international administration. The American Government clearly cannot be seriously considering the latter extreme, but it may well have something more than the former in mind.

The whole subject probably arises at this moment not only because of the importance that the colonial issue currently enjoys in American public discussion—usually for quite mistaken reasons—but also because of the progress of the Pacific war and the need, in the near future, to come to a decision on the Japanese mandated islands. They cannot be handed back after the war to the Japanese. Nor can they be restored, in accordance with the declarations of the Cairo Conference, to their previous owner—Germany. Clearly, the power with the greatest strategic interest in them is the United States. It also has the capital resources necessary for their development. If the United States were to assume responsibility for the islands, it would find little criticism in this country. But the American attitude towards imperialism makes such action distasteful if not impossible, and the mandate solution found for the same dilemma after the last war is currently considered in the United States to be too patent a subterfuge. Hence the proposal to make the Japanese islands subject to international trusteeship. And if the Americans can pass such a self-denying ordinance, could not the other powers do the same in respect of their own colonies?

It is here that Great Britain must take issue with the American proposal. Responsibility for the colonies, as Colonel Stanley pointed out, has devolved on this country more often by treaty and agreement than by conquest.

But to-day we have that responsibility, and it is a

responsibility we cannot share with others. We believe that any such division of responsibility is not only impracticable but wholly against the wishes of the colonial peoples themselves.

In this declaration the Colonial Secretary was only reiterating former pronouncements of the British Government. It is not that the idea of a joint administration has never been tried. The New Hebrides were made a condominium of Britain and France as long ago as 1906, but the cumbrousness of the resulting administration is well known. It is also worth noting that the New Hebrides are the only dependency in the South Seas, other than the Japanese mandates, where there is no legislative council or similar body in which the administration can sound local opinion. In the interests of the colonial peoples, responsibility for administration must rest in one place. For the British colonial empire it rests in the Secretary of State for the Colonies, on whom the pressure of public opinion can be brought to bear. But how can public opinion, here or in the colonies, be effective when it has to be exercised on an international body, consisting of representatives of powers with possibly conflicting colonial policies, whose administration would have to be based on the lowest common multiple of mutual agreement? How could the colonial administrator, with so many masters to serve, know where he stood? And how could a colony make an orderly and sure progress towards self-government when one trustee might want to hasten on the process while another wanted to hold back?

*

Great Britain, moreover, is not likely to be alone in objecting to the American proposal. This country is sure to have the support of its own ex-colonies which are now themselves colonial powers. There has been nothing to indicate that Australia and South Africa are willing to share their responsibilities for their dependencies and mandates. On the contrary, South Africa would like to extend its sovereignty by including in the Union the South African protectorates at present administered by the Colonial Office. It is possibly significant that General Smuts is to be present at San Francisco.

Nor is the British Empire the only one to be considered. Even if the Dutch and Portuguese views could be ignored, there can be no mistake about the French attitude. For France at this stage, when the country is slowly and painfully recovering its lost prestige, to be asked to share its sovereignty over its colonies, which in accordance with French colonial philosophy are regarded more as vital parts of France than as individual dependencies, would be a crowning insult. Speaking in the French Assembly on the San Francisco Conference, M. Bidault referred to the "intolerable suggestions" made in connection with France and her Empire and said that nobody would dispossess France of any territory she held. It can hardly be a coincidence that the present time has been chosen for a statement of French policy for Indochina. Indochina is to become a federation under the presidency of a Governor-General assisted by Ministers drawn from the Indochinese and French residents in the territory. This Indochinese federation will, together with France itself and other French dependencies, become part of the "French Union," a new version of the British Commonwealth. On this basis, a French Union composed of metropolitan France and its dependencies, France is climbing back to the status of a great power.

But for the colonial powers to give a flat refusal to the American proposals would be a mistake. Colonial policy has not stood still in the last quarter-century and it cannot stand still in its relation to world order in general. The French are likely to point to the proposed status for Indochina. They will argue that their colonial policy aims at promoting autonomy within the French Union. Indochinese, equally with Frenchmen, will be able to serve the French Union in any of its component parts; they will even be able to represent the interests of the

Union in other countries. This, the French will claim, is a more practical ideal, and of more benefit to the French dependencies, than placing them under an international administration.

The British counter-proposal will take the form already advocated more than once by the Colonial Secretary. The British Government is in favour of an extension of the system of regional commissions for colonial areas exemplified in the Anglo-American Caribbean Commission. Such commissions would be composed of representatives not only of the colonial powers concerned but also of states "with a major strategic or economic interest" in the area—and this provision may be the loophole for a compromise with American ideas. The regional commissions would involve no diminution of the responsibilities of each colonial power for its own dependencies. They would be advisory bodies only, but reports of the work of the Anglo-American Caribbean Commission show that the international co-operation resulting from them could produce very real benefits for the colonies. Nor is the British Government alone in its support for the commission idea. General Smuts has given it his blessing, and more than a year ago a conference of the New Zealand and Australian Governments ended with the announcement that steps would be taken to establish a South Seas Regional Commission with advisory functions relating to the welfare of the South Sea islanders.

On the other hand, though the extension of regional commissions, to judge from their co-operation in the Caribbean and the Middle East, is likely to be approved by the Americans, it does not follow that they will accept it as an alternative to collective trusteeship. Nor can it be considered an alternative to the mandate principle, and it is to be hoped that recent statements by Colonel Stanley, in particular in an address to the Foreign Policy Association in New York, are not to be read as implying that the British Government wishes to throw the mandate principle overboard. Regional commissions are extremely useful *ad hoc* bodies, but they cannot be a substitute for the principle that a colonial power should be accountable to world opinion for its administration of its dependencies. Regional commissions should supplement the mandate principle but not supersede it.

In any case, the extension of regional commissions would still be no solution to the problem of what should be done with the Japanese and Italian colonies. If a South Seas Regional Commission were established, would the United States be willing to undertake the responsibility of administering the Japanese mandated islands with their largely Japanese population? Some achieve colonies, and some have colonies thrust upon them. In this respect, the United States and the United Kingdom have a common problem. Neither wants to undertake more colonial responsibilities, but both seem likely to be compelled to—the one in the South Seas and the other in East Africa.

If this in fact is what must happen, the Japanese and Italian colonies should be held as mandates; American opinion would never consent to less either for their own new dependencies or for those of other nations. The mandates system, established after the last war, has had many critics. Not the least of its drawbacks was the powerlessness of the Permanent Mandates Commission. And there is always the danger that it would be composed of men with plenty of ideals but lacking the practical knowledge of colonial administrators. Against these drawbacks should be set the advantage of the publicity given to colonial affairs by the obligation on the colonial power to report at regular intervals to an international body. If the international discussions on the colonial question could concentrate on how to improve the mandate principle instead of taking the form of impracticable proposals on the one side and flat refusals on the other, some concrete results might be achieved. At it is, it looks as if the colonial problem, which was not, as at one time seemed possible, a factor in the outbreak of war, might well become a bone of contention at the peace conference.

The Problem of Germany—IV

The Moderate Policy

THE preceding articles in this series have analysed the possibilities of the proposal to make Germany for ever incapable of making war by detaching the Ruhr and the Rhineland as an independent state. The conclusion has been that this proposal, attractive at first sight, would not work and, in failing, would pull down the whole of the settlement of which it formed part. The argument comes back to the position that the most workable policy is one that is based on leaving the German Reich substantially intact, a nation-state among nation-states.

It remains in this final article to establish that this so-called "moderate" policy is no mere *pis aller* but a constructive policy. It is put forward not merely as the empty negative result of establishing that other solutions would not work, but because it seems to offer more hopes than any other of producing a long period of peace.

It will be as well once more to emphasise that what has here been called a "moderate" peace is in no sense a "soft" peace and is not inspired by affection or pity for the Germans. The "moderate" policy has three main elements. First, there should be a period, not exceeding five years in length, of penal servitude for the German people, the conditions of which would be as sharp as anyone desires. Secondly, the only restriction on German national freedom that should extend beyond this five-year penal period should be complete disarmament. Thirdly, with this exception, there should be no political or economic disabilities laid upon the German people and, in particular, territorial changes should be kept to the minimum.

At the end of last week's article it was suggested that any constructive policy should meet three requirements—it should not provoke dissension among the Allies; it should eventually be capable of standing of its own strength; and it should meanwhile rule out the possibility of a third German aggression. The moderate policy must now be judged by these tests. Clearly, it does not meet them perfectly, and those who insist on a mechanically perfect, fool-proof device for ensuring eternal peace will have to look elsewhere. They will, in fact, have to look a long way indeed. The unpalatable fact is that the world, even after these horrors, is not ready to make the sacrifices that are necessary to prevent international war. So long as there are sovereign states, the overwhelming probability is that there will continue to be wars. The only ultimate solution is a pooling of sovereignties, the acceptance of a world jurisdiction effectively overruling the wishes of the nation-state. But the peoples of the world, as represented by their politicians—who, after all, are professional experts in public opinion—are still a thousand miles away from being ready for any such surrender. The most that any realist would claim for a policy is that it stands a good chance of securing a long period of peace, and that is all that is here claimed for the "moderate" policy.

It would clearly not be easy to secure Allied unity on its contents. And yet it would not be wholly impossible. Those Governments which clamour for a hard peace would be at least partly satisfied by the proposal of a period of penal servitude, especially if it is combined with long-term disarmament. There is certainly nothing in Russian policy, as hitherto disclosed, that irrevocably rules out the acceptance of such proposals. As for the United States, the "moderate" policy is almost certainly as much as can be secured. It is important not to be misled by American advocacy of the Morgenthau plan. In the form in which it has secured the blessing of the Administration it is essentially a short-term plan, and the President is reported to have warned his colleagues at Yalta that American military forces would not be available for coercive policies in Europe for more than a very few years after the Armistice. When the problem is considered in terms, not of what some American statesmen will say, but of what the Senate will, by two-thirds majority, confirm, it is

almost certain that the United States will not commit itself to any long-term policy going beyond a guarantee of German disarmament, which was what Senator Vandenberg proposed. On this first test, then, the moderate policy comes out, if not well, at least better than any other. It cannot be said for certain that the American fear of specific long-term commitments and the desire of some European states for much more far-reaching commitments would find in the moderate policy an acceptable compromise. But if not, there is no other acceptable compromise. And if this hurdle of preliminary agreement could be surmounted, a simple policy of this nature, with its minimum of long-term promises, would be much easier to maintain, and therefore much less productive of dissension, than any "stronger" and more complex plan.

*

How does the moderate policy stand up to the second test, that of its ability to bring about a new stable equilibrium capable of maintaining itself without the constant application of force? Here again, nothing like perfect success can be guaranteed. But it is perfectly obvious to anyone who stops for a minute to think that there will be no permanent solution of the German problem until the German people become, if not perfectly pacific, at least no more anxious to wage war than the British or the Americans. Perhaps this will never come about; perhaps Lord Vansittart and his friends are right; but in that case there is no alternative to inspissated gloom. So long as there is a possibility of some repair, however remote, of the disastrous fissure in Western society, it is surely the wise object of policy to try to create the conditions in which it may come about. What are those conditions? One school of thought says that the Germans will never love peace until they have been taught the lesson, beyond the possibility of mistaking it, that war does not pay. Another school says that no country that is deprived of freedom will ever accept servitude, however long the odds against it. If the Balkan peoples revolted against the Turk, if the Poles would not lie down under partition, the Germans will never abandon the dream of revenge unless they are given their freedom and equality. Surely both views are right, and if it is at all within the Allies' power to create the conditions for German re-education, a policy that first teaches a very sharp lesson and then holds out hope of re-acceptance into the comity of nations is more likely than any other to serve that purpose.

The lesson should be very sharp. It is so already and there can be very few Germans left even today who have any illusions about the profitability of war. But they have more lessons coming. There is to be a complete occupation of the whole country. Billeting of foreign soldiers, always a very painful thing for any people to bear, will be far worse in the post-RAF state of German housing. There will be humiliating conditions of government, with German officials openly obeying the orders of the Allied military. There will be the sight of stolen wealth going home, and of German wealth following it. If, after the battering the country will have had, the administrative chaos that will follow, and the removal of whatever wealth is portable—if, after all that, the German people are capable of producing anything above a bare level of necessary existence, the surplus will be taken in reparations. It is indeed a vale of tears through which they are to pass and if it does not teach the lesson, nothing will. If, thereafter, the disabilities end and the impositions are withdrawn, the ground will surely be prepared for the growth of a Germany that will fear war and love peace. There will always be the memory of those awful years to discourage any adventures. Every liberty re-won, every comfort re-earned, will be a hostage.

But to the restoration, after the penal period, of German sovereignty, there must necessarily be one exception.

German inequality in armaments must continue. This is essential to meet the third requirement, that any possibility of a third aggression must be ruled out. It must be admitted that insistence on disarmament runs, to some extent, counter to what has just been said. It may be that so long as they suffered from this one disability, even though it were the only one, the Germans would resent their status and refuse to be reconciled to it. That may be true; but it cannot be helped, since it is ludicrous to suppose that the German people could, for a very long time, be trusted with arms, however apparently convincing their conversion. There is no way round this difficulty; but it is an argument for making the prohibition of arms as simple and as little chafing as possible.

Fortunately, this also fits in with the requirements when seen from the Allied side. For, if the policy of German disarmament is to be enforced over the long decades by the democratic peoples, the scheme must be simple and obvious and proof against propaganda. The best way would be to enact a simple and complete prohibition against the manufacture or ownership of guns, aircraft, tracked vehicles, armed or armoured ships, and a few other easily recognisable products of the munitions industries. Anybody can recognise these things, and anybody can understand why they are forbidden.

This would obviate the necessity for any far-reaching policy of controlling German industry. There is a great deal of talk current about the control of German industry, but very little appreciation of the difficulties of carrying it out for more than a very short time. For the penal period, the Control Commission will naturally exercise a considerable degree of control, if only to exact reparations and to police the original disarmament. But to continue control as a permanent policy would raise very difficult problems. Where is the necessary large and skilled staff to come from? What reason is there to believe that three countries with such divergent economic policies as America, Britain and Russia would agree on the purposes, other than the enforcement of disarmament, for which control is to be exerted? And if the policing of disarma-

ment is the purpose, is it not far easier simply to ban a list of weapons, without which no army can fight, than to attempt to interfere throughout the structure of German industry? The difficulty is that, with a few exceptions (which should get special treatment) there are very few industrial processes that are useful in war without being useful in peace. If you ban all industrial processes that might be used for armaments, disarmament means impoverishment—and would therefore not be maintained. It will be far simpler and more effective to impose a rigid ban on certain end-products, enforced by an inspectorate, than to attempt the impossible task of controlling German industry. There should be a simple banned list, and for the rest German industry (with certain exceptions, take such as some of the chemical processes) should, after the penal period, be left free of control. Even this simple system, with its obvious purposes, will impose a sufficient strain on the resolution of the victors. Anything more complex would break down of its own weight. And yet, if guns and tanks, aircraft and U-boats, rockets and bombs are effectively prohibited, Germany will be incapable of making war, be its war potential never so large. If the end-products are prohibited, the potential need not be controlled. And if the end-products cannot be effectively prohibited, the far more difficult and invidious task of controlling the potential certainly cannot be.

This moderate scheme is by no means perfect. It has its difficulties, which have not been shirked in this discussion. But it comes closer than any alternative to being a practicable and workable policy. It does not require that every teaching of history be ignored; it does not assume that human nature has been changed; it does not pretend that the structure of international society is other than it is. It is offered as a practical means of ensuring a long period of peace, at a price in effort or resolution no higher than the democracies, on the evidence of the past, can reasonably be expected to be willing to pay. The test that has been applied throughout is whether it would work; and if it passes that test it is surely the most positive and constructive peace plan that can be imagined.

Sight and Sound

TELEVISION was one of the war's first casualties. When it was faded out, for military reasons, on September 1, 1939, the Alexandra Palace service was nearly three years old, and was experiencing its first growing pains. The difficulties of the experimental period had been safely negotiated. There was no longer any doubt that television of high technical standard and considerable entertainment had come to stay. But within the effective 35-mile radius of Alexandra Palace there were only about 20,000 receivers in use by the public. The time was ripe for expansion in a field in which Great Britain was already in the van. But for the war, television would almost certainly have developed by now into a widely popular source of home entertainment and an industry of some considerable importance to the national economy. Quite soon, it may be hoped, the service will again be established; the Committee on Television, which was appointed in 1943, recently produced its recommendations on how this should be done.* In general, the report proposes that television should resume at the earliest practical moment where it left off.

In Great Britain research in the precise field of television has been held up during the war, and very little technical progress has been achieved; but a very great deal of work has been done on closely related branches of electronics that are of more immediate application to the war, and when these general developments are applied to commercial television, rapid progress should be possible. Within the next decade it is safe to assume that fundamental improvements will be recorded, particularly towards a higher standard of definition or imagery than

the 405-line standard employed in Britain before the war. The new system is expected to approach the standard of definition attained in cinematograph projection, and will probably incorporate colour and stereoscopic effects.

Ought, then, the reopening of the service to be delayed until the trend of new development has clarified and can determine the pattern of new technical equipment and practice? Or should the service be resumed on the basis of the pre-war 405-line system? The reasons that have prompted the committee to recommend the latter course are sound. It is argued that with technical improvements in transmission and reception (many of the pre-war receivers did less than justice to the signals transmitted) standards of efficiency and entertainment will, from the start, be much higher than in 1939; that a long interval without a television service would prove detrimental to its commercial development and make the eventual recruitment of specialised staff extremely difficult; and that resumed operations under the old system would provide further valuable experience in the art and technique of transmission.

At the same time the committee propose that the service should be extended by the establishment of new regional stations—initially, about six in number—through which the London programme could be relayed. Before the war the demand for such an extension was insistent, and in 1938 the Television Advisory Committee suggested the erection of provincial stations in the areas of Birmingham, Huddersfield, Falkirk and Bristol. Regional expansion, it is said, would help to demonstrate to a wide public that television is more than a scientist's plaything and would arouse popular support on a scale that would enable the industry to produce receivers in sufficient quantity to ensure the benefits of quality production.

One of the strongest deterrents of expansion before the war was the public's fear that existing receivers would soon be rendered obsolete by scientific progress. It is clear, therefore, that the proposed regional services would not prove sufficiently attractive unless some guarantee were given that the old system (and the sets made to receive it) would remain operative for a reasonable number of years. The committee, therefore, proposes that, even when the new high-definition system is in force, the old 405-line one will be able to share its programmes—in other words, that the public will have the choice, for some years at least, of viewing with the old receivers or with new and improved models. Since the extension of the provincial service would be gradual and piecemeal there would be time and opportunity to review and amend the plan of campaign in the light of further technical development.

On the all-important subject of research the committee's proposals lie half-way between unification of all interested firms in an associated body, and free-for-all competition. This middle course is but vaguely defined. Under it "television research would be co-ordinated, whilst individual effort would receive all possible encouragement." If this system of research, conducted under the auspices of the Government and co-ordinating the services of the BBC, the Post Office, the Department of Scientific and Industrial Research, the universities and the radio and ancillary industries, could achieve all that the committee has in mind—including the pooling of patents and processes—the future of television in a technical sense would seem to be assured. But similar examples of idealism have not hitherto progressed very far beyond the blueprint stage. Everything possible should certainly be done to prevent the immense opportunities of the television industry from being frittered away by that lack of co-ordination among research workers, technicians and designers which is the normal corollary of misdirected competition.

The committee's proposals on finance recognise that the ultimate aim of a self-supporting service will not be attainable for some years. Television licence fees, at £1 per annum, would at first bring in only about £20,000 from ordinary viewers. In 1939, the share allocated to television out of the BBC's net licence receipts was £450,000 (11 per cent). Since the proposed scheme will cost something like £1,500,000 for capital outlay, and £1,000,000, rising to about £1,750,000 (as the provincial stations are brought into service) for annual expenditure, the old financial arrangements must be overhauled. The balance not met by the new special television licences will have to be drawn either from the BBC's general licence receipts or from direct Government grants. When the new system is introduced it is likely that the cinemas will be anxious to relay items of topical interest to their audiences. If so, the cinemas would be expected to contribute to the costs of the service. If sponsored television

programmes were thought desirable, they might prove another important source of finance. If television should reach a stage at which several programmes are offered simultaneously to all viewers the experimental introduction of television advertising might be given its chance in one of the programmes. Commercial interests would, however, be unwilling to incur large expenditure on such advertising until television reaches a much wider audience than appears probable for some years to come.

If the technical future of television is assured, however, its social and economic implications are hazy and unpredictable. Will television always remain a special form of broadcasting, or will there be a tendency for all broadcast programmes to be televised—that is, for television to absorb its elder brother, as the talkies superseded the silent film? How far will it compete with the cinema? How will it affect public performances and public performers of music, drama and variety? What will be its influence on popular, and school, education? These and many other questions can only be answered satisfactorily by the march of events.

It is likely, though far from certain, that sound broadcasting will eventually be superseded by television. But much will depend on the way in which the studio technique of television develops. If broadcasting were to follow the example of the cinema and make its art so complete an integration of sight and sound that the one is unintelligible without the other, it would lose the very large part of the listening public which now listens only with one ear while engaged on something else. Much though the professional broadcasters deplore the fact, the radio is for many people a pleasant and sometimes instructive background to the daily round and common task. An integrated sight-sound programme—and this would seem to be the target of the technical logic—would certainly need more discriminating and single-minded audiences. The receiver would be "on" for fewer hours per day than the modern radio, but it would receive much more undivided attention. Would the public be prepared to sacrifice its present luxury of inattentiveness? Or could the programmes be arranged so that for some items at least a person might choose either to hear or to hear and see? And how much would this handicap the programme maker? Sound broadcasting has set a fashion in listening that will be hard to dislodge. In most families it is difficult enough to listen habitually to selected programmes without domestic interference. Even in the cinema a bout of coughing or a late arrival can mar one's enjoyment very markedly; how often would the family man find domestic conditions ideal for television reception? There are thus obvious difficulties in an amalgamation of the two services. But, if they stay separate, and television remains (as it almost inevitably must) the less popular of the two, it will either have to be subsidised or to remain poverty-stricken.

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* "Report of the Television Committee, 1943." HMSO. 8s. 6d.

It has already been suggested in these columns that broadcasting would gain very considerably by decentralisation. At present the service is in some danger of falling into the rigidity and lifelessness of monopoly control. This danger might be averted if the technical limitations of television were allowed to influence the reconstruction of British broadcasting. Television programmes cannot at present be received beyond the horizon of the transmitter, and their range is therefore restricted. But this range (a radius of 40 miles has been predicted) is large enough to include dense urban populations in many parts of Great Britain. Television, therefore, points in the direction of one or more networks of local stations, as opposed to the wide-range medium-wave stations that have been the main reliance of sound broadcasting. Television is, therefore, an additional argument for a much more diversified and competitive broadcasting system than has hitherto existed.

Television, for most people, conjures up a delightful picture of an evening by the fireside with the film of the moment. Would the fact be as exciting as the prospect? How much of the pleasure derived from a visit to the

cinema is gregarious? It may be, as the report points out, that television and the cinema "should prove on the whole mutually helpful." The old fears of the press and the entertainment world about the competition of broadcasting have proved unfounded. Broadcasts of good music have certainly helped to increase the number of concert-goers, and for all the education, talk and variety put out over the radio the attendance at shows and lectures constantly increases. But whether this argument can be pushed so far as to persuade the cinema industry to allow films to be televised early in their life is more doubtful. The cinema may be assisted by television. Or it may not.

Until these questions move beyond the range of speculation into the field of practical consideration they cannot be satisfactorily answered, and there is, therefore, every reason why the structure and organisation of the television service should be made and kept as flexible as possible. The first need is to provide nourishment for swift and healthy growth. The Government can assist by releasing staff and material at the earliest possible moment and by maintaining the closest care of the infant industry during its early years.

Finland's New Start

THE elections to the Finnish Diet, which took place a fortnight ago, have produced a considerable change in the alignment of political forces in Finland. The Democratic League, of which the Communists form the hard core, has scored a striking success, and there has been a general strong swing to the Left, both between the parties and within them. The Agrarians and the Social Democrats, hitherto the two pillars of parliamentary government in Finland, are left in a weakened state. But these changes, substantial though they are in political terms, have not opened the way for any definite solution to the economic problems that defeat in the war has bequeathed to Finland.

A comparison between the party composition of the old and that of the new Diet illustrates the change.

	1939 election	1945 election
Social Democrats	85	50
Agrarians	58	49
Conservatives	25	28
Liberals	6	9
Swedo-Finns	18	15
Democratic League	0	49

The figures of the electoral losses and gains tell only part of the story. The other part is that about 110 members of the new Diet are newcomers to Finnish parliamentary politics; that only 90 of the old deputies have been re-elected and that nearly half of the re-elected deputies belonged to the "peace party" in the old Diet. By choosing "new men" as its representatives the Finnish electorate has clearly disavowed the war policies that were associated with the previous Diet and the old leaders. This is the first conclusion to be drawn from the result of the elections. But the second is that the disavowal of the war party has not gone to the lengths of discrediting the parliamentary regime or even the old parties, although, in one way or another, all of them could be said to share in the responsibility for Finland's participation in the war. Alone among the satellites of the Axis the Finns retained their parliamentary system, though in a muffled condition, during the war; and equally unique among the new co-belligerents on the Allied side, they are now promptly reverting to the normal machinery of democratic government.

But will the democratic machinery be able to work smoothly in the new circumstances? On the eve of the election, the country was in the throes of uneasy tension. The pessimists predicted an immediate Russian intervention; communications between Sweden and Finland had been cut; the rumour went about that the President, Marshal Mannerheim, had retired under Russian pressure; the Prime Minister, Mr Paasikivi, and the Minister of Labour, Mr Vuori, warned the electorate that a failure on its part to choose "new men" might bring about a

critical situation. However, it is not as a result of Russian pressure—at least not directly so—that the chief difficulties to the working of the Parliamentary regime may presently arise. The chief danger may be found to lie in Parliament itself. In the new Diet the forces are almost equally divided between the Right and the Left. Neither the Right nor the Left by itself now seems to be capable of forming a stable Government which would command a solid majority. The Social Democrats and the Communists between them command 99 (or possibly 100) votes. Together with the Swedo-Finns they might form a majority of 115 votes. But the Swedo-Finns are divided; and so are, to an even greater degree, the Social Democrats, among whom the followers of Mr Tanner are at loggerheads with the faction of Mr Fagerholm and Mr Virtanen, the leaders of the "peace opposition" who have remained in the party, unlike the other Socialist dissidents who broke away to form the Democratic League with the Communists. For the same reason, no coalition is plausible between the Social Democrats, the Agrarians, the Liberals and the Conservatives. Any such bloc would handicap the Socialists *vis-à-vis* the Communists; and it would certainly antagonise Russia. The result of the election may therefore be a Parliamentary deadlock, which would demonstrate the weakness of the new alignment of forces and might pave the way for extra-parliamentary government, or even for an anti-parliamentary experiment.

The difficulty can only be overcome by the formation of a broad national coalition and by a new suspension of party politics for some time to come. Paradoxically enough it is the Communists who have now hinted at the possibility or desirability of such a coalition. Mr Aimo Aaltonen, the leader of the Communist Party, whom the armistice has freed from a long term of imprisonment, has stated:

We are willing to co-operate with all democratic groups, not only the Social Democrats but also the Swedo-Finnish Party which will probably be represented in the Government. We do not object to the Agrarians, Liberals and Conservatives joining in this co-operation through uncompromised persons. We have not so far put forward any special demands regarding Mannerheim's position. Our aim is not a Soviet Finland nor even general socialisation, but only the nationalisation of some undertakings and big enterprises. As regards foreign policy, we want the closest possible co-operation not only with Russia but with all democratic countries. This co-operation should be economic and cultural, and we have never considered military union, for instance, with Russia. We do not believe that Russia will make further demands on Finland, but believe and hope that she will somewhat mitigate her demands.

For the leader of a party that has almost overnight

gained a quarter of all the parliamentary mandates this is a remarkably moderate statement. It has gone more than half way to meet the view-point of the Right, which is now anxious to keep the problem of domestic social reform separate from that of foreign policy. It is even more remarkable in view of the fact that the Socialists of Tanner's tendency went to the polls with the watchword of an all-out nationalisation of industry.

Though the issues of nationalisation or sovietisation may not be raised at present, the chances of any broader parliamentary coalition being successful will clearly depend on the degree of economic and social stability in the country. It is in this context that the payment of the reparations, to which Finland is committed under the terms of the armistice, must inevitably loom very large. The amount of the indemnity has been fixed at \$300 million, of which \$175 million is to be paid in machinery and ships, and \$125 million in timber, paper, pre-fabricated timber houses, cable products and so on. Originally, all goods were to be valued for reparation purposes at 1938 values, but more recently the Russians have conceded an increase of 15 per cent over the 1938 level for the first category of machinery and ships and a 10 per cent increase for the other items. Even with this concession, the programme will impose a severe strain on Finnish resources both in foreign and domestic trade. The machines and ships will require imports of raw materials; so will the timber-working machinery, the transport and public utility material in the second category. Imports will have to be paid for by exports, and new capital to enable Finnish industry to carry the load will require large savings. The capacity of the Finnish metal industries, for example, may have to be doubled in a short time.

Finland will have to increase its production and limit its consumption. Will the Finnish Trade Unions be willing to lend their aid in inducing their members to make the necessary efforts? Since a high proportion of Finnish output will have to be exported without payment, Finland

will be compelled to cut short its habitual imports of tobacco, spirit, coffee and textile goods. This inevitably means a considerable lowering of the standard of living compared with the pre-war level. The Finnish Communists' slogans during the elections were "No lowering of the standard of living" and "Let those who bear the responsibility for the war pay the indemnity." Both slogans make no sense. The payment of reparations must entail a lower standard of living under any circumstances; and the punishment of the "guilty men" can in no way add anything to Finland's productive capacity. It might be argued that the nationalisation of industry would perhaps induce the Finnish working classes to reconcile themselves to the temporary lowering of their standard of living and enable Finland to fulfil her obligations towards Russia, though it would be odd if the need to meet a Reparations bill were the decisive motive for a social revolution. But a purely negative policy which is "moderate" in rejecting nationalisation but wholly immoderate in opposing any reduction in the standard of living can hardly give Finland the political stability which she needs.

Finland's economic and social difficulties could be lessened if Finland were to receive credits from abroad. As the proverbially conscientious debtor, who did not default during the Great Depression, Finland may have a chance of raising loans in the United States. What would probably deter foreign creditors is the uncertainty about the country's political future. The result of the recent elections may diminish that uncertainty, but it has probably not dispelled it altogether. Finland may also hope for some relief from a softening of the armistice terms—a hope that may possibly come true if the new Diet initiates a firmly pro-Russian policy. But the opposite is equally possible. If the policy is not satisfactory to Moscow, the armistice terms could easily be interpreted so as to tighten the reparations screw, and this in its turn would cause internal trouble. For the time being, Finland still stands at the cross-roads.

NOTES OF THE WEEK

Lloyd George

There is a touch of tragedy in the fact that the architect of one victory did not quite live to see the next. But then there was a touch of tragedy in the whole of Lord Lloyd George's last two decades of life. For six years he was the head and front of the most powerful government in the world, war-maker, peace-maker and popular leader. Then, displaced by the revolt of small men, he never held office again, and for a man of his consummate political talents that could not be other than wormwood and gall. To this can be traced all the errors of judgment of these last twenty years that surprised his contemporaries and will raise the eyebrows of history.

But it is the Lloyd George of 1906 to 1922 that will live the longest in men's memories. At the peak of his powers, he was followed with almost apocalyptic fervour by the people from whom he sprang. No one, on a platform or in a debate or in an intimate conversation, could more effectively use words to influence actions. Yet words were not all. It is still said by the old hands in Whitehall that "there never was a Minister like L.G."; the minute he entered the front door his energising presence could be felt in every corner of the building. Never have the arts of the popular orator and those of the statesman been more effectively combined.

The comparison with the present Prime Minister is inevitable—though the parallel with Chatham is in many ways closer. Whether Lloyd George was a greater War Minister than either is for history to answer. But he wears the double crown, for if the last war had never happened his fame would still stand high as the leader of the great Radical resurgence of the years between 1906 and 1914. As an Englishman he belongs in the very select company of the eternal names—Elizabeth, Cromwell, Marlborough, Chatham, Pitt, Wellington, Gladstone. But he was not an Englishman. He died where his spirit belonged, in the hills of Snowdonia. And as a Welshman he was the greatest of them all.

Battle of Germany

The crossing of the Rhine by the Allies will rank for ever among the most decisive and certainly the most skillfully conducted battles in history. Artillery barrages, air-bombing, parachute landings, all played their meticulously timed parts and the engineers did prodigies in throwing bridges across a wide and swift river under heavy fire. All along the river, from Wesel to Strasbourg, bridgeheads sprang into being in quick, kaleidoscopic succession, and were linked up at great speed into continuous fronts. Across the river the crust of German resistance has been found to be thin and cracked.

Will Kesselring try to make a stand anywhere in the northern German plain between the Rhine and Berlin, on the Weser or on the Elbe? This seems to be somewhat doubtful in view of the great losses which the *Wehrmacht* has just suffered on the Rhine—a quarter of a million in prisoners alone. The ring of concentric defences around Berlin may perhaps be the last battlefield chosen by the German Command. There they may still hope to prolong the twilight of the gods in the ruins of the German capital and to impose on the attackers all the handicaps of long communication lines over enemy land submerged in terrible chaos. There are also the reported plans of a last stand in the inner bastion of the Alps, but that "bastion" may well be cut off from Northern Germany by Allied thrusts from the southernmost bridgeheads around Mainz and Karlsruhe and by the renewed Russian advance along the Danube.

On the brink of final disaster, the bulk of the *Wehrmacht* still faces the Russians in the east; but the day is not far off when the distinction between eastern and western fronts must become meaningless. They are rapidly becoming the perimeter of a single battlefield covering the rump of the Reich. The end is now obviously very near, and almost the only uncertainty is whether, after all, there will be a surrender by any sort of German government.

No Fraternisation

In a letter to his troops, Field-Marshal Montgomery has set out in great detail the implication of the "No Fraternisation" Order:

In streets, cafés, houses, cinemas, etc., you must keep clear of Germans, man, woman and child, unless you meet them in the course of duty. You must not walk out with them, or shake hands, or visit their houses, or make them gifts or take gifts from them. You must not play games with them, or share any social event with them. In short, you must not fraternise with Germans at all.

Something may be said in favour of such vigorous prohibitions so long as hostilities last. The Field-Marshal's letter, however, suggests that the prohibitions ought to remain in force even after the "cease fire." Otherwise there would be no point in his rather dubious assertion that the neglect to carry out the orders against fraternisation during the occupation of the Rhineland after the last war was responsible for the revival of German imperialism.

To harp on over-simplifications of history in a Commander's address to his soldiers would be out of place. But can it seriously be thought that Field-Marshal Montgomery's "Don'ts" can possibly be enforced after the armistice, especially in the course of a long occupation of Germany? Of all the unrealistic notions that are now current on conditions in post-war Germany, that would be the most fantastic.

Legends in the Gutter

Streams of German refugees from the Russian-occupied provinces in the east were still moving westwards along the roads of central and southern Germany when they met other columns of evacuees moving from the Rhineland in the opposite direction. The pressure of the double mass exodus must have been too strong for the overstrained Nazi administration. After the beginning of the offensive on the Lower Rhine the Nazis were compelled to call off the evacuation of civilians from the Ruhr area and Westphalia. Only a few classes of young and able-bodied men have been ordered to join the "marching groups" that are supposed to fight or to work farther inside the congested and overcrowded Reich. No mention has been made of the Volkssturm in the Ruhr and in Westphalia.

The complete paralysis of transport; the scanty industrial resources of Central Germany, Austria and Western Bohemia, which are all that remain to the Wehrmacht; the appalling condition of the bombed towns; the growing administrative chaos—these things can no longer be passed over in silence by official Nazi spokesmen. Frequent announcements about executions of "cowards" and broadcast appeals to Nazi organisations, and even to civilians, for help in the rounding-up of straggling soldiers and deserters are unflinching pointers to a rapid deterioration in morale. In the last war, it was the home front which, according to the Nazi legend, stabbed the Army in the back. In this war, it looks to the Nazis as if the home front had been stabbed in the back by the Army.

The familiar political apathy of the people has now been made even deeper by sheer physical torpor. Nazi speakers still make a last effort to shake the stunned nation by a violent propaganda campaign about the apocalyptic consequences of defeat and by showering abuse, in the most vulgar idiomatic slang, upon the fainthearted, the weaklings and the traitors. In this last act of their self-destructive struggle the Nazis are dragging the Nibelung myth down to their own level—to the political gutter. The same is happening to the Frederician legend, which was for a time so successfully dangled by Hitler before the eyes of the German people. The hope that a split among the Allies will save National Socialism has gone; the gestures of the great King are no longer aped by the Fuehrer; and only Frederick's angry exclamation, "Dogs, do you want to live for ever?" is now being shouted by Goebbels, Himmler and Ley into the ears of the numbed and mutilated German nation.

Industrial Location

Last week's debate in the House of Commons on the Distribution of Industry Bill, now that it can be seen in perspective, does not provide any encouragement to those who hope, almost against hope, for the emergence of a constructive and constructive policy for the economic development of the country. The President of the Board of Trade

ostentatiously refused to consider the Bill in the wider setting of economic policy as a whole, and Sir John Wardlaw-Milne's attack upon it was so extreme as to be ridiculous.

The only truly constructive approach to the subject came, paradoxically enough, from Sir George Schuster, who moved the rejection of the Bill. It is clear that some of the comments made in *The Economist* last week on the basis of preliminary reports of Sir George's speech did him less than justice. His main point was that a policy of industrial location cannot be applied piecemeal and *ad hoc*; by its nature it involves having a plan of action, which Sir George would have worked out regionally by bodies free from the pressures of politics—though the actual execution must, of course, be the responsibility of the Government. This is a sound enough point of view, even though to move the rejection of the Bill seems an extreme form of giving expression to it.

The Bill, indeed, should become law, since the major objection to it (*pace* the enraged defenders of private enterprise) is that it does too little rather than too much. It is true that to compel a number of light industries to settle in the Special Areas rather than elsewhere is a very small contribution to the economic problems of the country as a whole, and that, as Sir George Schuster said,

to look at the matter simply from the location point of view implies the conception that we must have a certain amount of unemployment in this country, and that we are merely saying "Let us spread that unemployment widely."

But it is also true that something will be needed to spread full employment evenly over the country. Or, again, on the other side of the Bill, it is true that the restrictive powers of the Board of Trade *could* be used in a purely negative way. But some form of control over congested areas is clearly necessary, if only for the strategic reasons that Mr Lyttelton emphasised. The right course is to enact this Bill, and to redouble the pressure for a real economic policy which alone would give it a positive meaning.

Building Budget—Supply

Last week's Commons debate on housing fully justified the decision to set aside two whole days to a discussion of so wide, so vital, and so complex a subject. A White Paper, produced rather hurriedly earlier in the week, had lacked both inspiration and new information. More important, it had failed to set clearly before the country the major issues of policy with which the Government is faced. On one of these, at least, the debate has made up for the deficiencies of the White Paper.

This issue is that of building labour. It has already been emphasised that the supply of labour is the greatest restricting factor on the number of houses, permanent or temporary, that can be quickly put up; and that supply is inevitably limited. But how far the limits can be extended, and by what means, is still the responsibility of the Ministers concerned with housing. On the limits of the labour force for building (as distinct from the limits of the houses that it can build), the following table, digested from Mr Sandys's speech, shows clearly that the relatively small number of 60,000, discharged from the armed forces under Class B as key men for reconstruction, is the one source of supply which could be substantially increased.

SUPPLY OF BUILDING LABOUR.	
Present labour force	337,000
From war employment	215,000
Discharged from Forces	
Class A (age and service)	175,000
Class B (reconstruction priority)	60,000
New entrants	13,000
Total at end of first year	800,000

Compared with the 175,000 men discharged for age and length of service, the 60,000 will be only the top layer of skilled, and often younger, workers. Mr Sandys made it clear that the choice lay between taking only the most essential men, or unbalancing to some extent the demobilisation scheme by giving priority discharge to a much larger number. By fixing the number at 60,000, the Government has decided on the former course, which necessarily puts a narrower limit on the number of houses which can be built. He said that any large increase would create a sense of deep injustice in the Services. That may be so. But there may be an even greater sense of injustice when men and women from the Services return to find so few

houses ready for them. They will not, in any case, find enough, but surely the choice should be put to them and to the country as a whole, fairly and squarely.

Building Budget—Demand

The other side to the question of building labour is its allocation—how is this limited force to be used to the best advantage? The expenditure side of Mr Sandys's budget can again be summarised in a table:—

ALLOCATION OF BUILDING LABOUR	
War damage repairs (i.e., to houses now uninhabitable)	200,000
Six years' arrears of normal repairs	150,000
New house construction	100,000
Other new construction (schools, etc.)	50,000
Average total for first year	500,000

With the allocation for repairs there can be little quarrel. Mr Sandys triumphantly announced that the winter target of "second-stage" repairs, making habitable but war-damaged houses tolerably comfortable, has just been achieved. After this the work of more fundamental repairs will still yield better dividends for the homeless than any possible new construction. One word of warning should, however, be spoken. If 150,000 men are to be directed to "normal" repairs there must be close control to see that they are not wasted on unessential painting and decorating—X must still go shabby if Y is shelterless.

The remaining 100,000 men available for building new houses in the first year will have a double job. Mr Willink's 300,000 permanent houses must be built or building before two years are out. Besides these, the country still expects (though now somewhat cynically) a fair number of temporary houses, and on the temporary programme there is still some confusion. According to Mr Sandys, 10,000 of the 145,000 allocated to England, Wales and Scotland will be out of the factories by June. But a bottleneck, even for this small fraction, threatens where sites are concerned. Even if local authorities find and prepare them, three months will elapse in which tenders are sought and drains dug, before the work of construction begins. This seems unnecessarily long. It may also be this matter of sites which, with the furious demands for pressed steel from other industries, has caused Mr Sandys to confess to being hesitant about starting on Portal houses as late as next spring. The Portal house needs only a third of the labour for construction of that required by other temporary types, and is also cheaper. The housing situation in 1946, when demobilisation will have begun, will be no less grave, and the contribution of the Portal will still be useful.

On the whole, although information is still inadequate, the debate did give evidence that criticism of housing policy is having some effect. The appointment of Sir Frederick Pile, hitherto in command of the anti-aircraft forces, as organiser of the production and erection branch of the Ministry of Works, testifies to a willingness to look outside the usual resources of the Civil Service. The division of the Ministry into four sections, one of which, under the Permanent Secretary, will be responsible for co-ordinating the work of the other three, will be particularly useful in providing continuity at the time of the election, when the political leaders will be tempted to give less time to departmental problems.

French Amendments

The French Government has published its amendments to the Dumbarton Oaks scheme. They show that General de Gaulle has not chosen to enter the stage of the new World Organisation as the champion of small nations against the "dictatorship" of the Great Powers. He has rightly refused to play the somewhat melodramatic rôle which some of the critics of the Dumbarton Oaks scheme had cast for him in advance. If anything, the French amendments go even further than the scheme itself in placing emphasis on the principle that chief responsibility for maintaining peace ought to rest with those who possess the means to maintain it. The French accept the unanimity rule in the voting procedure on the Security Council and recognise that in the existing circumstances the World Organisation cannot decide on military action against the will of one of the permanent members of the Security Council. However, they do not ignore the fact that "the unanimity rule may be a cause

of weakness in an institution"; and they propose therefore to draw a distinction between the Council's recommendations and its decisions. The former should not imply recourse to the use of force; the French Government suggests that recommendations be adopted by a majority, not necessarily a two-thirds majority of the Council's members. The two-thirds majority, involving unanimity of the permanent members, would, however, be required for decisions.

The acceptance of this amendment might, perhaps, meet the objections of those critics who fear that the new League might be committed to moral connivance with aggression on the part of a Great Power. The new League would be able to adopt, by an ordinary majority, "recommendations" directed against the policies of permanent members of the Council. Yet, such "recommendations" would by definition be little more than pious wishes or platonic demonstrations; and it can be argued that they might bring more harm than benefit to the new League.

The French have repeated their objection to that clause in the Dumbarton Oaks scheme which said, "No coercive measure should be applied by virtue of regional arrangement or by regional bodies without the Security Council's authorisation." This might, of course, be interpreted as an invalidation of any alliances which the members of the World Organisation had previously concluded. Would not this provision, the French ask, prevent the Russo-French alliance, for instance, from coming into play in case of an emergency? They, therefore, propose the following amendment:

An exception to this rule should be made when it is a matter of applying emergency measures provided for by the treaties of assistance concluded by members of the organisation and duly notified to the Security Council.

This amendment should ensure the automatic operation of pacts and regional security arrangements.

This French amendment will probably produce a lively debate at San Francisco. It will be opposed by the "idealistic" critics of regional arrangements and by the upholders of the principle of universality. But in all probability the amendment will be accepted. The Russians have stated in advance that they will support it and that they, for their part, see no contradiction between the Dumbarton Oaks

The Crown Colonist

FOR ALL CONCERNED IN THE TRADE AND DEVELOPMENT OF THE COLONIES, PROTECTORATES AND MANDATED TERRITORIES OF THE EMPIRE

KENYA	N. RHODESIA	NORTH BORNEO	TANGANYIKA	CYPRUS
CEYLON	SOMALILAND	BRITISH GUIANA	SEYCHELLES	BRUNDA
BAHAMAS	PALESTINE	F. MALAY STATES	NYASALAND	TRINIDAD
BARBADOS	MAURITIUS	STR. SETTLEMENTS	ST. HELENA	LEEWARDS
GIBRALTAR	SARAWAK	WEST PACIFIC IS.	ZANZIBAR	HONG-KONG
GOLD COAST	JAMAICA	BRITISH HONDURAS	NIGERIA	A.-E. SUDAN
FALKLAND IS.	UGANDA	TRANS-JORDAN	GAMBIA	WINDWARD IS.
		SIERRA LEONE	MALTA	A.D.E.N.

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APRIL NUMBER

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ROUND THE COLONIAL EMPIRE
Cables from Correspondents and news in brief

33, TOTHILL ST., WESTMINSTER, LONDON, S.W.1

scheme, the Yalta decisions and their alliance with France. They take the automatic working of the military alliances for granted, and to this extent they appear to have abandoned the notions of collective security which were the Russian stock-in-trade during the Geneva period. This hard-boiled and realistic view goes together with an inclination to regard the new League sceptically, as an experiment which may or may not work. If it works, then eventually the regional arrangements may be subordinated to it. But, before they have the evidence of the new League's efficacy—so the Russians argue—they refuse to give up such instruments of strategic security as they have in hand. It is noteworthy that this argument is applied to the Anglo-Soviet Treaty of 1942 as well as to the Russo-French alliance. True, the Anglo-Soviet Treaty provides for the termination of the military alliance after the creation of the new League; but it also makes such termination dependent upon the agreement of the partners in the alliance. If Great Britain and Russia decide to keep the alliance in force then it cannot be rescinded by the new World Organisation. (The Russo-French and the Russo-Czechoslovak Treaties contain no reference at all to the future League.) The new World Organisation is thus being born without the halo of great hopes or brilliant illusions. The parents are not anxious to advertise in advance any miraculous qualities in their child. Soberly and without sentiment they announce that its role in life may be rather prosaic and modest. Will it be too modest to accomplish anything?

Political Trailers

Labour members of the Government were out in force during the week-end sparring for openings at the forthcoming election. The chief interest in such speeches, which must inevitably deal more with principle than practice, is that they provide a foretaste of Labour's plan of campaign. It is becoming clear that the main planks in the platform will be the old stand-by of nationalisation, housing policy, and social insurance. Conservative opposition to the, suggested amendment of the Trade Disputes Act to permit Civil Service unions to affiliate in the TUC may provide another useful support.

At Nottingham, Mr Attlee attempted to define the scope for nationalisation, and he brought in the Mulberry harbours as an ideal pattern of communal non-profit-seeking activity.

We hold that when the stage of monopoly has been reached there is danger to the community, and that private must be replaced by public ownership. . . . Our opponents continue to repeat old phrases about the advantages of competition, although over large areas of economic activity competition has given place to monopoly.

A development of this line of argument would probably be more profitable to the Left than the usual negative defence of controls. The public is certainly more ready at the moment to condemn regimentation than it is to appreciate the fine wartime record of industrial co-operation. If Mr Attlee can find a few more "mulberries" in the war effort—their language is easily comprehended by the ordinary citizen—the theory of nationalisation might be made more palatable and popular.

Government Appointments

The proximity of the general election is producing many signs of restiveness in the House of Commons. Coalition is degenerating into uneasy truce, and may be expected to show further signs of disintegration at any moment. Last week found Labour members unduly sensitive about the appointment of Mr Eden as leader of the delegation to San Francisco; and Mr Churchill was able to avoid further unpleasantness only by taking refuge behind a constitutional technicality. Mr Attlee, the Deputy Prime Minister, holds a courtesy title that has no constitutional authority.

The prickly heat of the political atmosphere is reflected in the list of new Junior Ministers approved last week. The balance of political parties in the Government has to some extent been preserved, though the bias is to the Right. A Conservative, Mr Spencer Summers, succeeds the late Mr Harcourt Johnstone as Secretary to the Department of Overseas Trade, but the Liberals must take consolation for the loss of this important position in the appointment of Mr J. A. de Rothschild to the Ministry of Supply in place of Mr Peat (Conservative). The only Labour appointment is that of Mr Jenkins, who succeeds Mr H. G. Strauss (the

Conservative member who resigned because he was not in full agreement with the Crimea decisions) as Parliamentary Secretary to the Ministry of Town and Country Planning. Two Conservatives, Mr Peat and Flight Lieutenant W. R. D. Perkins, become Parliamentary Secretaries to the new Ministries of National Insurance and Civil Aviation. Thus the most important junior posts in the Administration are bestowed on Conservatives. These new recruits, however, will not have long to prove their worth in the present Government, but they are mostly young men, and may "come again."

Belgian Chamber

The Belgian Chamber and Senate have recently granted "extended" powers to M Van Acker's Government, after the Senate had rejected the Bill on plenary powers in the first days of March. Under the new Act the Government will be free to issue decrees after consultation with the parliamentary commissions. Only decrees failing to command the support of the commissions will come before the parliament. M Van Acker's Cabinet will thus have more freedom of movement than M Pierlot's; but parliamentary opposition can still make itself strongly felt. The opposition is likely to come into play if, for instance, the Government's measures for carrying out the purge appear to be excessive to the parties of the Right. It is the economic condition of the country that seems now, however, to command most attention in the Government, in Parliament, and in the country. The Belgians, like the French, seem to have become tired of the purge.

In one of his recent speeches M Van Acker gave a striking picture of the black market still rampant, of the frequent disappearance of food supplies and of the general inefficiency of the administration. It will be his task to overhaul the administration and to bring the black market under control within the next six months—the period for which the Government has been granted extended powers. The first steps of the new Government have made some departure from the rigidly deflationary policy of its predecessor. The Minister of Agriculture, M Delvaux, has announced a new price policy under which farmers will receive prices 50 per cent higher on the average than hitherto. The rise in prices, however, ought not to affect the cost of living, since the Government will pay subsidies to the producers. M Van Acker has been assured by the trade unions that they will not raise any new demands for increases in wages provided that the cost of living remains stable. Recent weeks have brought some signs of economic improvement. The number of unemployed has fallen by 90,000; and the output of coal has been stepped up slightly.

But the economic plight of Belgium continues. The supply of coal is still so poor that even those textile factories that have received imported raw materials are idle through lack of fuel. It remains to be seen whether the Government, with its powers extended, will be able to break the deadlock in the coal mines.

Land Reforms in Eastern Europe

The semi-feudal land-owning classes of the East European countries of Eastern Europe have been added to the casualties of this war, and of the social upheavals caused by it. Land reforms in Rumania and Hungary have now been initiated more or less along the line of the earlier Polish land reform. There has, in truth, been very little scope for any real reform in Rumania, where most of the large estates were broken up after the last war. But Hungary is quite a different matter. Its colourfully anachronistic landlords could rightly claim to possess the high value of European museum relics. They have survived as a nostalgic reminder of the old Austro-Hungarian Monarchy. Unfortunately, the land-hungry peasants of Hungary have had little understanding for the decorative aspects of the life of their landlords, and, encouraged by the Russians, they have now started to distribute the large estates among themselves. That those estates were technically backward and, in countries of landless peasantry, socially unhealthy, goes without saying. But there should be no romantic illusions that the land reforms by themselves are likely to bring about a higher productivity of agriculture in Eastern Europe. Though the social and political pressure for the distribution of land has probably been irresistible, the land reforms will not put an end to the poverty and distress of the peasants. The new small owners start in most cases from scratch,

without the livestock and the tools needed to till the soil. If Eastern European agriculture as a whole is not reorganised on a co-operative basis after the war, and equipped with agricultural implements, the next chapter in the economic history of the peasantry will be as sombre as the chapter now closed. An ironic touch in the present series of land reforms, carried out under Russian auspices, is that the churches have been exempted from them. In Rumania King Michael and the Royal Family have also been exempted. Marxian historians used to describe the monarchs in feudal and semi-feudal countries as the "crowned representatives of the landlord classes." Whom does King Michael of Rumania represent at present?

Unemployment Insurance

What may be the penultimate report of the Unemployment Insurance Statutory Committee has just been published. The Committee was set up in 1935, under the chairmanship of Sir William Beveridge, to supervise the finances of the Unemployment Fund and to act in general as a standing Royal Commission on matters affecting unemployment insurance. When the new Ministry of National Insurance comes into operation, there will be no room for a separate unemployment insurance fund, and the Committee's functions will automatically be transferred to the new unified authority. This was one of the recommendations of the original Beveridge Report, but it has not yet been decided whether, as Sir William Beveridge proposed, a new Social Insurance Statutory Committee, covering a much wider field than the old Unemployment Committee, will be set up to take its place.

The new Ministry will start life in an exceptionally favourable position. The excess of income over expenditure in the Unemployment Fund at the end of 1944 was £70,271,661, making a net balance in the Fund of £295,013,055. This happy state of affairs is the result of the virtual elimination of unemployment in the war years; as the following table shows:—

EXPENDITURE ON UNEMPLOYMENT BENEFIT 1938 TO 1944 (£'000).

	General	Agricultural	Total
1938	51,662	742	52,404
1939	40,690	831	41,521
1940	25,894	635	26,529
1941	8,874	294	9,168
1942	3,708	166	3,874
1943	2,709	86	2,795
1944	2,889	64	2,953

Though 1944 shows a slight increase over 1943, there is no ground for alarm, for it is mainly due to the increase in benefits under the Unemployment Insurance (Increase of Benefits) Act of 1944, which raised benefits without correspondingly increasing contributions. This Act was intended as an interim measure, pending the entry into operation of the new scheme.

At the end of the war, though there may be an overall labour shortage for some time, temporary unemployment, due to industrial dislocation and the return of men and women from the Services, is bound to increase. The large credit balance in the Fund should be a valuable safeguard against emergencies.

Education Grants

The Ministry of Education have published new draft regulations governing the grants payable to local education authorities as from April 1st, when the new Education Act comes into force. The "main grant," in respect of general educational expenditure, and adjusted to the needs of each area, will be increased by 5 per cent. This increase is made necessary by the Minister's approval of the new salary scales for teachers recommended by the Burnham Committee and will largely relieve the local authorities of the burden of increased expenditure on this account. Main grants will now range from 68 and 65 per cent of "net recognisable expenditure" in the cases of Merthyr Tydfil and Glamorgan to approximately 37 and 34 per cent for Bournemouth and Eastbourne respectively.

"Additional grant" will be paid to local authorities in poorer and sparsely populated areas and will take account of road mileage (in country areas), the product of a penny rate and the number of children under each authority.

To encourage local authorities to push ahead with schemes to improve and extend accommodation for

teachers' training, the grants to authorities maintaining training colleges will be increased to a maximum of £100,000. This grant, payable on a capitation basis, is now extended to local authorities maintaining domestic science colleges. Local authorities will be relieved of all expenditure involved in the training of emergency teachers, the provision of school milk, and the establishment of school canteens (subject to the Minister's approval) and air-raid shelters. Expenditure on meals qualifies for grant at percentage rates ranging from 70 to 95 per cent.

Shorter Notes

According to a Parliamentary answer given last week, the estimated current cost of food subsidies is £225 million per annum. This represents a rise of £7 million per annum since last January, caused by increases in the cost of sugar, tea, milk, cereals and eggs. The £225 million is made up as follows:—Bread, flour and oatmeal, £65 million; meat, £24 million; potatoes, £28 million; eggs, £16 million; sugar, £17 million; milk, £20 million; cheese, £4 million; bacon, £2 million; tea, £3 million; other subsidies (including the National Milk Scheme), £46 million.

The intractability of the communal problem in the British Empire was well illustrated by last week-end's events in Palestine. The High Commissioner asked the Municipal Council of Jerusalem to agree to a system under which the office of mayor would be filled in turn by a Moslem, a Jew and a Christian. Already the Municipal Council is composed of equal numbers of Jews and Arabs, though two British members are now to be appointed. Local government has, therefore, to be undertaken not by the best people but by representatives of the different communities so selected that no one community could say it was placed at a disadvantage vis-à-vis the others. Yet even this system of "government by arithmetic," as the Peel Commission called it, is not acceptable to the biggest community, and the Palestine Arab party called a one-day strike as a result.

The unofficial members of the Nigerian Legislative Council have unanimously supported the Governor's proposals for political and constitutional reform described in *The Economist* of March 10th.

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Give your digestion
"an evening off"

YOU can't digest a full meal when you're tired. Don't try to, or you're heading for gastric trouble. Instead, drink a cup of Benger's Food. It will soothe your stomach and give your digestion REST and a chance to build up its strength. Benger's provides all the warmth and nourishment you need but in a form you can absorb without strain.



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Letters to the Editor

Budgeting for Capital

SIR,—Is there any reason why the existing system of taxing capital at its source in savings, and exempting the proceeds of its sale for consumption, should not be reversed?

The Stock Exchange or Money Market is a place where future incomes are sold for ready money saved out of the current year's harvest, agricultural and industrial. The buyers are heavily taxed; the sellers are tax free. This might seem expedient in a society in desperate need of more subsistence; but as without more capital there would not be enough to feed our huge modern populations capital must have priority even at the cost of tightening our belts to the verge of suicide. Surely, then, if there is to be any exemption it should encourage potential capitalists rather than potential consumers (decapitalists).

If I save a thousand pounds now the Exchequer takes so much of it away from me to spend in destruction and slaughter that what is left to me is not worth investing. But if, having an income, I sell it for ready money to consume, the price I receive is not taxed. This is on the face of it a highly questionable arrangement. As a matter of fact, when I have a thousand to spare, I lend it to the Exchequer in the form of an advance of future income-tax at 1 per cent. And this 1 per cent is free of income-tax! This is a beginning, just as the restriction of trustee investments to approved stocks was a beginning.

To work this out statistically is quite beyond my powers, as I am a man of letters, inept at figures. I can only make a fairly obvious proposal, and ask if not, why not?—Yours faithfully,

G. BERNARD SHAW

Post-war Taxes

SIR,—You state in your article in your issue of March 17th (as corrected in your note of last week's issue) that you regard my assumption of £500 million a year as the post-war defence expenditure as "almost incredibly low."

Now the annual expenditure on the Army, Navy and Air Force averaged just over £110 million a year in the years 1922-34. Allowing for the rise in prices, this is still less than one-third of the figure I assumed for a post-war Budget.

Is it reasonable to suppose that the annual defence expenditure after the war will have to be so much greater than that of the inter-war period in the pre-Hitler era? The German and Japanese navies will have been destroyed, the German army eliminated, and there will be no hostile air force "within striking distance of these shores," or for that matter anywhere in the world. To assume defence expenditure of more than £500 million per annum could only be justified in the period of imminent preparation for another major conflict. But against whom?—Yours faithfully,

Cambridge

NICOLAS KALDOR

[It was the increase in total expenditure, rather than any single constituent of it, that was considered to be too low. But for the sort of defence forces that appear to be assumed in most of the current discussion, £500 million is surely a minimum if they are to be well equipped.—EDITOR.]

UNSCC

SIR,—May I correct some misapprehensions in your article in your issue of March 3rd?

An assumption is made that those National Standards Bodies which are not under Government control are in a position through the UNSCC to pursue a policy not in accordance with the recognised economic policy of their respective Governments. Nothing is further from the facts. So far as the initiation of the UNSCC is concerned, it may definitely be stated that all the Governments of the countries represented have been kept fully informed, and any fear that the UNSCC might act in any way contrary to the policy of the United Nations may, therefore, be considered as ill-founded.

Moreover, it has been generally accepted in most countries that, for industrial standardisation to be successful, it must

be carried out by industry with the full support, but not under the control, of the Government. The National Standards Bodies, most of which are organised by industry, all receive a measure of financial support from their Governments and have Government representatives on their councils, the Government in this way being kept completely in touch with all questions of general policy. In addition, the technical committees enjoy the active co-operation of Government experts from those departments concerned with the work in hand. In particular, this applies throughout the British Commonwealth of Nations and also in the United States of America.

As to the suggestion that an attempt is being made by the "Anglo-Saxon" countries to eliminate metric countries from the activities of the UNSCC, no more need be said than that membership of the UNSCC is open to all the United Nations through their National Standards Bodies, which, alone, are in a position to speak with authority on behalf of their country on the problems to be discussed.

It may perhaps be well to point out that the UNSCC is but the first stage, indeed a transitional stage, which is to lead towards the resumption of full international co-operation in the co-ordination of industrial standards. It has been the intention from the very start that, directly conditions permit, a representative international conference should be called to discuss the future of international standardisation in all its aspects.

The National Standards Bodies of the United Nations, with their valuable experience of international co-operation acquired in the years before the war, may well be trusted to ensure that, in the future as in the past, there will be no departure from the well-established principle that this work, to be effective and beneficial to all concerned, must be based on common consent and carried out through democratic procedure.

No step so far taken by the UNSCC has in any way been "intended solely to serve the trade interests of the exporting countries and not the interest of all the United Nations." As to the separate representation of the British Dominions on the UNSCC, the Statute of Westminster surely provides the answer.—Yours faithfully,

G. MAISTRE,
Secretary-in-charge,
of London Office, UNSCC.

The Anatomy of British Industry

SIR,—Your very interesting article summarising the findings of Mr Leak and Mr Maizels seems to leave room for a misconception. The table listing "commodities output of which was concentrated in one or two firms" must quite clearly contain a number of commodities a large, if not the larger, part of the UK consumption of which was imported in 1935. This struck me when I found flashlamp bulbs and electric accounting, calculating, etc., machines listed in the table. I happen to know that considerable imports of these items, amounting to several times the volume of the United Kingdom's output, were handled by small firms. There must be other similar cases in that table. Messrs Leak and Maizels and you are doubtless aware of this possible misconception, involving the danger of characterising as monopolistic trades which are in fact nothing of the kind. Yet a caution to others may not come amiss.—Yours faithfully,

Reading

O. W. LIPTON

Customs Duties

SIR,—In your opportune and timely article on post-war taxes, with its gentle satire on "the statisticians" who take no account of the service of the debt or the expenditure on insurance, I note with much satisfaction that you are pleading for consumers after the war.

May I point out that a great relief can be afforded them without expense to the revenue by removing from the Customs tariff hundreds of protective duties which serve no useful purpose, but raise prices at home and will obstruct the revival of our import and export trade, which (as all agree) is essential to the restoration of prosperity.—Yours faithfully,

Midhurst

FRANCIS W. HIRST

AMERICAN SURVEY

Free Enterprise

(From a Correspondent in Iowa)

WHEN Republican and conservative Democratic senators got together to keep Mr Henry A. Wallace from being placed in charge of the powerful federal loan agencies, they did it in the name of preserving free enterprise from the meddling of a dangerous radical. When Mr Wallace outlined his ideas of using the vast resources of the government to encourage little businesses and guarantee the abnormal risks of post-war reconversion, he insisted he was for free enterprise. When the National Association of Manufacturers urges a sales tax, the right to sue labour unions, and "protection" of workers from being coerced into unions, it speaks in the name of free enterprise.

Obviously they do not all mean the same thing by the term. Each means by it the sort of things he likes in the present socio-economic system, which in more forthright days was called capitalism. To-day "capitalism" reminds too many people that they own no capital; "private enterprise" sounds too exclusive; "free competition" sounds a little ruthless for these days of oligopoly, trade associations and manifold forms of government protection; "rugged individualism," popular in the '30s, seems too harsh in an era committed to expansion of social services; "individual enterprise" too grotesque in the shadow of mammoth corporations.

So for the last five years free enterprise it has been, with everybody from left wing New Dealers to the stodgiest Republicans whooping it up for the new term. The final cachet came when the monumental *Readers' Guide to Periodical Literature*, found in all self-respecting American public and institutional libraries, put "See Free Enterprise" as the sole entry under "Laissez Faire" and "Private Enterprise."

It might seem odd that the American business community and its apologists should so feel the need of a sugar-coated name for the familiar economic organisation of society, when anti-capitalist forces are so feeble. All Marxist parties together only once (1932) polled more than a million popular votes in a presidential election, and they polled their highest percentage (6.2) of the vote in 1912. Anti-capitalism among intellectuals reached a height in the middle 1930's and has long since receded to normal levels.

Yet the prolonged depression, the "twelve long years" of fumbling for a solution by the Roosevelt Administration, and the huge expansion of government controls and government debt in peace and war, have put business men on the defensive. They and their political allies have been fighting every presidential election since 1932 on the issue of "saving" capitalism and democracy, which they always seek to identify with each other. "Free enterprise" owes much of its appeal as a phrase to its skilful suggestion of this identification.

Primarily, free enterpriser means entrepreneur: one million of the four million farmers, the one million self-employed, the responsible owners or managers of the two million private businesses employing labour. But it also means "a young man going to night school to train himself for a profession . . . a worker taking special training to achieve a skilled status, a man shifting from one job to another in search of a better opportunity"—at least, that is what it means to Mr William B. Benton, the former advertising man who is now Vice-President of the University of Chicago and Chairman of the University's property, Encyclopædia Britannica, Inc., and also vice-chairman of the trustees of the private Committee for Economic Development, which was founded in 1942 to prove that private enterprise by itself can provide full employment.

To some, free enterprise includes the right of a worker to benefit from a labour union contract without paying his subscription to the union, and the right to be promoted without seniority. To some it includes the right to be pro-

tected against cut-throat business or hiring practices; to others, the right to indulge in them. To some it includes lowering barriers to international trade; to others it includes complete protection from foreign competition in the home market.

If the term is so new and so flexible, no wonder it is widely misunderstood. A Gallup sampling poll in 1943 found that only three out of ten of the voting public could give any approximation to an accepted meaning. Many confused it with free trade, free speech, or even "something they give away."

But economic conservatives are systematically spreading the phrase and giving it content. It plays a considerable part in the extensive public relations programme on which the National Association of Manufacturers has embarked since 1934. Members of this powerful organisation number only a few thousand firms, but they employ 75 per cent of the country's manufacturing workers. A number of other trade associations, firms, and advertising agencies devote part of their advertising to promoting free enterprise as they understand it, and individual business men and the business-minded newspapers and magazine press do an enormous amount of public fretting about it.

One astute critic attributed their failure in the proximate goal—of getting Mr Roosevelt out of the Presidency—to their conception of last year's campaign as advertising rather than as drama. By hammering away with increasing emphasis at the slogan that Mr Roosevelt was undermining the free enterprise they wished to save, they turned the public to boredom and snickers instead of the gradually heightening interest a skilled politician seeks to arouse. Certainly, the millionaire "Liberty League" of the 1936 presidential campaign was a complete fizzle. Twelve years of impassioned outbursts for "freedom" and against "dictatorship" and "regimentation" seem completely irrelevant to the majority of voters. They feel freer with jobs than without, with an effective bureaucracy than without. The damage that the New Deal has done to the incentives to activity of large corporations and rich investors is not obvious enough to put over in a slogan.

Nevertheless, the free enterprise campaign has great possibilities in the United States. Here, even more than in most capitalistic lands, there is extreme mobility of the population—between places, between stations in life, between occupations. Only 7 or 8 million out of 60 are technically entrepreneurs, but many, many more aspire to be (one out of eight is an Army survey) or have been; and the large class of black-coated workers tends to take viewpoints from the enterprisers they know or work for. In 1939, after a decade of mass unemployment, 88 per cent of the sample in a Gallup public opinion poll said they considered themselves middle-class when asked whether they were upper, middle or lower. Wage-earners in very large numbers have saved up and gone into farming or small businesses. Still more have skimped to educate their children for better things. A very large fraction of big corporation executives and directors came up from humble stations by their own efforts. Hence much of their truculence towards any interference by government or unions: their own success convinces them that people get their deserts. There is a long-term trend toward a more static society as population growth slows down, unexploited resources dwindle and capital requirements increase—but these factors have been more than counterbalanced lately by the tremendous war boom and may well be for some time by new techniques and by expansion of service industries and professions.

But there is just a possibility that the "free enterprise" slogan may go too far for its present friends. In a pamphlet by Mr Henry M. Wriston, the President of Brown University, which was published by the NAM itself, the

heretical suggestion occurs that corporate enterprise is not genuinely free at all, since directors or managers make their decisions as mere trustees or bureaucrats instead of as enterprisers. This thought has been echoed in some of the labour unions and in some government circles. At present, free enterprise is a stereotype for things as they are, minus a few pet grievances. But it may not always be so. Leftwing New Dealers have a new respect for private initiative and limited government since the inhumanities of totalitarian government became so evident. They have a new respect for the importance of incentives since the failure of peacetime efforts to end mass unemployment. They are quite content to take up the slogan "free enterprise" and seek to give it a content of their own. After the way the conservatives have "plugged" it, they practically have to, in self-defence.

American Notes

The Senate Tells the President

The Senate rarely misses a chance to tell Mr Roosevelt that a large electoral vote does not mean smooth sailing, and that his accomplishment in office largely depends upon his relations with the Legislative body. It had a particularly good chance to do so in the case of Mr Aubrey Williams. Nineteen Democrats, mostly from the south, joined with 33 Republicans to reject the President's nomination of Mr Williams as Rural Electrification Administrator; the vote was 52 to 36. This defeat of the former head of National Youth Administration is part of the price the Administration must pay for Mr Wallace's confirmation. Undoubtedly, the full price will be high and the instalments will be many.

Before rejecting Mr Williams, the Senate's Agriculture Committee gave him many weeks of grilling in one of the best recent examples of how badly the old Congressional rules need overhauling. They attacked Mr Williams for his "racial" views; for his "communism"; for daring to change his mind about the ministry as a career; they attacked him on every vulgar, flimsy ground they could find, for when they got off the plane of prejudice and on to the ground of fact, they could not find a job he had done badly.

Mr Williams has recently been an organiser for the National Farmers' Union, and the Senators were really outraged to discover that he was author of a recent article in the Union's *Journal*, which charged the Republican-Southern Tory coalition with running "almost every decent man out of the government."

Most of them had to admit he had handled from \$500 million to \$600 million of funds for the National Youth Administration both efficiently and effectively. As head of the Rural Electrification Authority he would have had a great deal more to spend when consumer interests can again be considered, for this is the agency that lends money at low interest to finance the cost of serving people in rural areas. Thus far electrical co-operatives have received over 90 per cent of all REA loans, and the unpopularity of co-operatives in conservative circles perhaps explains the fact that the House Appropriations Committee has recommended a one million dollar appropriation for Rural Electrification in place of the \$150 million asked for by the Budget Bureau.

A Navy-Sponsored Monopoly

The flag of free enterprise waved rather hesitantly when Mr Forrestal, Secretary of the Navy, recommended that all overseas communications of the United States be consolidated into one government-supervised, privately-owned corporation. True, Mr Forrestal had come to this conclusion "reluctantly," but it was nevertheless a bomb-shell planted plumb in the middle of a Senate Committee which is investigating post-war international communications.

Mr Forrestal was the first witness, and a particularly significant one, because of the Navy Department's responsibility "for ensuring the military value of the commercial carriers in times of national emergency." The Navy Department, he said, has decided that the future success and security of diplomatic and military affairs may depend so vitally on international communications, that to continue them under private competition can no more be rationalised "than could the administration by private

enterprise of diplomatic and military affairs themselves." "You don't mean that!" said a Senator from Kansas, shocked. Mr Forrestal assured the gentleman from Kansas that he did. He wants to see cable, telegraph, radio and press wireless compulsorily included in the organisation.

It is ironical that the new chairman of the Federal Communications Commission, Mr Paul Porter, disagrees with the Navy Department plan, for his predecessor, Mr James Fly, was working for unification several years ago. Mr Porter wants unification, but no "limited marriage" between government and industry. The private monopoly must work alone, with certain provisions for protecting military interests. Actually it is difficult to see how the government can logically stay out. An equitable distribution of the vast military communications system, when it can be converted to private use, would be impossible.

The trend toward removing competition in the field of overseas communications began in 1936, after years of forcing competition. Then official opinion began to see that competition in foreign fields was not in the public interest and the FCC, under Mr Fly, refused Mackay Radio's circuit to Oslo, which was being served by RCA. In 1943 the Joint Chiefs of Staff, carrying this trend to its logical conclusion, adopted the policy of allowing only one United States company to operate a circuit to each war zone point.

Mr Forrestal detailed at considerable length the advantages to be gained from unification. But to many the key to his statement was in the almost hidden sentence: "The contrast with the smooth functioning of Cable and Wireless, Limited, the British telegraph monopoly, has been revealing."

Hour of Tolerance

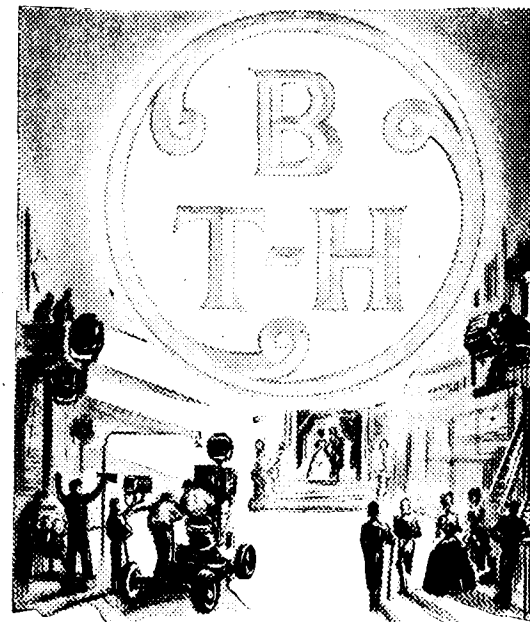
New York City's "Little Flower," Mayor Fiorello La Guardia, has never been known for his tact. But his refusal to comply with the Administration's request for a midnight curfew could not be interpreted merely as an exhibition of high spirits. The Mayor called it "the hour of tolerance," and he granted it because the midnight closing, he said, made people take too many too fast, increased illegal liquor sales and created "troublesome" traffic jams. It is true that the curfew produced abuses and inconveniences. But it is also true that the Mayor, never at all timid about reminding New York that there is a war going on, did nothing to help make the curfew work—not even so simple and obvious a thing as trying to get theatres and cinemas to change their hours.

Mr Byrnes, the Director of War Mobilisation, has admitted that he could not force the curfew upon New York City; that its success depended upon the co-operation of local officials. Press and official spokesmen all over the country are exasperated with the big city, and even the New York press, dubious as it has been of the curfew, resents Mr La Guardia's action and the criticism to which he has subjected the city.

One logical explanation of Mr La Guardia's action is a political one. The Mayor, who is a titular (but only titular) Republican, would not have won the last election without Mr Roosevelt's support, and if they were both still in the same camp it is unlikely that Mr La Guardia would confront Mr Roosevelt with so rude a rebuff. For the President has taken a stand on the curfew; he has supported Justice Byrnes and made it clear that the curfew request had his approval. Can it be that Mr Roosevelt plans to revert to the Democratic Party in New York City and let Mr La Guardia, in the elections this autumn, go the way of most Fusionist rivals of Tammany Hall? And is Mr La Guardia using this public issue of curfew, petty as it may seem, as a vehicle for announcing that he intends to fight the party machine?

His "hour of tolerance," however, may not gain public favour for Mr La Guardia, for the American public seems to be tired of official squabbles, and there is little dignity about this one. It cannot be blown into the shape of a crusade, no matter how hard Mr La Guardia puffs. And now the War Production Board and the Office of Price Administration have swept in with sanctions. Under Manpower rulings labour can be taken from establishments which do not close on time; light and gas can be cut off; price ceiling violations in clubs and bars open after midnight can be dealt with very firmly. Surely the Mayor will see that this is no way to set the stage for his most hazardous election campaign.

BACKGROUND TO ACHIEVEMENT



The Cinema

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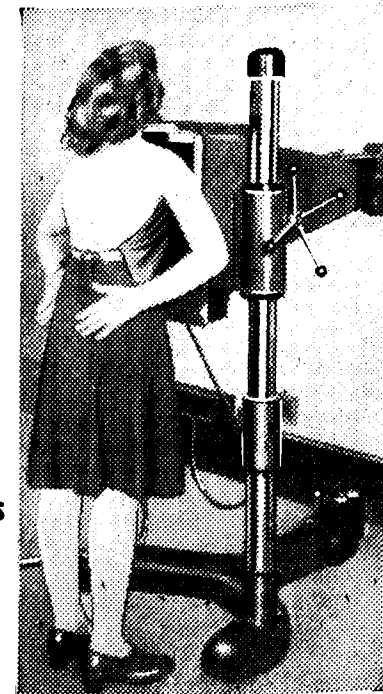


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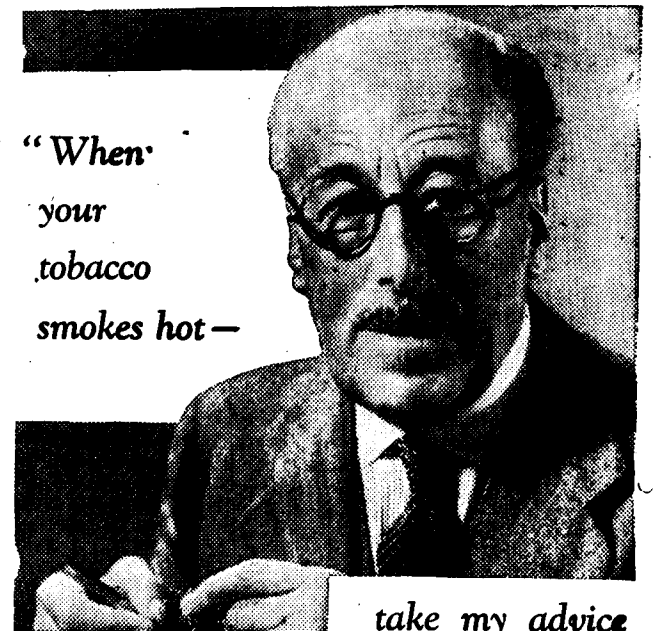
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THE BUSINESS WORLD

A Progressive Business

A STUDY of some of the most successful and progressive modern enterprises suggests that the greatest achievements of capitalism are often accomplished in response to a more subtle stimulus than that of the mere expectation of profit—which can, after all, often be secured by restriction and monopoly. The business motive behind capitalist enterprise at its best is not only the craving for pecuniary gain but also that “instinct of craftsmanship” which desires the satisfaction of a job well done. It is not all cant when successful business men invoke the idea of “service to the community,” even though it may often be self-deception. Some of the outstandingly successful enterprises of our time have undoubtedly been animated by a deeper desire than the desire for profits. Capitalism, perhaps, works best, even within its own definitions, when the profit motive is reinforced by something like the “wish to serve.” And, paradoxically, wherever that wish is present, strongly and consistently, profits seem to look after themselves.

Cadbury Brothers, Limited, of Bournville, provide an interesting and, one feels impelled to say, exhilarating example. Their review of the inter-war years, entitled “Industrial Record, 1919-1939” (published by Cadbury Brothers, Limited, Bournville, and distributed by Sir Isaac Pitman and Sons, Limited, London, W.C. 2, 8s. 6d.) shows what a “Policy for Wealth” means in its daily application on the floor of industry. It means continuous effort, unending experimentation, a patient permeation of every detail with critical, imaginative, tenacious thought; it means, above all else, a willingness to take risks.

Cadbury's record of achievement makes fascinating reading, mainly because of its wide scope. There is no single answer to the question “What is efficiency?” There is no short-cut to it. Better equipment? Yes. Scientific management? Yes. Market research, distribution, sales policies, design? Yes, all of these and a lot more. Production, like life itself, has a thousand aspects, none of which is unimportant; and profits, like happiness, come most easily as the by-product of a job done without sparing oneself.

The demand for Cadbury's products—chocolate and confectionery—proved in the inter-war period to be highly elastic; reductions in price led to a more than proportionate increase in sales volume, and therefore to an absolute increase in turnover. Not all trades are in this fortunate position, but most trades, at the same time, know very little about the elasticity of demand for their products until they have tried it out. This Cadbury's have done, as an almost automatic outcome of their fundamental business principle which holds that it is the task of the manufacturer to reduce costs and “that there should be as little hindrance as possible to (the) process of passing on savings in the cost of production to the consumer.” Possessing an unstained record in this respect, they can demand with full conviction that “it should be the responsibility of the Government to watch that combinations either of employees or of employers do not restrict this process for their own sectional advantage.”

The reduction of costs, naturally, is of value to the community only if it is obtained by raising the output per man-hour, and not by depressing wages. In this, Cadbury's can claim conspicuous success. Labour costs per unit of output in the production of milk chocolate fell by 47 per cent between 1924 and 1938, and overhead costs fell by 61 per cent. The combined saving amounted to 56 per cent over this relatively short period of fourteen years. How was it done? The answer is a long story, which cannot be repeated here. It is a story, primarily, of unceasing experimentation, accompanied by numerous failures, and crowned, in the end, by success.

It begins with production planning, which attempts, among other things, to stabilise the rate of production in the face of seasonality of demand and limitations of storage period and space. “It will be apparent that a smoothly working machine . . . is not the growth of a week or a month or a year, but is the result of many years' gradual

adaptation, and of patient trial and error.” Not until a steady flow of production has been ensured is it possible to take the fullest advantage of modern technical progress. Expensive machinery involves crushing overhead costs unless the rate of utilisation is high. New installations of machinery, moreover, raise awkward and difficult questions of factory layout.

When obsolete machines are being replaced, it is often difficult to decide whether the new plant should be housed in new buildings specially designed to receive it, or in existing buildings which, though not entirely suitable, may nevertheless be in perfectly good repair, relatively modern and capable of adaptation to the new purpose with only a small loss of working efficiency. No hard and fast rules can be laid down. In general, Bournville's practice has been to rebuild rather than adapt.

The courage to scrap, indeed, may be considered the hallmark of the dynamic entrepreneur. Cadbury's original factory of 1879 was added to and adapted for a number of years, but when the flow of production through the works became unsatisfactory, a new master-plan for rebuilding was adopted which gave a new foundation to the whole enterprise. Few firms in Britain's older industries have shown a similar readiness to draw a line under the past, and to shun no cost in preparing for the future.

One phase of the rebuilding programme, in particular, may be taken as an illustration of the principles which lay behind it. As the factory had gradually increased in size, the expanding demand for power had been met by the construction of one additional power station after another, so that eventually in 1919 there were six separate power-plants. Most of these were individually efficient units. . . . By 1919, however, there had been great advances in the electrical transmission of power, and improved methods of insulation had facilitated the distribution of steam over long distances. It was therefore decided to replace the old plants and the six smoke stacks by the present central power station with its two chimneys.

This decision proved a great success, and similarly courageous decisions to scrap and rebuild were taken all along. Sawmills for the manufacture of wooden boxes were installed after an intensive study of modern methods, particularly in Scandinavia, by the firm's technicians. But when it became apparent that it was permanently more advantageous to import cut wood-box parts, “the whole sawmill plant, which had cost so much time and money to instal, was disposed of.” In road and canal transport the firm possessed its own equipment, but scrapped it the moment it became apparent that outside contractors could do the job more cheaply. Another example of the need for a flexible attitude towards scrapping and building is furnished by the history of the firm's milk condensing factories. When a change occurred in the supply of surplus milk in certain areas, affecting the economical siting of the factories, there was quick adaptation; five out of nine were scrapped, although they were less than twenty years old.

These are salutary examples of the way in which the best-laid plans may have to be altered and the finest plant and equipment scrapped if a business is to prosper. . . . It is clearly necessary to plough back profits into a progressive business on a really generous scale. . . . In this connection the proposals by the Chancellor of the Exchequer to modify the unrealistic treatment of obsolescence of plant and flexible types of adding and calculating machines.

The fact, however, remains that Cadbury's have carried through their “scrap and rebuild” policy in spite of the discouragements given by the existing Inland Revenue practice.

Efficient production must be backed up by efficient marketing and by an expansionist price policy. Here again the firm has not been hesitant in experiment, and in scrapping installations and methods whenever they were found wanting.

In 1917 the firm installed a full battery of punched card statistical machinery. This produced detailed statistics, but it was found that only a proportion were of real value, and that the system was too rigid. In recent years the statistical service has been improved by adopting the simpler and more flexible types of adding and calculating machines.

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even in these days of substitutes, make-do and make-believe, which gives you the unadulterated pleasure of the best Turkish leaf. Of a normal — which is now often so abnormal — size, it is of exceptional virtue. For, in Sobranie Turkish No. 6 is smoking which really satisfies — an aroma which is rich but never heavy, a full flavour which you can really taste and that quality of all the best Turkish leaf — almost complete absence of nicotine. Here then is a cigarette which can cut down your smoking yet give you a satisfaction that you have never known before.

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One of the chief tasks of market research all along has been to find out to what extent the consumer demanded variety, and was prepared to pay for it. Undue variety precludes mass production, since mass production depends on standardisation, both in methods of manufacture and in the product itself. Cadburys' main triumphs in reducing costs were due to increasing standardisation. This development has been reinforced by the state-imposed simplification of wartime, which has reduced the number of lines and packings from 237 to 29, yielding large economies in labour, factory space and paper. But since the war has brought an unavoidable increase in costs from other causes, it is doubtful whether the public yet realises how much it has had to pay for the variety of peace-time.

For instance, the average purchaser can hardly have realised that the cost of the edible ingredients of a $\frac{1}{2}$ -lb. box of, say, "King George," was not much more than the cost of the equal weight of ingredients in a $\frac{1}{2}$ -lb. block of ordinary milk chocolate which sold at exactly one-third of the price.

Whatever the manufacturer does with his costs of production, his influence on the final price to the consumer is limited. One-third of the cost of a block of chocolate is taken in wholesaling and retailing, and another third in the cost of ingredients. Cadburys themselves can influence only one-third of the final price. Their production costs proper, moreover, are little more than one-fifth, 12 per cent being accounted for by manufacturer's transport and selling costs. "It is natural, therefore, to turn to the possibility of economies in the later stages of distribution comparable with those achieved in production and (manufacturer's) selling."

"Distribution in Britain is too costly." This is one of the principal theses demonstrated and argued in this informative study. A reduction in the number of retailers would increase the average turnover of the remaining shops, and thus improve the earnings of the smaller shopkeeper. A great deal more factual knowledge is wanted on this subject. A number of maps in this study demonstrate the irrational and wasteful distribution of retail outlets for confectionery; excessive density in some of the poorest areas, and inadequacy in others. At least half of all shops selling confectionery are shown to be of poor class, many of them badly run and unhygienic. With some 330,000 retail outlets in existence, shops with turnovers of less than £15 or even less than £10 a week are distressingly numerous. In view of the enormous number of retailers, it is all the more desirable that an intolerable multiplication of transactions should be prevented by the efficient intervention of wholesalers.

The firm's policy of a retail price with graded reductions for quantity purchases is designed to secure a good balance between direct retail and wholesale buying. The large re-

tailer buys wholesale quantities at the lower prices. The very small retailer who only buys one "outer" at a time, pays the same or more than if he bought from a wholesaler."

It is a very good thing that efficient manufacturers are becoming increasingly interested in the problem of distribution. Their "instinct of craftsmanship" is offended when they find that their most strenuous efforts at economic production are swamped by excessively costly distribution. Even if Cadburys succeeded in lopping off another half of their manufacturing costs, the consumer, as matters stand to-day, would hardly benefit by more than a 10 per cent reduction in price. It is not quite so certain that a rationalisation of distribution imposed by the manufacturers would be the ideal form. There seem to be strong compulsions in the direction of maintaining excessive margins, which appear to be conclusive even to a firm which, like Cadburys, repudiates that philosophy so strongly in their manufacturing operations. The reader of this book is left wondering why the firm should not simply reduce the selling margin to a level that would remunerate the efficient and drive the inefficient out of business. Is that too brutal for this tender age?

That Cadburys have for a long time been outstanding in all matters concerned with internal industrial relations is too well known to require emphasis here. Their numerous schemes for welfare, education, recruitment, and works amenities are undoubtedly one of the deeper causes of their commercial success. But it is not in this capacity that their record chiefly deserves attention. Not as enlightened employers but as enlightened profit-seekers have they rendered the greatest service to the community. It is true that they have spent their profits wisely; but it is the methods of making them that should be widely studied. Over a period of years they have consistently succeeded in finding ways of putting the factors of production—men, materials and machines—together so as to produce better goods at lower cost. The welfare schemes and the garden villages are subsidiary to that central achievement. If it is done successfully, profits inevitably emerge, whether or not the search for them was the original incentive. It is, therefore, as foolish to condemn "production for profit," where the profit may be merely the sign that the entrepreneur's job has been done successfully, as it is to extol the profit motive as a universal specific for a world where profits may merely be the fruits of monopoly. The essential thing is the degree of economic efficiency attained—the relation of the input of resources to the output of product. The earning of profits through economic efficiency is not only a worthy object of business-men's endeavour, it is the essential object of their existence. Such entrepreneurs can justify capitalism; others, however humanitarian or social-minded, cannot.

Anglo-French Financial Agreement

THE Anglo-French Financial Agreement, signed in Paris on March 27th, provides for the settlement of a multitude of inter-governmental wartime claims and for the resumption of more normal commercial relations between the sterling area and the franc area.

The settlement of outstanding claims has been a complicated business. Britain's list of claims included (a) the cost of the war material delivered to the Turkish Government on behalf of the French Government; (b) the cost of war material furnished to the French Government before July 1, 1940; (c) expenditure on the maintenance of French troops in this country in 1940; (d) the advances made to the French National Committee in accordance with the terms of the agreement of August 7, 1940; (e) supplies furnished by the Allied Armed Forces to the civilian population of Continental France. France's list arose from (a) debts incurred in France by the British Expeditionary Force before June, 1940; (b) the balance in its favour in the Reciprocal Advances Account set up in 1940; (c) war material made available to the Finnish Government in 1940 on behalf of Britain; (d) the balance in the Franco-British Liquidation Account established in July, 1940; (e) the use of French merchant ships and the disposal of cargoes belonging to persons resident in the franc area; (f) the expenditure of the British Armed Forces in the franc area before the entry into force of the new agreement.

For the purpose of settlement the Bank of England, on behalf of the British Government, is to open a sterling account (Account B) in the name of the French Government. The French Government will pay into this account from the credit to be granted to it by the British Government the

sum of £40 million, representing the estimated equivalent of the excess of the sterling monies in the United Kingdom belonging at the date of this agreement to persons resident in Continental France over the franc monies belonging at the same date in Continental France to persons resident in the United Kingdom.

The French Government will also pay into this account the amounts outstanding in respect of Britain's claims listed under (d) and (e). The British Government, in its turn, will pay in sums due to France listed under (d), (e) and (f). Although the final balances under some of the headings remain to be determined, it may be possible that, after the adjustment of the outstanding claims, there will be a balance standing to the credit of France in Account B. The amount of £40 million advanced by the British to the French Government for payment into Account B is to be repaid by the French Government from French funds in this country which are to be requisitioned. In other words, the net excess of British claims over French claims will be adjusted to a figure which, after the requisitioning of the private French funds in this country, will leave the French Government with a credit balance. While the exact amount of this final balance cannot yet be assessed, it is likely to be less than £40 million.

A special arrangement has been made to deal with the transfer to this country of French munition contracts in the United States in June, 1940. The French Government will refund to this country, in dollars, the amount (equivalent to some £40 million) paid by the British Government in execution of the contracts it took over. In return, the British Government will make available to France, free of cost,

war supplies capable of being put to civilian use—such as port, railway and bridging equipment—to the amount of £45 million. In short, there is to be a return to the *status quo* before the contracts were transferred, but with the substitution of civilian goods for the munitions that France would have received under the original contracts. The Anglo-French Financial Agreement of December 12, 1939, is to be abrogated and all the remaining claims are to be waived.

In order to facilitate the resumption of economic intercourse between the sterling and the franc areas Britain is to open a credit of £100 million to France, and France one of frs. 20,000 million (the equivalent of £100 million at the official rate of exchange) to this country. If these ceilings should prove too low, they can be raised after joint consultation. The Bank of England will open an account (Account A) in the name of the French Government, and the Bank of France will open a corresponding account in the name of the British Government. (The £40 million to be paid by the French Government into Account B is to be drawn from its Account A with the Bank of England.) These credit facilities are to be made available for one year, to the end of February, 1946.

Special arrangements have been made to settle any outstanding balance at the end of February, 1946. The balance itself is to be struck in the currency of the creditor Government. Drawings made in the currency of the debtor Government are to be converted into the currency of the creditor Government on the basis of the official rate of exchange in force at the date of each drawing; the rate itself—at present frs. 200 per pound sterling—may only be modified after mutual consultation.

In all probability the French Government will draw more heavily on the British credit than the British Government will draw on the French credit. The French Government is to discharge the net balance in gold up to the equivalent of one-third of the *gross* total of the payments in franc or sterling currencies made during the year from the franc area to the sterling area (these will exclude, of course, payments made out of Account B). Any remaining amount due to the British Government is to be paid by the French Government from the balance, if any, in its Account B. If this balance is insufficient to meet the amount still due to Britain, the remainder is to be carried forward on conditions to be agreed between the two Governments. This procedure can be illustrated by way of an example. On the assumption that the French Government draws on its credit to the extent of £100 million and the British Government to the equivalent of £30 million, the balance due to this country would be £70 million. Of this balance £33½ million would be payable in gold and £36½ million in

sterling from Account B. If the balance in Account B were only £30 million, £6½ million would have to be carried forward.

These, broadly, are the bare bones of the agreement; it bears all the traces of hard bargaining on both sides, carried on in a spirit of good will. If, in the settlement of outstanding debts, the British Government had stuck to the letter of the agreement of December, 1939 (this provided for the sharing of external war expenditure between Britain and France in the ratio of 60 to 40) France would have had to foot a heavy bill indeed. But the decision to make no claim in respect of this external expenditure is justified by the experience of France during four years of occupation and by the desire to assist French recovery. On the remaining claims, the agreement appears to be a fair compromise; Britain gains badly needed dollars and France will obtain badly needed equipment.

The credit arrangement is, of course, only provisional; in the circumstances of to-day this may have been unavoidable. Within its limits it, too, represents a compromise of mutual advantage. As France is likely to be the debtor at the end of the year, Britain will obtain a substantial proportion of the balance in gold, which is a fair application of the principle of the pooling of resources.

The agreement, however, is not an end in itself. Its main importance is that it at last removes the financial obstacles to a revival of the trade between the sterling area and the franc area. Even so, the credit ceiling fixed is by no means high, especially if the early defeat of Germany holds out possibilities of a rising flow of badly needed raw materials, food and equipment to France. Britain, too, may be able to increase its imports, such as iron ore, from French territories, though, at the present official rate of exchange, many French goods that might be imported are too dear. There may be good reasons for delay in the adjustment of exchange rates; as a temporary alternative the French Government might, therefore, subsidise some of its exports to this country to bring their prices down to a level at which Britain could make purchases elsewhere. Apart from the need for an immediate increase in the flow of goods into France, there is the problem of creating the conditions for a permanent expansion in trade and for a close alignment of the economies of the two countries, and, indeed, of those of Western Europe as a whole. These problems should be discussed during the next few months, that is to say before the countries have begun to go their separate ways in the matter of planning new capital expenditure.

Business Notes

Market Stability

Repeatedly, since the first breakthrough at El Alamein, advances of the Allies in East or in West have been greeted by the stock market either with a general marking down of quotations or with stagnation in business or with both. The crossing of the Rhine—and its anticipation—has so far been followed by very little change in the volume of business and by a very general stability of prices. It may be that market conditions will change, but the volume of enquiry is very large, mainly from the general body of investors rather than from large concerns, and the market position is a healthy one. It is, of course, the case that, when falls coincided with military success, they also followed sustained rises, whereas recently the market has been rather painfully struggling to reach once more the peak touched last summer.

But that is not quite the whole story; the past course of prices accounts for a good deal, but the public assessment of the future also plays its part. There are still uncertainties enough, but in recent months some solid progress has been made towards mapping out the post-war plans. The shape of things to come is a little less indistinct and, therefore, rather less disturbing to the investor and the market.

While the general impression created by market prices is one of extreme stability, there have been many individual movements. Most of these are too small to have much definite meaning, but the general rise in European bonds, and particularly in the railway and Seine loans carrying the guarantee of the French Government, has been a thing

apart. The last of these has been considerably assisted by reports of the Anglo-French Financial Agreement signed on Tuesday, and although that document makes no specific mention of the service of the bonds, it may confidently be assumed that there is every intention of resuming it in the

Stock and Date	Latest Payment	Close, Mar. 27	Lowest, 1945	Lowest, 1944	Highest, 1935	Lowest, 1935
*Midi 4% 1975.....	May, '40	95½	77½	46	102	96½
*Nord 6% 1950.....	Mar., '40	114½	97	60½	108½	103
*Seine 4½% 1952.....	July, '40	101	91	53	109	101½
Austrian 4½% Gtd. 1934-59.....	†To date	78½	67½	57	101½	76½
Czech 8% 1951-52.....	To date	91	84½	80	112½	99
Danzig 4½% 1937-52.....	Oct., '39	30	25½	15	89½	48
German 5%.....	April, '39	16	11	6½	78	55½
" 4½%.....	June, '39	10	7½	4½	58	38
" Potash 7%.....	Nov., '40	61	38	30	78½	59
Saarbrücken 4½% 1941-53.....	April, '39	41	24½	8½	58	23

* Guaranteed by French Government.

† In part only owing to default under guarantees. The stocks are for the most part redeemable at par by drawings or lower by purchase, but with power to repay earlier in full at 103 for Nord and 108 for Czech 8%. Saarbrücken is redeemable at 101.

near future. There is, as yet, no indication as to what is to happen to British-held bonds drawn for repayment under the occupation, but it is believed here that the drawings will be cancelled or interest at the full rate met until the date of redemption.

Selling British Goods Overseas

It has come to be recognised that one of the chief requisites for a successful export business (another is competitive prices) is the fullest possible information about the nature and potential size of overseas markets and about the preferences of potential consumers in the matter of design, quality and price. The gathering of information under these two headings has come to be known as market research. Hitherto, the business of exports in this country has been far too much of a hit or miss one; there is no need to restate its deficiencies which are by now widely known. The service provided by the Department of Overseas Trade on general market conditions has been inadequate and, often, out-of-date; research into the potential demand for specific commodities has been confined to a few large concerns.

The service provided by the Department of Overseas Trade is certainly capable of improvement—the review of commercial conditions in the United States published this month merely contains a short and very general description of economic prospects in that country. But the Department could hardly be expected to carry out the detailed and accurate investigations about the nature and size of potential markets that is needed for an effective sales policy. Private initiative, with the support of the DOT, has now attempted to fill the gap. The British Export Trade Research Organisation, sponsored by leading industrialists and advertising agencies already familiar with market research at home, will provide a comprehensive service to members on all the many aspects of general market research. BETRO will be a self-supporting but non-profit-making organisation, deriving its income from subscriptions and from fees for special research. Alongside this new organisation, a group of advertising agents has undertaken to set up a joint overseas advertising service—the British Export Trade Advertising Corporation, Ltd.—to provide exporters with expert advice and facilities for advertising their wares.

The new organisation, as envisaged by its sponsors, should be of valuable assistance to exporters after the war. But although it will undertake specific as well as general research, it can hardly be expected to act as a selling agency for individual exporters or for individual producers. Individual exporters may still have to supplement the service

provided by BETRO by specific research into such matters as the design and quality of individual products. There are still many firms—indeed a majority of firms—that are not able, financially or technically, to carry out their own research individually. This might be done collectively by groups of firms—the export groups formed earlier in the war might form their basis—or it might be done by industries as a whole, as suggested by the cotton trade in the report of the Post-war Cotton Committee.

Industrial Design

The current issue of the *Board of Trade Journal* contains an interesting article by Mr. S. C. Leslie, director of the newly formed Council of Industrial Design. Mr Leslie employs the familiar vicious circle to explain the pre-war mediocrity of so much in British industrial design—the designer designs what the distributor tells the manufacturer he thinks the public wants; and the distributor's judgment is based on what the public has always had to buy. This tale of woe spreads the blame rather too evenly. Similar vicious circles have been broken in some British industries, and in many abroad, where progressive manufacturers have recognised their major responsibility and created their own opportunities.

The Council of Industrial Design hopes to break the circle simultaneously at many points by converting the public and the distributors to a proper appreciation of good design, by educating the designers and by encouraging manufacturers to employ them. This plan is sound and very ambitious; but has the Council the necessary resources to carry it out? If the attack is on too wide a front it may be too weak everywhere to produce the much-needed breakthrough. If so it would be much better to limit operations for the time being, and to concentrate solely on the establishment of efficient Design Centres in as many industries as possible.

It is clearly important that there should be no delay. The prototypes of post-war products are now under consideration, and every successful marriage of art and industry will be a useful contribution to British trading prospects. If Mr Leslie and his colleagues could supplement their excellent long-term programme with a make-shift scheme

capable of producing early results, they would do British industry a most valuable service.

Metropolitan-Cammell Accounts

The report published by Cammell Laird for last year shows only the most trifling changes in trading profit, reached after taxation and depreciation, and in its appropriation. The only movements of note in the balance sheet are a fall from £1,771,017 to £829,692 in stock-in-trade and work in progress, less instalments received, and an equivalent decline in current liabilities. The accounts of English Steel Corporation, included as usual, tell a similar story. In the absence of any statement to shareholders, the feature of the report is the inclusion of the accounts of Metropolitan-Cammell Carriage and Wagon for the first time since 1939. As in the case of the other companies, comparative figures are given for 1943, but there is no disclosure of the results of Metropolitan-Cammell for the intervening years.

The accounts of this company for 1939 and for the past two years are summarised on page 430. The comparison, for what it is worth, shows a sharp fall in earnings against pre-war figures and an expansion of stock and work in progress which is very large indeed. It has always been understood that the size of this particular figure was the reason for withholding the accounts during the war and it may be that the level at the end of last year was not a record. It is to be noted that the bulk of the expansion in work in progress is financed by instalments paid before completion.

Even with the publication of accounts for both the main subsidiaries, the information about the position of the group as a whole is still very sketchy. Profits are, in every case, struck after all the principal deductions, and the main subsidiaries have themselves subsidiaries. Losses, where made, have been fully provided for, but the profits of subsidiaries are only brought into the accounts to the extent that they are to be distributed. While it will always be valuable to have the accounts of the principal components of the group, the need for consolidated profits and balance sheet remains.

'THEY SHALL NOT PASS'



IODINE SAYS 'NO' TO X-RAYS

THE all-seeing eye of the X-ray can penetrate most substances but it cannot get through iodine. Not only is iodine X-ray proof but, because of its exceptional power to penetrate and permeate, it can also make living tissue X-ray proof. That is why, in medicine, certain suspected organs are treated with iodine before an X-ray examination. But for the iodine the rays would go right through the organ and it would not register on the photographic plate.

Can industry profit from this peculiar property of iodine? Can industrial research chemists find ways of using iodine as a contrast medium as they have already found so many other industrial uses for it? Chemists carrying out iodine research are invited to make the fullest use of the Iodine Educational Bureau.

The Bureau has collected every iodine fact which has been published since the element was discovered 133 years ago. This comprehensive collection of technical information, available nowhere else, is at the disposal of any institution or commercial enterprise, free of charge.



Iodine Educational Bureau

DEPT. A, 13 STONE HOUSE, BISHOPS COTE, E.C.2.

PRIMARY PROBLEM IN WARTIME



In every town mothers bring their babies to the Health Centre. Very useful educational work is undertaken—they learn the vital importance of vitamins in their baby's diet.

MORE has been done in this country, during the war years, to ensure the good health of babies than ever before in history. The Ministry of Food and the Ministry of Health have rightly regarded the health and diet of the youth of the nation as their primary problem. Wartime children are priority No. 1.

The Summary Report of the Ministry of Health for 1944 shows that 77 per cent of all mothers in Britain attended ante-natal clinics. The number of first health visits to children under one year represents 96.8 per cent of the total registered births.

Priority allowances of milk, eggs, and vitamin supplements to expectant mothers and to babies are part of the Ministry of Food's programme to ensure that the important protective factors are fully represented in the diet.

Today there is a great extension

of knowledge of vitamins and, to some extent, an increase in their inclusion in the diet of all. The production of national bread and vitaminized margarine, and the increased consumption of vegetables have augmented the *per capita* intake of vitamins. It is generally conceded that this has raised the general level of health standards in Britain despite the exigencies of total war.

Alongside this important forward step in national welfare has been the mass production of synthesized vitamins. In the Roche plants in Britain Vitamin C and Vitamin B1 can be produced by the ton, bringing them economically within the reach of all. These synthesized vitamins are identical with the natural vitamins. This valuable scientific advance opens a new prospect of a nation where no one need lack an abundance of the necessary protective factors.

ROCHE PRODUCTS LIMITED

Tyres and Rubber

The United States War Production Board has announced a reduction in the working week of the tyre manufacturing industry from seven to six days. This measure is a temporary one and is due to the shortage of carbon-black and high-tensacity rayon cords, both of which are indispensable in the production of the larger types of military tyres made chiefly of synthetic rubber. In October last, workers and management in United States tyre factories had pledged themselves to work all-out in order to meet the service demand for tyres. Since then their output of heavy tyres has risen steeply—from 1,217,000 heavy tyres in October, 1944, to 1,770,000 tyres in January, 1945—and has thus outrun the supplies of carbon black and cords. New facilities for these basic materials are in the course of construction and the War Production Board is trying to speed up the completion of this work.

A new difficulty in the tyre production programme is now looming ahead. For the first time since 1941 the Government-owned United States Rubber Reserves Company has just published full figures about the country's crude rubber position, which indicate that, unless supplies can be increased, a critical shortage may arise next autumn or winter. At the end of 1944 United States stocks of crude rubber were down to 93,000 long tons, compared with 139,000 tons a year before and 533,000 tons at the end of 1941. Present stocks are barely enough to permit the maintenance of current tyre production; a further reduction may well entail a slowing down in the rate of manufacture.

It is quite possible, however, that crude rubber stocks will continue to fall. United States consumption of crude rubber has declined from the peak figure of 775,000 long tons in 1941 to 144,000 tons in 1944; a further decline is unlikely, since possible further reductions in the proportion of natural rubber mixed with synthetic rubber will almost certainly be counterbalanced by the increased output of heavy tyres called for by the present production schedules. Last year United States net imports of crude rubber totalled 98,000 long tons—less than one-tenth of the 1941 imports and nearly one-third less than last year's consumption—and it is hard to see how imports can be

materially raised before the revival of shipments from the Far Eastern producing regions. Strictest economy in the use of crude rubber and the completion of the plans for the largest and speediest resumption of shipments from liberated rubber areas are thus a vital necessity.

Exit Large Notes

The withdrawal from circulation of bank-notes of the higher denominations has been proceeding quietly during the past two years and the calling in of notes for £10 and over which will take place on April 30th merely marks the culmination of a policy which was instituted in April, 1943. Since that time no new notes of £10 and upwards have been printed and every opportunity has been taken to withdraw those in circulation. It has, in any case, been the practice of the Bank of England for some years before April, 1943, not to re-issue such of the larger denomination notes as were returned to the Bank but to replace them by fresh ones. The large notes being used for black market and tax evasion transactions, however, rarely passed through the banking system, and in January of this year the Bank of England was empowered to call in all notes of over £5 after a month's notice, which has now been given.

From May 1st notes of £10 and above will cease to be legal tender though they will continue to be exchangeable for Bank notes of lower denominations at the Head Office of the Bank of England or, in the case of branch notes, either at the head office or at the branch concerned. Notes, however, will not be exchangeable through the post. Overseas holders of notes—who come under the general ban on the import of all denominations of Bank notes—will not be affected by the measure though the large notes held abroad will be still further isolated.

It is difficult to assess the total amount of the large notes at present in circulation in this country. No statistics have been available since the beginning of 1939. For 1938 the average of Wednesdays gave an amount of £113 million of notes of £10 and over in circulation, representing no less than 23.2 per cent of the total circulation. A rapid rate of

REFUGE Assurance Company Limited.

Chief Office :
Oxford Street, Manchester, 1.

In 1944, in spite of war difficulties, representatives of the Company provided service, usually at the homes of the policyholders, in respect of **NINE MILLION POLICIES**, making **165,000** maturity payments totalling **£5,000,000** and paying **£3,000,000** in death claims. In addition **1½ million** calls were made to pay National Health Insurance Benefits.

Ordinary Branch : A bonus of **£1%** for each year's premium due and paid since 1938 is being paid on with profit policies becoming claims before 20th March, 1946.

Industrial Branch : Over **£670,000** is allocated to increase the benefits of the majority of existing premium-paying policies.

expansion of notes of £20 and over was particularly noticeable. A similar proportion in April, 1943, would give a total of about £220 million of large notes outstanding. This huge sum, however, is undoubtedly far in excess of the present total outstanding. In 1936, 1937 and, to a lesser extent in 1938 there was a large export of notes to the Continent and, in particular, to France, for the purpose of hoarding. There can have been little such export during war years. When the amount of these hoards at the outbreak of war is subtracted from the total and then allowance is made for the gradual withdrawal of notes during the last two years, it does not seem likely that the Bank will have to replace more than about £50 million of large notes though, obviously, any estimate must be exceedingly rough with so many uncertainties.

Cotton Labour Shortage

A first step has been announced towards increasing the production of cotton yarn, the shortage of which threatens the clothing ration. Four closed mills are to be re-opened. It is believed that they can be staffed mainly by older and immobile operatives—some 1,400 are required—but the Ministry of Labour will, if necessary, arrange for transfers from munition and other factories. If more labour can be attracted by opening more mills this should be done as soon as possible, since it may take some weeks or even months before they can work to full capacity. It is a pity that the process of re-opening some mills was not started earlier to relieve the yarn shortage. The decision appears to have been taken because the Cotton Board's overtime proposal was rejected by the trade unions, but it might well have been taken in conjunction with overtime work.

A debate on the subject of cotton manpower in the House of Commons last week produced little new, except the announcement of a Ministry of Labour committee on double day-shift working. Double shift working will be necessary to take advantage of modern machinery when, in the future, it is installed. It is an important factor in raising PMH in the long run. But the immediate problem is to fill the working mills to capacity, and to find enough labour for the closed mills when the general opening date is fixed. Not only should trained operatives be induced to return to the mills, but juvenile entrants need to be recruited. During the year ended May, 1944, 2,690 juveniles were recruited, compared with only 1,525 the year before. The larger figure is still considerably below requirements. The trouble is that conditions and wages in the mills are unattractive compared with other industries; the industry as a whole declined between the wars, and there is not sufficient confidence among potential operatives that cotton will be a flourishing post-war industry. The long-term shortage can only be met by the success of employers' efforts to make conditions and prospects more attractive. Meanwhile, the labour shortage is acute, and unless it is relieved military and essential civilian requirements may not be met.

More Retail Store Results

Reports of retail store companies for the year 1944 continue to show that, while profit has decidedly improved in

the North of England, it has declined little or not at all as the result of a year of resumed aerial attack on London. The reason for this does not lie in any increase of supplies—indeed the stocks held by most large companies have declined, owing partly, it must be admitted, to the desire to minimise the wartime stocks left on hand when peace returns. But there have been further increases in the price of goods, while selling costs have necessarily been kept low by increasing shortage of labour.

The net trading profit before taxation of Harrods, for the year ended January 31st, at £733,341, shows an increase of some £30,000. This figure is reached after allowing for an increase in the provision for repairs and renewals from £61,943 to £100,954, and even so it is decided to transfer £25,000 against nil to freehold buildings reserve as part of a policy of further strengthening reserves in preparation for the substantial rebuilding which must soon be undertaken. This fact and an increase of £50,000 in taxation provision reduce the cover on the ordinary dividend, which is maintained at 8 per cent, from 14.6 to 13.0 per cent. An opposite movement is shown in the preliminary accounts for the year ended March 24th of Selfridges, whose fall of £26,000 odd in net profit is more than offset by a saving of £55,000 in taxation, for which advance reserves apparently no longer need be accumulated. The different trend in the trading profits of these two companies must be partly accounted for by an increase in the prosperity of Harrods' branches and subsidiaries operating in the North, notably Kendal Milne at Manchester.

The chairman of Harrods, Sir Woodman Burbidge, anticipates that his company's prudent policy of building up reserves—net liquid assets are £1,900,000 odd and general reserve £1,555,436, against total issued capital of £6,215,194—will enable an early increase in ordinary dividend payments. The company's net profits have steadily risen since 1941 when only 4 per cent was paid, but are still well short of the pre-war profits, which covered customary payments of 16 per cent. Sir Woodman puts in a not unexpected plea for an increase in the civilian clothing ration and for early access to the home market in order that manufacturers may try out that inventiveness which, he agrees, is the life blood of the export trade. The natural appeal of such sentiments does not alter the fact that it will be hard to justify more than a moderate increase in civilian consumption during a period of both world-wide scarcity and capital re-equipment.

American National Income

The Department of Commerce's estimates of the national income of the United States in 1944 were published in the February issue of the *Survey of Current Business*. The American official figures customarily use three alternative definitions. The smallest of these is "income payments to individuals," which includes all wages, salaries, rent, interest, dividends, etc., and also transfer payments to individuals, but does not include the undistributed profits of business. It is therefore an incomplete figure, but it has the advantage of being available monthly. Secondly, there is "national income," which is defined in broadly the same way as the "net national income at factor cost" of the British official figures. And thirdly, there is "gross national product," which differs from "national income" mainly in that it includes indirect taxation and provision for the depreciation and replacement of capital. The figures of these three magnitudes for the last four years, by half-years, are given in the following table (the figures are seasonally adjusted annual rates in billions of dollars):—

	Income Payments	National Income	Gross National Product
1941—First half	86.8	89.9	113.1
Second half	98.6	103.8	127.9
Year	92.7	96.9	120.5
1942—First half	110.0	114.6	139.1
Second half	124.7	130.0	163.9
Year	117.3	122.2	151.5
1943—First half	138.9	145.1	183.2
Second half	147.2	153.6	192.3
Year	143.1	149.4	187.8
1944—First half	155.5	159.5	197.4
Second half	158.9	161.7	200.1
Year	156.8	160.7	198.7

Since the middle of 1943 the rate of increase has been com-

paratively slow, and some part of this gradual rise must be ascribed to the inflation of money values rather than to an increase of physical quantities. Nevertheless, that Gross National Product should have risen from a rate of \$113 billion to \$200 billion, or that national income should rise to \$160 billion, would have seemed impossible only four short years ago.

The dominant influence on the national income, as in any country at war, is the level of Government expenditure. This now takes almost exactly half of the Gross National Product, as follows:—

	Government Expenditure		Private Expenditure		Gross National Product
	War	Non-war	Consumption	Capital	
1941—First half	9.5	15.4	71.9	18.5	113.1
Second half	17.5	15.1	77.2	20.2	127.9
Year	13.3	13.2	74.6	19.4	120.5
1942—First half	35.3	12.8	79.2	11.7	139.1
Second half	63.7	12.1	84.5	3.6	163.9
Year	49.5	12.4	81.9	7.7	151.5
1943—First half	80.5	11.8	89.3	1.6	183.2
Second half	84.5	12.8	92.5	2.5	192.3
Year	82.5	12.3	90.9	2.1	187.8
1944—First half	87.4	13.2	95.7	1.2	197.4
Second half	85.2	12.9	99.6	2.3	200.1
Year	86.3	13.0	97.6	1.8	198.7

The notable feature of this table is the continued rise in consumption expenditure; the American economy continues to show the remarkable phenomenon of Government expenditure and consumption—guns and butter—both rising together. There have, of course, been considerable changes within the consumption item: Thus, expenditure on durable consumers' goods, which was at the annual rate of \$9.2 billion in the first half of 1941, fell to \$6.3 billion in the second half of 1942 and has since recovered only to \$6.9 billion, while there has been a steady progression in expenditure on non-durable goods ("consumption" in the most literal sense) from a rate of \$37.8 billion in the first half of 1941 to \$61.4 billion in the second half of 1944. The figure for capital represents gross capital formation, and since 1942 it has been below the level of depreciation and depletion charges.

Durham Coalfield

The report on the Durham coalfield (HMSO, 1s.), which has just been presented to the Minister of Fuel, is the second of a series of regional surveys, which, when completed, will cover all British coalfields. Together with the report of the Reid technical committee, which has appeared too late for comment in this issue of *The Economist*, these surveys will provide the basis for the Government's long-term policy for the industry.

Durham is the largest British coalfield, and just before the war was responsible for about one-seventh of both the national output and the industry's manpower. The investigation is, therefore, of special importance, though it is not so full of detail as the Scottish coalfield report. In fact, the two miner members of the committee, which was presided over by Mr Thomas Hornsby, Regional Fuel Controller, record their protest at the limited terms of reference, which prevented them from discussing the wider questions of structure, ownership and finance.

The area's production and manpower have both declined steadily since before the last war, as the table on page 431 shows. A further table shows the decline in output per worker between 1938 and 1943. A third table shows that the proportion of coal cut by cutting machines remained stationary between 1939 and 1943, though the proportion cut by mechanical picks and not by the old hand hewing methods increased by 11 per cent.

The committee regards large-scale mechanisation and modernisation as the main solution to the production problem. It emphasises especially the need for mechanising underground transport. Some 88 per cent of the miners have no "man-riding" facilities from pit shaft to coal face, and as much as 31 per cent of the output is obtained at faces situated more than 1½ miles from the shaft. The conditions indispensable for successful mechanisation, according to the report, are: full co-operation between management and men, teamwork among the miners, a more flexible wage structure, and the abandonment of restrictive customs and practices.

Durham is an old coalfield. The committee estimates, however, that they amount to 3,000 million tons, or sufficient for 100 years' production if a planned annual rate of 33 million tons is maintained. In a coalfield which has been worked so long and so intensively there are few untapped reserves of workable coal, but the committee holds out hopes of extracting additional supplies from undersea coal and from thin or inferior seams and by an extensive dewatering of the flooded tracts in South-West Durham. But it rightly stresses the need for a more careful utilisation of resources and for developing processing industries and using coal increasingly as a basis for new industry and not merely as material to burn.

The proposals, both for the production and utilisation of coal, will clearly involve enormous capital expenditure, which, the committee considers, can only be found by the Government. Though one coalfield cannot be regarded as typical in such a highly diversified industry, the Durham committee's conclusions are likely to be of equal application to the older, under-mechanised coalfields, and as such a useful guide to future action.

Architects on Housing Production

The Engineering Association declared recently in a memorandum that 200,000 completely factory-made and 100,000 partly factory-made houses could be added each year to the housing programme. Last week a report on housing production drafted by a committee of the Royal Institute of British Architects has appeared. Although it is not intended to answer the engineers, and it is unlikely that the committee saw the Engineering Association report, it is interesting for the views put forward on prefabrication. Prefabrication of component parts, such as doors, fireplaces and so on was widely used before the war, and its expanded use is welcomed by the committee. They consider that there is some small part for the completely prefabricated house to play in production, but it would only be "auxiliary" help. They regard prefabrication as a long-term policy to supplement traditional building methods.

(Continued on page 430)

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COMPANY MEETINGS

MERCANTILE BANK
OF INDIACONSIDERABLE INCREASE IN
RESOURCESSIR CHARLES INNES'S
STATEMENT

The 52nd annual general meeting of The Mercantile Bank of India, Limited, will be held on Tuesday, the 17th proximo, in London.

The following is an extract from the statement of the chairman (Sir Charles A. Innes, K.C.S.J., C.I.E.) circulated with the report and account:—

The accounts for 1944 are very similar to those of the previous year, the main difference being a further increase of nearly £3 millions in our deposits, due chiefly to the continued large volume of war expenditure in India and Ceylon. On the assets side there is a corresponding rise of nearly £2 millions in our securities and an increase of nearly a million in loans and advances. Bills show a further small decline for reasons explained in previous statements, and no real improvement can be expected in this respect until the shipping position improves and trade is allowed to return to its normal channels.

INCREASED LIQUIDITY

I have been at some pains to compare the balance-sheet for this, the sixth year of the war, with that of 1938, the last pre-war year. In spite of the fact that seven of our branches have been over-run by the Japanese, our resources show a considerable increase. We are much more liquid than in 1938, and our holding of Government Securities has more than doubled. On the other hand a much smaller proportion of our funds is laid out in bills and loans and advances, that is in the finance of industry and trade. Our experience, in fact, is much the same as that of other banks. As the result of the war, we have larger funds at our disposal, but the normal outlets for these funds have been circumscribed partly by the claims of Government finance and partly by the extension of Government trading in the country in which we operate. Moreover we work on much finer margins.

I referred last year to two problems of pressing importance in India, the critical food situation and the danger of inflation. The year has witnessed improvement in both respects. It is true, that food prices still remain inordinately high and that much hardship is caused thereby, but in other respects the situation seems to be pretty well in hand. Rationing has been extended to cover some 42 millions of people, an administrative feat of no mean order; considerable success has attended the grow more food campaign and the Government procurement schemes, and large imports of wheat have been secured. The position will be still better when the shipping position improves and Burma rice is again available in quantity, but the food problem of India is likely to become increasingly important. Not only have the authorities to budget for a rapidly increasing population, but as they recognise themselves, the problem of the under-nourishment of some 30 per cent. of the people must be tackled. As regards the other problem, the Government have succeeded in checking by various measures the spiral of inflation, but as the Finance Member has himself pointed out, the problem of the inflationary gap still remains, nor have the Government succeeded in bringing down prices to any appreciable extent.

FUTURE OUTLOOK FOR INDIA

As regards the future, the first thing we have to remember is that politically we are approaching the end of an epoch. Economically, too, the position will change in an

almost equal degree. India's war effort has been magnificent, but her war expenditure is relatively light. For next year it is estimated at less than a million a day compared with the £13 or £14 millions a day which the war is costing this country. Moreover she has sustained little war damage, and she will emerge from the war with her economic position immensely strengthened. For the first time in her history she will be a creditor country. The war has given a tremendous impetus to her industries, and even more important is the impact of the new ideas which are circulating in India as in other countries. The whole problem of reconstruction and rehabilitation is being studied in all its aspects with the ultimate objective of raising the standard of living of the people as a whole and of ensuring employment for all. It must be a long time before these vast plans can be translated into full effect, but it may be taken as certain that great developments will take place in the immediate post-war years and that as soon as the markets of the world are again open to her, India will make heavy demands on them not only for consumer goods but also for capital equipment. This country should be able to play its part in meeting these demands. It is true that there will be increased competition from the United States of America and that the process of reconverting our industries from war to peace may be a more troublesome job than in the United States owing to the fact that a far greater proportion of our production has been geared to the war effort than has been found necessary in the States. On the other hand our manufacturers have the initial advantages of established connections with India and long familiarity with the Indian market, and already there are signs of fruitful collaboration between Indian industrialists and manufacturers in this country. In this connection one may hope that a satisfactory solution will be reached of the formidable problem of India's large sterling balances in this country.

LANCASHIRE ELECTRIC
LIGHT AND POWER
COMPANY, LIMITEDCONTINUED SATISFACTORY
PROGRESS

The annual general meeting of The Lancashire Electric Light and Power Company, Limited, was held on the 27th instant in London.

Sir Joseph Nall, M.P. (chairman), said that the gross operating revenue in 1944 amounted to £3,301,000 compared with £1,576,000 in 1939, an increase of £1,725,000, whilst the gross operating expenditure in 1944 was £2,516,000, compared with £916,000 in 1939, an increase of £1,600,000. These large increases in revenue and expenditure are, of course, partly due to the increased output for war purposes, but also and indeed largely due to the increased cost of coal and, on the expenditure side, to the alarming decline in the quality of that basic product.

The combined total paid or to be paid in rates and taxation by this company and its subsidiaries in respect of the five years 1940-44 inclusive amounts to £1,735,302.

These not inconsiderable contributions in cash which company-owned public utilities make to the local and national exchequers are conveniently overlooked by those who clamour for the public ownership of these undertakings and income-tax payers of all classes would do well to have this in mind when listening to the plausible pleas of certain politicians.

We have been directed by the central board to extend our Kearsley Station by a further 104,000 kw. capacity and orders for this plant have been placed at a cost of three and a half million pounds. We contemplate considerable extensions to our distribution network as and when labour and materials can be made available.

The report was adopted.

THE SCOTTISH AUSTRALIAN
COMPANY, LIMITED

A DIFFICULT YEAR

The adjourned annual general meeting of the Scottish Australian Company, Limited, was held, on the 27th instant, at the offices of the company, 197 Winchester House, London.

Lt.-Col. Ian Rose-Innes Forbes, D.S.O., J.P., D.L., presided, and in the course of his speech said:—It is with the greatest regret that I find myself in the chair to-day and having to take the place of your chairman and managing director, Mr J. Campbell Inglis. During the sixteen years he was managing director and chairman he devoted his whole time to the business of your company and never spared himself in your interest. We were fortunate in having at the head of affairs for such a long period a man with such a sound brain and so wide a business ability.

The year under review has been, in many respects, a difficult one. You have no doubt read in the newspapers that many areas in New South Wales experienced the worst drought for forty years, and our properties in New South Wales and Southern Queensland suffered severely. Stock losses were much heavier than in the previous year and our lambings less satisfactory. In fact, our stock of sheep on June 30th last was about 76,000 head less than at the corresponding date in the previous year. This inevitably means a considerable reduction in the current year's wool clip. Also, as was to be expected, drought expenses were almost double those of the previous year. These losses will have their repercussion, and I must warn you that we cannot expect anything like as good results during this year.

Drought conditions continued until the beginning of January, and, although we have had beneficial rains since then, much more rain is needed at many of our stations. In view of all this and to provide for the further effects of the drought, as well as for all possible fiscal contingencies, the board consider it prudent to maintain the dividend at 5 per cent. and to increase the carry forward.

HIGH QUALITY OF WOOL MAINTAINED

Our wool clip was some 600 bales less than in the previous year, but the revenue from this source was slightly higher. As you are aware, since the beginning of the war the company's wool has been appraised in Australia and sold out there to the British Government, but we have been able to get samples of our clip home. They have been carefully examined by our brokers, and I am happy to tell you that their reports have been encouraging, and it is evident that the high quality of the company's wool is being maintained.

I should like to say a word about our cattle stations at Austral Downs and Texas. The former has done very well. We have got together a fine shorthorn herd, and sales of stock have realised good prices, and I feel sure that cattle-raising will prove profitable for some years to come. At Texas we have a first-rate herd of Aberdeen Angus cattle.

IMPROVED FARMING REVENUE

Our farming revenue, thanks to a rather larger wheat harvest on our Riverina stations, showed an appreciable improvement. The trading profit amounts to £83,260, as against £83,645 for the previous year, and there is a net profit of £63,038. The board recommend the payment of a dividend of 5 per cent. on the consolidated ordinary stock, together with a payment of a bonus of £3,000 in our currency to the permanent staff in Sydney and on the company's stations, for distribution at the discretion of the advisory board in Sydney. These allocations will absorb £28,000 and leave a sum of £20,883 to be carried forward to next year's account, compared with £17,844 in the previous year.

The report and accounts were unanimously adopted.

REFUGE ASSURANCE COMPANY,
LIMITEDASSETS £88,800,000; INCOME £15,000,000
FURTHER REDUCTION IN COSTS

The eighty-first annual ordinary general meeting of the Refuge Assurance Company, Limited, was held, on the 26th instant, at the chief office of the company, Oxford Street, Manchester.

Mr J. Wilcock Holgate (chairman of the company), in the course of his remarks, said: For over five years the people of this country, in pursuance of the one purpose of exerting the maximum war effort, have submitted themselves voluntarily to a degree of control such as is entirely foreign to their nature; and it is much to be doubted whether they will be content to bear with it one moment longer than is required by the gradual transition from a war to a peace-time economy. To recover the liberties thus temporarily surrendered may not be easy: control develops only too readily into a vested interest which is the more insidious in that it gives rise to "planners" who in effect project control into the future and in whose lexicon the words "private enterprise" have small place. The danger has already been pointed out by leaders in various branches of industry, who emphasise the difference between officialdom bound by rule with no personal interest in results, and producers accustomed to instant decisions and constant adjustment of plans to meet new or changed demands, who must satisfy to survive.

SERVICE

An interesting example of this fundamental difference is provided in our own business in the history of the Post Office scheme of life assurance, which was set up in 1864 and was discontinued in 1928 as being "a mere distraction of Post Office energies which might be better employed." The primary defect of the scheme was its failure to recognise the cardinal feature of the business, that policies, whether they be for £10,000 or £10, are sold rather than bought. Life assurance represents saving rather than expenditure; and savings may be greatly increased by personal approach, as is being evidenced today in the results of regular collections by voluntary workers in connection with the War Savings Campaign. A precisely similar function is carried out by our agency force, who in the first place introduce the idea of life assurance to individual members of the public, and then by regular calls or approach encourage the maintenance in force of the policies. The economic effect of the qualities of foresight and thrift so encouraged is very considerable in the mass, and especially so in the case of the individual; it is a commonplace that one never hears a widow complain because her husband's life was assured, whatever, as a wife, she may have said previously.

STEADY FALL OF COSTS

This service must, of course, be paid for, but it is remarkable how steadily the costs have fallen and how low is the present figure. In the industrial branch of this company the expense ratio is 27.74, the lowest we have hitherto been able to record; and it is only fair to draw your attention to the expert organisation and the extreme care in administration which have alone made possible the progressive improvement shown by the following figures, which has been achieved in spite of the additional expenses arising out of the war and has been accompanied by a material increase in the average earnings of our field force:—

Year	O.B.	I.B.
1936	14.89	34.27
1940	12.60	31.63
1944	11.01	27.74

Another aspect of our business to which

we pay particular attention, and in which we can record a gratifying measure of success, is the reduction in the number of policies falling out of benefit. It may be interesting to you to know that of our existing whole life premium-paying contracts over 55 per cent. have been in force for 10 years and nearly 30 per cent. for more than 20 years. We have actually over 140,000 policies which have been in force for over 50 years; and the thought occurs to me that a business that can boast of such long connections is not only fundamentally sound, as the figures prove, but must also be giving satisfaction to its policyholders. In this connection I might mention that during the past year the death occurred of the last remaining life assured under our old sickness scheme. This policy was taken out in 1866, 78 years ago.

ALLOCATIONS OF SURPLUS

This brings me to another point. The policies in our industrial branch are, in form, non-profit; yet, despite this, allocations of profit have been made annually to the policyholders for many years past, the total amount distributed during the last 10 years being nearly £4,000,000. The amount allocated in respect of 1944 is £673,229, a sum considerably greater than has ever previously been granted. Over the same period of ten years the average annual amount charged to the industrial branch on account of shareholders was £135,330, a very modest amount having regard to the extent of the company's operations, and the very large sums set aside for the benefit of the policyholders.

COMBINED RESULTS

During the year our total premium income increased by £297,042 to £12,313,138. Our total claims were £8,596,435, which included £5,432,809 by way of maturities alone. The aggregate surplus in both branches amounted to £4,365,480, which includes £3,271,370 brought forward from the previous year, and the total assets now stand at £88,858,588, having increased by £3,642,789 during the year. I may here mention that from the outbreak of war to the present time the company, as a result of war conditions, has paid £1,055,513 in death claims on the lives of members of HM Forces and of civilians.

You will be aware that our policies carry certain conditions limiting the company's risk in the event of war. With few exceptions these conditions have been waived up to now as regards pre-war policies, and the full sums assured paid in the cases concerned. It is our hope that circumstances will enable us to continue this concession.

ORDINARY BRANCH

In the ordinary branch the life assurances valued were as follows:—

No. of policies	Sums assured and bonuses	Premiums payable per annum
544,480	£86,175,292	£4,621,557

The number of new policies issued was 30,433, assuring the total sum of £6,061,061, as compared with £6,001,859 in the preceding year. The premium income was greater than in the previous year by £51,607, and the net interest amounted to £1,355,052. The expense ratio was 11.01 as compared with 11.25 in 1943, and the life assurance fund now amounts to £42,965,590, in addition to which there is an investments reserve fund of £2,250,000.

The basis of valuation has been materially strengthened for the life assurances, and was at least as stringent as a net premium

valuation by the A24-29 ultimate table of mortality, with interest at 2½ per cent., with additional provision to meet prospective adverse mortality due to the war. The annuities were valued with interest at 3 per cent., and the resulting surplus was £3,367,698, which included £3,025,420 brought forward from the previous year.

It is proposed to allocate to the shareholders £24,294, to set aside £218,649 for the benefit of policyholders, and to carry forward the increased sum of £3,124,755 to meet any contingencies which may arise out of the present world situation, or to be dealt with subsequently as the board may determine.

Having regard to the continuance of war conditions, we propose to repeat the modified form of bonus distribution to policyholders in the ordinary branch adopted since the outbreak of war, and which takes the form of a bonus on participating policies which become claims by death or survival throughout the 12 months commencing March 20, 1945, at the rate of £1 per cent. on the sum assured in respect of each full year's premium due and paid respectively in the years 1939 to 1944 inclusive. It is proposed also, until further notice, to allow an interim bonus on policies becoming claims by death or survival at the rate of £1 per cent. on the sum assured.

INDUSTRIAL BRANCH

In the industrial branch the policies valued were as follows:—

No. of policies	Sums assured	Office premiums per annum
8,667,067	£138,300,924	£7,478,458

The premium income was greater than that of the previous year by £245,435, and the life assurance fund now amounts to £39,556,312, having increased by £2,743,050, in addition to which there is an investments reserve fund which now amounts to £3,000,000. The expense ratio was 27.74, as against 29.15 in respect of 1943.

The valuation was made on a 2½ per cent. net premium basis, additional provision being embodied to meet prospective adverse mortality due to the war, and the resulting surplus, which included £245,950 brought forward from the previous year, was £997,782. It is proposed to allocate to the shareholders £88,206, to carry forward £236,347, and to set aside £673,229 for the benefit of policyholders to increase temporarily, and in some cases permanently, the amounts payable under certain policies, and in addition to provide a special benefit in respect of those policies under which the lives assured have reached an advanced age. Accordingly, in cases where the life assured attains the age of 90 within the next twelve months, no further premiums will require to be paid, and the policies will become free paid-up policies.

NATIONAL HEALTH INSURANCE

On behalf of the National Amalgamated Approved Society we administer the national health insurance of a membership of 880,000, and during the year payments of benefit were made amounting to £1,169,054.

This company, in common with other industrial assurance organisations, is in cordial agreement with the principles underlying national insurance, and with the objects it is sought to achieve, but all wisdom does not lie with those who originally drew up the scheme, and we feel that the Government proposals do not do justice to the opportunity afforded the Ministry of making use of the services of the approved societies, which have had so many years' experience of health insurance, and which constitute a ready-made agency for the administration of certain of the benefits, and which, most important of all, provide a system whereby individual agents take their services to many houses rather than the people being compelled to go to some Government office.

The report and accounts were adopted.

BRITANNIC ASSURANCE COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

MR J. A. JEFFERSON'S SPEECH

Mr J. A. Jefferson, F.I.A., chairman and general manager, presiding at the seventy-ninth ordinary general meeting, after referring to the election of Mr J. Murray Laing as vice-chairman, the retirement from the board of Mr A. M. Patrick, and the proposed election of Mr H. E. Roscoe as a director, said: The company again made splendid progress. During the year several interesting milestones were passed; the company's total income exceeded £9,000,000; the industrial branch premium income exceeded £5,000,000; the ordinary branch premium income exceeded £2,000,000; and for the first time the ordinary branch fund increased by over £1,000,000.

War claims in 1944 amounted to £140,968, compared with £89,677 in 1943, bringing the total since the outbreak of war to £476,659.

ORDINARY BRANCH

The premium income of £2,109,000 shows an increase of £117,000 in the year. The fund, after giving effect to 1944 transfers, amounted to £16,406,000—an increase of £1,091,000. Our new business at £3,582,000, although less than in 1943, was larger than that for 1938. The net rate of interest was £3 6s. 9d. per cent.—a fall of 1s. 2d. per cent.

Death claims at £282,000 were £46,000 more than in 1943. Payments under maturing policies in 1944 at £868,000 were practically the same as in 1943, while surrenders at £40,000 were almost unchanged. Both lapses and surrenders are at a very low level compared with those experienced before the war. The expense rate at 10.61 per cent. showed a substantial drop of 1.11 per cent. from the moderate rate for 1943.

INDUSTRIAL BRANCH

The premium income of £5,126,000 represented an increase of £229,000 over the figure for 1943. The fund, after giving effect to transfers, amounted to £5,554,000, an increase of £1,949,000.

The gross rate of interest earned was 1s. 8d. per cent. less than a year ago, but for a long time I have been warning you to expect reductions. The net rate at £3 14s. 1d. per cent. was 1s. 5d. per cent. more, but this increase is due entirely to the incidence of taxation.

Death claims amounted to £1,354,000 and included £79,000 in respect of bonuses. The amount paid in respect of maturing endowment assurances was £881,000, which represented the substantial increase of £154,000 as compared with a year ago, and included £67,000 for bonuses. Surrenders at £28,000, although showing a slight increase, were again at a very low level.

The expense rate for the year was 26.39 per cent.—a new low record.

"PROPORTIONATE" FREE POLICIES

The expense rate of the industrial branch has been reduced by nearly 9 per cent. in the last ten years alone. So long ago as 1930 we began giving automatic free policies after premiums had been paid for at least two years, although for most policies we were not required by law to grant a free policy until at least five years' premiums had been paid. The directors feel that the time is ripe for a further improvement in our practice, and they decided some months ago to adopt a scheme of automatic free policies after payment of only one year's premiums. They also decided to calculate the amount of such free policies on a simple and generous basis, known as the "proportionate" basis. Thus, the free policy will be that proportion of the full

sum assured which the number of complete years' premiums paid bears to the number of complete years' premiums originally payable under the policy. In other words, each complete year's premiums will provide its full proportion of the original sum assured. For whole life policies the premiums payable under the original policy will be assumed to cease on the attainment of age 85, whether or not they do so under the terms of the policy.

THE ASSETS

The total assets are now £47,546,000, an increase during the year of £3,389,000. Of the total assets, no less than £23,226,000 is invested in British Government securities—nearly one-half of the total.

In 1938 our total assets were £32,272,000, while in 1944 they amounted to £47,546,000, showing an increase of £15,274,000. In 1938 our British Government securities totalled £6,458,000, while in 1944 they amounted to £23,226,000, showing an increase of £16,768,000. The increase in our British Government securities was therefore greater than the increase in our total assets, and the percentage to the total assets rose from 20 per cent. to 48.8 per cent. Even these figures, however, do not show all that has happened, for the increase of £16,768,000 is arrived at after redemptions have been taken into account. The actual amount of money invested in new British Government loans during the war is over £19,000,000. On many occasions before, I have told you of the seriousness of these conditions to an expanding life office, and coupled with high taxation the effects are aggravated.

A valuation of our assets at the end of the year again shows a substantial appreciation over balance-sheet values, but you will see that we still consider it desirable to go on building up our investment reserve funds. We are transferring another £250,000, which will bring these reserves up to £3,000,000.

ANNUAL VALUATION OF POLICY LIABILITIES

This year the stringency of the valuation has been increased by valuing the British Legal industrial branch policies at 2½ per cent. interest by the English Life No. 10 (Males) Table, instead of at 3 per cent. by the English Life No. 8 (Males) Table employed a year ago. We are now able to say that all life assurance contracts in both branches have been valued at 2½ per cent. by the net premium method. In both branches the mortality experience, even including war claims, was within that expected by the mortality tables employed.

BONUS ALLOCATIONS

In the ordinary branch the surplus disclosed was £637,186, inclusive of £250,875 brought forward. In the industrial branch the surplus was £1,151,320, inclusive of £391,952 brought forward.

Out of the ordinary branch surplus the directors have allocated £243,302 to policyholders, which has enabled them to declare a bonus addition to all with-profit policies in force at December 31, 1944, of £1 per £100 sum assured.

Out of the industrial branch surplus the directors have allocated £240,000 to policyholders, which has enabled them to repeat the present bonus scheme for a further year, commencing on April 1, 1945.

Increased balances of £278,360 in the ordinary branch and £448,820 in the industrial branch are being carried forward undivided.

HOOVER, LIMITED

SATISFACTORY PROGRESS

MR C. B. COLSTON ON THE OUTLOOK

The eighth ordinary general meeting of Hoover, Limited, was held, on the 23rd instant, at the registered office of the company, Perivale, Greenford, Middlesex, Mr C. B. Colston (chairman and joint managing director) presiding.

The chairman, in the course of his speech, said: The progress of your company has been very satisfactory. The prices of our equipment continue to be, in many instances, the lowest charged to the Government; in all cases our prices compare very favourably with the average. As to quality, the company's reputation stands higher than ever.

WAR CONTRIBUTION

When war broke out we decided we could make our greatest contribution by concentrating principally on work in which we were specially skilled, the electrical engineering field. Our major effort has been in the manufacture of small rotary transformers; during the war we have made approximately three-quarters of a million. In addition, we have manufactured huge numbers of electrical plugs and sockets, complete wiring installations for many types of aircraft, fractional horsepower motors, blowers, engine speed indicators, engine starters and other electrical equipment.

In other fields we have manufactured many thousands of four-bladed aeroplane Rotol type propellers, bomb carriers, oxygen economisers and regulators, and millions of fuses. Hardly any aircraft of British manufacture leaves the ground without carrying some item of equipment manufactured by your company.

We are operating no less than eight factories. In addition, we have organised ten outworking units, which have employed 1,758 women. Your company was a pioneer in this field. The majority of these women are non-directable and, owing to their domestic responsibilities, could not undertake war work unless it were brought to districts where they resided. In the early days of the war your company showed what an effective part could be played by women without previous experience in engineering. We have employed as many as 6,300, apart from our outworking units.

At the outbreak of war we started our own research department, which has done most valuable work and will be continued. A large proportion of the equipment we have manufactured during the war was either entirely designed or adapted by us.

NEW FACTORY CONTEMPLATED

Active consideration has already been given to changing over to peacetime products, which will be wider in range than before the war. We are negotiating with the Government for a new factory in a Scottish development area for some of our expanding activities. I am confident that the change-over can be tackled with less difficulty than the transfer from peace to war production.

The demand for our products after the war will probably exceed the supply. How long this will last depends largely upon controls.

We face the future with confidence. There will be difficulties in the transition period, but if we are prepared to wage peace with the same determination, energy and unity as we have waged war, we shall find solutions to all our problems and bring this country to a higher level of prosperity than ever before in its history. Your company intends to make every effort to play its part.

The report and accounts were unanimously adopted and a final dividend of 11½ per cent. and a cash bonus of 10 per cent. on the ordinary stock of the company, less income-tax, was approved, making a total distribution for the year of 25 per cent.

ABBEEY NATIONAL BUILDING SOCIETY

POSITION OF GREAT STRENGTH

POST-WAR HOUSING

SIR HAROLD BELLMAN'S REVIEW

The annual general meeting of the Abbey National Building Society was held at the Wigmore Hall, Wigmore Street, W.1, on the 27th instant. Sir Harold Bellman, J.P., LL.D., chairman of the Society, presided. In the course of moving the adoption of the report and accounts, he said:—

Today it is our pleasure to meet for the first time as the Abbey National General Meeting to review our first year's work as a united Society. All of us with any sense of occasion must recognise this as a memorable event. It is clear that all the advantages of amalgamation are likely to be realised sooner or later in practice, and when the disturbing factors due to the war have been eliminated.

The accounts for 1944 may be regarded as an epitome of all that we are and an indication of some of our potentialities for the morrow. For the present, their outstanding characteristic is great strength, which, in this sixth year of war, must be a source of the deepest satisfaction to our members.

Our total assets stand at £80,380,000, of which over £18,500,000 consists of trustee investments and cash. For the future, the accounts provide a striking indication of the resources which we shall have available to assist post-war housing.

BOARD'S LENDING POLICY

The figure for advances of £1,900,000 in 1944 requires explanation against the background of our lending policy. In accepting mortgage securities we have been reasonably and properly selective. We believe this to be an obligation both to those who sought advances and to our members whose funds are employed. By adopting this policy the Society has set its face against any action which might assist, however indirectly, the tendency towards fantastic prices for houses. It is, of course, acknowledged that there is a measure of appreciation of property values over and above the 1939 level which is likely to persist for some considerable period after the war. The Society allows for this in determining its present valuations of property. We welcome the action of the Government in setting up a committee of inquiry into the problem of house selling prices. There can be no doubt that there is a strong case in terms of social justice for a temporary measure of control, but admittedly the devising of a scheme which is administratively practicable may be much less easily decided. It will, of course, be the function of the Government committee to advise on this point. It may be hoped that if a ceiling price is fixed by some agreed addition to the pre-war value, due regard will be paid in determining that addition, to the heavy disabilities under which the house-owner has suffered during the war years. While a decision is awaited, we can only add an emphatic warning against the folly of paying prices utterly out of proportion to real values.

We cannot say too often and too insistently that housing is the most urgent of our peace-time problems. The housing problem is a grave national emergency, which requires a correspondingly constructive and unselfish approach from all of us.

TWO-FOLD HOUSING PROBLEM

In broad outline, the problem is obviously two-fold in character: to provide houses for letting to those who desire to rent, and to provide houses for purchase for those who desire to own. All who know the facts are bound to agree as to the necessity for houses to let. At the same time, however, a properly balanced housing policy requires the provision of houses which are available for sale for those who desire to purchase. The evidence in favour of this view is very substantial. Approx-

mately one house in three in England and Wales is owner-occupied. The war has inevitably resulted in a great deal of unavoidable herding and many would be less than human if they did not, as a reaction, crave for opportunities of self-expression. Furthermore, the home will assume a new significance in the postwar world. Although the fighting may be over, there will be many unsettling forces. Large numbers may, however well things turn out, experience a sense of frustration. Thus the home, and especially the owner-occupied home, will be a valuable centre of moral reintegration amid the prevailing bewilderment. A wise handling of the housing problem can do so much good; a mishandling of it can do incalculable harm.

THE QUESTION OF MOBILITY

Furthermore, home-ownership for those to whom it appeals and to whose circumstances it is suited, will be yet a further element in the programme of social security which public opinion demands of the post war world.

I repeat, however, that provision for home-ownership need not, and should not, be pushed to any extremes, especially in so far as workers may be handicapped in any lack of necessary mobility in seeking work. On the other hand, the necessity for mobility may be over-rated. There are significant signs that work may be carried to the worker hardly less than the worker will need to be transplanted to his work. In the circumstances, it would be little short of catastrophic if, as we believe, many desire to purchase houses and financial facilities are available, public policy should fail to frame a housing policy which makes provision accordingly. In all this, building societies can play yet again a worthwhile part. They have abundant funds for the purpose and a mortgage service expressly designed to meet the needs of the average citizen. While they are primarily concerned to promote home-ownership, they hope and believe that their machinery may be adapted to assist in the provision of houses for letting.

SOCIETY'S ADVANTAGEOUS POSITION

All our thoughts and energies as a society are directed towards our being in the most favourable position to serve these housing needs. We offer two outstanding advantages: we have ample funds, together with (I hope) the safeguard of a corresponding reputation; and a personal service in which the borrower begins and ends as an individual, with his individual problems receiving our individual attention. Our service seeks to treat him and his problems with all the care and attention that are due to him; and this continues not only while the mortgage is being negotiated, but so long as he is a borrowing member.

In addition, we seek to provide a service of the most rigorous simplicity, entirely free from "red tape" and such like entanglements. Thus an Abbey National borrower has the advantages of an institutional reputation in all that concerns his receiving a square deal, and at the same time a personal service providing the maximum of individual consideration. I have no doubt that when the housing history of the next decade is reviewed in retrospect, the Abbey National will not need to make any apology so far as its own contribution is concerned.

The board joined in the congratulations to its deputy chairman, Mr Stanley C. Ramsey, on his appointment to be a Vice-President of the Royal Institute of British Architects. Mr Bruce Wycherley, who shares with me the office of managing director, continues to preside over the deliberations of the Council of the Building Societies Association.

The Abbey National has inherited traditions that are both an inspiration and a challenge, but we hope and believe that we shall be fully equal to them.

Mr Stanley C. Ramsey, F.R.I.B.A., deputy chairman of the Society, in the course of seconding the adoption of the report and accounts, said: The task is to produce the right number of houses in the right places at the right time, and to produce houses that are homes. It is impossible for some forty-seven million people to live together on so small an island as ours, in any degree of comfort and well-being, without a considerable amount of planning. Nowhere is this truer than in the realm of housing. Town-planning is the convenient term we use to denote an arrangement by which we can enjoy in amity and convenience that reasonable degree of good-life which should be the inheritance of all.

Within our means, that is within our reasonable desires, I am convinced we can have good and beautiful homes properly grouped to produce towns and villages which shall be a worth-while contribution to the national wealth and expressive of a great and civilised people, provided always that we have the will to achieve. Public, that is enterprise by the state, and free enterprise, which is individual effort, both have their parts to play. Properly viewed they are complementary and not antagonistic agencies. Indeed, without the full effort by each, on a well devised system of production, it is difficult to see how the national aim of providing four million houses in ten years is to be attained. Ideologies apart, there is an enormous volume of work to be undertaken by the state working through the agency of the local authorities in dealing with the slums, and in the provision of homes for those who, even under a scheme of full employment, will not, for some time it is feared for various reasons, be able to provide homes for themselves without assistance. This, then, is the real dividing line; for where the state stops, there free enterprise must take up the burden.

In the provision of post-war houses new methods should be tried, and what is known as "pre-fabrication" developed with every encouragement. Pre-fabrication of component parts such as doors, windows, fireplaces, kitchen equipment, etc., formed 40 per cent. of the pre-war mass produced house and this method is capable of very great extension.

There are also well-tried systems of pre-fabrication for the complete edifice but there have also been many failures, not necessarily in the field of design. In my opinion, however, pre-fabrication, whether of the parts or of the whole, should be used not as the major solution of the problem but as a contribution. I am convinced that given reasonable facilities our house-builders can produce better houses more speedily, more economically and in greater number than can any untried system which relies mainly on engineering rather than on traditional building methods.

Given one-tenth the drive, and one-tenth the determination that has gone to our war effort, we can achieve a solution of the housing problem, which although without perhaps giving us all that our extreme idealists are crying out for, will give us homes that are commodious, of good quality, and of good design. To this solution we of the building societies can make a very great contribution and ease the financial burden which, of necessity, immediate post-war conditions will impose.

Mr R. Bruce Wycherley, M.C., F.C.I.S. (joint managing director), speaking on behalf of the directors, expressed their appreciation of the further opportunity to serve the society. Paying tribute to the staff, headed by the general managers and the secretary, he said they constituted a closely integrated unit, the excellent team spirit of which was outstanding.

The report and accounts were adopted. The chairman announced that Messrs C. Lovett Gill, F.R.I.B.A., A. C. Hutchins, F.C.A., and F. Morfee Walsh, M.C., F.S.I., had been duly re-elected to the board.

THE NORTHMET POWER COMPANY

SATISFACTORY RESULTS

LARGE INCREASE IN CONSUMERS

At the ordinary general meeting of The Northmet Power Company, held at Caxton Hall, Westminster, S.W. 1, on Tuesday, the 27th instant, Mr G. W. Spencer Hawes, O.B.E., M.I.E.E., who presided, said:

You will be disappointed to learn that our chairman, Lord Ashfield, is unable to preside at this meeting. I am sorry to say that during the week-end he has become indisposed and has asked me to take the chair this morning. I will ask the secretary to read the speech Lord Ashfield has prepared for this occasion.

Before I review the accounts for 1944 I would draw your attention to the statement at the end of the directors' report which summarises the financial results for each of the four years 1940 to 1943.

Stockholders will observe that with the exception of 1942 there was little variation in the financial results for each year of this period. The increase in the net profits for that year was accounted for, as to part, by an increase in the number of units sold and, mainly, by a reduction in the rateable assessment of your undertaking, which while it was secured in that year was retrospective to April 1, 1940. This had the effect of increasing the net profits by £95,000. You will have observed that the depreciation account was strengthened in that year, and in the same year a provision of £100,000 was made towards the war damage contribution to be met by your company.

INCREASED FINANCIAL RESULTS

You will observe from the net revenue account that the financial results of the working for the year 1944 show an increase over those for 1943. Adding the interest and dividends received, there is a total of £927,300, which exceeds that of the previous year by some £66,000. I hope it will be agreed that this is a satisfactory achievement in all the circumstances.

The directors have allocated a further sum of £50,000 to the reserve for war damage contribution, making a total provision of £150,000 for this purpose.

The provision for depreciation is £457,000, this being the calculated amount required to meet the depreciation on the fixed assets of your company and the station company less sinking fund provisions of the latter company.

The sum total of all the items I have mentioned leaves out of the total revenue for the year a balance of £208,991. If to this sum is added the amount of £43,279 brought forward from the previous year, a total of £252,270 is available, which your directors recommend should be appropriated as to £67,873 by the payment of the dividends, less tax, on the 6 per cent. cumulative preference stock and the 4 per cent. cumulative preference stock, and as to £111,988 by the payment of a dividend of 7 per cent., less tax, on the ordinary stock, of which 3 per cent. has already been paid. This dividend of 7 per cent. for the full year is the same rate of dividend as that for each year since and including 1940. If these appropriations are approved, a balance of £72,409 will remain to be carried forward, which is £29,130 more than the amount brought into the accounts from 1943.

BALANCE SHEET ITEMS

I would ask you now to turn to the balance-sheet, from which you will note that capital expenditure in the year under review has increased by £24,985 on the previous year's figures, giving a total capital expenditure to date of over £13,000,000.

The first item under the heading "Current Assets" is investments shown at £2,097,000—an increase of roundly £200,000 over the previous year. This sum represents cash surplus to current requirements, and, with the exception of £20,000,

is invested in Government securities. It will be seen that the market value is in excess of the cost of these investments.

The item "Sundry Debtors" amounts to £1,208,627—an increase of £153,497 over a year ago, which is due to the larger amounts owing to your company for electricity supplied as the result of increased consumption.

The loan account to subsidiary companies amounts to £477,000, of which £419,000 has been loaned to the station company, and this latter sum will shortly be repaid. The balance of £58,000 is loaned to the Bishop's Stortford, Epping and District Gas Company.

Looking at the left-hand side of the balance-sheet, you will see there is no change in the amount of issued share capital. Reserves call for no comment as they have been increased merely to the extent of the annual provisions for redemption of the 5 per cent. mortgages and 4 per cent. and 34 per cent. debenture stocks. The total amount of loan capital now outstanding is less by some £28,000 than the amount outstanding at the end of 1943, due to the purchase and cancellation of debenture stocks during the year.

WAR RECORD

Now that I have dealt in brief outline with the years 1940 to 1943 and reviewed the accounts for 1944 it might, I think, be of interest if I gave you a few figures illustrating the changes in the affairs of your company from the outbreak of war until the present time. I will take first of all the number of consumers. At December 31, 1938, they numbered 263,750 as compared with 338,245 consumers today; an increase of 28 per cent. The number of units supplied to them has risen from 706,059,000 in 1938 to a record total of 1,054,667,000 in 1944—an increase of 348,608,000 or nearly 50 per cent. compared with 1938. In this same period the gross revenue rose from £3,342,000 in 1938 to £5,113,000 in 1944. These figures will indicate that throughout the period of the war to date we have been fortunate in escaping excessive damage by bombing and have kept pace with the necessary demands for electricity supply. Such interruptions as we have had to our supply system have, I am glad to say, been of short duration.

COST OF GENERATION

When one turns to expenses, the cost of generation immediately arises. It needs no words of mine to remind you that the price of coal is the main factor and here there has been a steady increase in price, until today the cost of coal is about 100 per cent. higher than in 1938. Altogether our expenses increased from £2,428,000 in 1938 to £4,268,000 in 1944.

I have already told you that the total capital expenditure of your company was over £13,000,000, and if to this we add the total capital expenditure of the station company the aggregate total exceeds £18,500,000.

A SATISFACTORY RESULT

In conclusion, I feel that I can ask you to approve the report of the directors and the statement of accounts in the belief that you will regard them as satisfactory. We have reached what I hope will be the closing days of the war with our property intact and without grievous damage by bombing to the area itself. Our consumers are, I believe, satisfied with our efforts to meet their demands for a supply of electricity.

The report and accounts were unanimously adopted.

THE BRITISH ALUMINIUM COMPANY, LIMITED

WAR-TIME EXPANSION

Mr R. W. Cooper, O.B.E., M.C., presiding on the 27th instant at the annual meeting of the British Aluminium Company, Limited, said: The company were the pioneers of the electrolytic production of aluminium in Great Britain, and later in Norway, as well as the large-scale utilisation of water-power in the Highlands of Scotland. Aluminium was an almost unknown metal 50 years ago, and the early small-scale efforts of the company were fraught with considerable difficulties. These were gradually surmounted and the foundation laid for the great expansion which has since taken place, and the rise of the company to its present important status among the industries of the country and of those essential to the national interest.

PRODUCTION INCREASED

Since the outbreak of war the internal increase in the production of aluminium was an urgent matter, and this we accomplished as far as possible by completing our Lochaber scheme, increasing our output at Kinlochleven by the utilisation of transmitted power, and by erecting and managing a plant on behalf of the Government where power was obtained from a steam station. We were also associated with two further developments for the production of the metal by the use of transmitted power. With the exception of the Lochaber hydro-electric extension, all these additional producing units had to be closed down last year on account of the coal situation, and there appears to be little likelihood of these plants being restarted.

Continuing, he said that at the outbreak of war they had large stocks of the raw material, bauxite, which was extremely beneficial, as the supply from France stopped in 1940. Very extensive work was done on development of deposits from Empire sources. By far the largest demand was in fabricated form, particularly for aircraft construction, and this had necessitated considerable additions to existing facilities prior to the war. Rolling mills at Milton and Warrington were largely extended and an entirely new rolling mill erected, which was the largest in the country of its kind. In Australia their associated company completed their rolling mill, commencing production in 1941, and large extensions had been carried out.

In India operation began in 1941, and they were now erecting an alumina factory where their adjacent bauxite deposits would be used. Premises near Gerrards Cross had been purchased for conversion into a new central research laboratory, a development of the utmost importance to the company. Their production and fabrication was under strict Government control, and only very limited quantities could be diverted to other purposes. The change over to commercial work would involve many difficulties. Concentrated and vigorous efforts and some exercise of patience would be essential before commensurate benefits could be secured. They had no doubt of the ultimate absorption of the world's output. They hoped that the lightening of industrial taxation would receive early consideration, since under present conditions British industry was severely handicapped with regard to exports.

THE YEAR'S RESULTS

The total profit for the year was £1,049,257, a reduction of £19,680. They had added the same amounts as before to depreciation and reserve accounts, namely, £75,000 and £125,000. The reserves and undivided profits now totalled £6,067,812. They now proposed a final dividend of 7 per cent., making 10 per cent. for the year, leaving an increased balance of £280,691 to be carried forward. They were not yet able to present a consolidated balance-sheet, owing to delay in receiving accounts of overseas subsidiaries and the location of others in enemy occupied territory.

The report was adopted.

BRITISH POWER AND LIGHT CORPORATION

INCREASED SALES REVENUE

DEMAND FOR POWER

The sixteenth ordinary general meeting of British Power and Light Corporation, Limited, was held, on the 22nd instant, at Winchester House, Old Broad Street, E.C. Mr George Wansbrough presided.

The following is the chairman's statement which was circulated with the report and accounts:

Considerations of national security still prevent us discussing fully the work of our subsidiary companies, but the consolidated profit and loss account shows quite clearly the financial result of the year's working. The revenue from the sale of energy has increased by approximately £144,000 to £2,347,780, and cost of energy generated and purchased by £50,000, leaving a gross profit of £1,097,465 against £1,002,795 for the previous year. Against this, provision for taxation at £421,267 shows an increase of approximately £58,400, with the result that the amount available for service of ordinary capital is £101,873 compared with £88,465.

The consolidated balance-sheet shows that expenditure during the year on fixed assets amounted to approximately £46,000, while stock and work-in-progress have increased by some £10,000. On the other side debentures and loans of subsidiary companies are £115,536 less, through the operation of the sinking funds; while sundry creditors are up by £26,400, due mainly to increased liability for taxation.

The demand for electricity in all the areas of our subsidiary companies continues to increase. We sold to consumers rather over 410 million units in 1944 as compared with 145 million units in 1938, an increase of approximately 182 per cent., representing a steady increase of 19 per cent. per annum. The greater part of this substantial increase is due to the increase in power demand, and is a measure of our contribution towards the war effort, for during the whole of the period under review domestic users and ordinary business supplies were thoroughly damped down, a fact well appreciated by household users everywhere.

I am glad to be able to report, as last year, that in spite of increases in the costs of energy purchased, of increases in costs of material, wages, etc., none of our subsidiary companies has found it necessary to increase charges. Notwithstanding the increase of 182 per cent. in the amount of electricity sold and of increases in the costs of almost everything we bought, the increase in our own operating and management expenses (excluding generation) over those for 1938 has been no more than 25 per cent.

All our plant, including transmission and distribution lines and cables, have been fully maintained throughout the war in spite of all difficulties. The war damage sustained has not been important, and in no case did it involve any serious interruption of supply.

POWER RESOURCES INVESTIGATED

It will be remembered at our last annual meeting it was announced that two eminent engineers had been appointed to investigate the further water-power resources of North Wales. Their preliminary investigation was recently completed and their report rendered to us. Your directors have thought it right to submit the report to the Minister of Fuel and Power, the Electricity Commissioners and the Central Electricity Board. In these circumstances it is only possible at the moment to say that the investigation discloses a number of developments the economic possibilities of which merit careful study.

So far as it is possible your directors have given consideration during recent months to probable post-war development.

First there will be arrears to be made good—normal developments which but for the war would in many cases have been carried out long ago. This applies more particularly to commercial, farm and domestic supplies. Our future aim is to ensure that a supply of electricity shall be made available in every village and on every farm within our areas of supply without burden on the other consumers. The rate of progress will necessarily depend upon the available supply of labour and material.

BURDEN OF LOCAL RATES

In connection with the economic development of supplies in rural areas, there is a point of importance to which we think the attention of the authorities should be directed, namely, the burden of local taxation. The total of rates paid by your operating companies last year was over £110,000 and exceeds by 50 per cent. the net dividend paid to the ordinary stockholders. The rates paid in respect of our distribution system average over 1½ per cent. on the capital expenditure involved. Such a burden as this on future extensions removes from the category of being self-supporting a very substantial body of developments which on true economic merits are justified and which ought not to be so penalised.

The Government's proposals for dealing with war damage contributions for public utility undertakings have not yet appeared, but your directors have had regard to this contingency in their recommendations as to disposal of available earnings.

Exacting demands continue to be made on our staff, both permanent and temporary. We are consequently compelled to make increased demands on those members of staff who remain, but efficiency has been maintained at a high level, and all have responded with willing energy to every call made upon them.

The report and accounts were unanimously agreed to.

JOHN WRIGHT AND SONS (VENEERS), LIMITED

POST-WAR RAW MATERIAL OUTLOOK

The ninth annual general meeting of this company was held, on the 23rd instant, in London.

Mr L. C. W. Jenkins, F.C.S. (chairman and managing director), said that he welcomed the opportunity of again expressing his thanks to the staff and workpeople for another year's hard work, to his colleagues for their support, and paid tribute to employees with His Majesty's Forces.

Continuing, he said that production had been maintained at a high level. He referred to his remarks in 1939 and 1940, when he pointed out that the company had been able to swing over to a total war production. In the post-war period, however, it would be necessary for a large part of the plant to revert to production of veneers required for decorative purposes, such as furniture, panels for building, ships, trains, shopfitting, etc., as well as for commercial grade plywood.

An insatiable demand for both types of veneer was anticipated, and to meet that every endeavour must be made to secure an adequate supply of suitable raw material, namely, logs. To that end every effort was being made by the trade to obtain the support of the Government departments concerned, and he was hopeful that the representations would achieve a favourable result.

The result of the ninth year's working showed a profit of £40,741, which compared with £40,217 in 1943. After appropriations and providing for income-tax, there was a balance at credit of profit and loss account of £11,263, and the general reserve was now £45,000.

The report was adopted; a final dividend of 5 per cent., making 7½ per cent. (less tax) for the year, was approved, and the proceedings terminated with a vote of thanks to the chairman.

BORAX CONSOLIDATED

POLICY OF PROMOTING SALES

The forty-seventh ordinary general meeting of Borax Consolidated, Limited, will be held, on the 4th proximo, in London.

The following is an extract from the statement of the chairman, Mr D. Abel Smith, M.C., circulated with the report:—The net profit for the year ended September 30, 1944, amounts to £396,333, a decrease of £2,120 compared with the previous year and we now propose the payment of a final dividend of 3 per cent. on the preferred ordinary stock, which will absorb a further £18,000, and to pay a dividend of 7½ per cent. on the deferred ordinary stock, representing the sum of £97,500, less income-tax. These dividends, subject to the resolution being passed, will bear date April 4, 1945, to come within the past financial year, and will be posted to stockholders as soon after that date as labour shortage will allow. After providing for these payments, amounting, less income-tax, to £88,750, and deducting £40,000 for war contingency reserve, the balance to be carried forward is £281,495, an increase of £20,463 on the previous year.

The main cause of the present increase in price compared with peace times is the high rates of freight, all the crude material produced on and normally shipped to Europe from the Pacific Coast having to be diverted overland to Gulf ports owing to the whole of the shipping on the Pacific Coast being confined to war requirements; the high freights from the Gulf ports to Europe add to this cost. Just as soon as these conditions improve and the freights are reduced, our company will, subject to the Ministry's approval, give its buyers the benefit thereof.

BORAX IN AGRICULTURE

Further proofs have been forthcoming of the importance of Boron in the healthy nutrition of plants. The needs of a starving Europe after liberation will be on a scale to call for an intensive and rational fertiliser programme. To safeguard some of the crops and obtain a maximum yield, it has now been generally recognised that borax or boric acid will have to be included in the fertilisers used.

The United States Potash Company has been engaged throughout the year to its utmost capacity in meeting the increased demand, both for fertiliser and chemical requirements, and with the approval of the United States Government is at present introducing improvements and extensions to meet the continued growing demand. That company holds also the proud record of securing three "E" awards from the U.S. authorities for the excellence of its services, and it is a pleasure to take this opportunity to express how highly we value the way this business has developed under its extremely able management.

LEGAL PROCEEDINGS

You will have noted the reference in the directors' report to the proceedings instituted in the U.S.A. against the company and its subsidiaries for alleged infringements of the Sherman Anti-Trust Laws. As these proceedings are pending, I am necessarily limited in the comments which I can make. All steps are being taken to safeguard the interests of your company, and Mr J. Gertley, one of the managing directors, visited America recently to render every assistance to ensure this end. Our American lawyers, in whom we have every confidence, advise us that we are entitled to expect a favourable decision. In order to contradict rumours, I must stress the point that the Sherman laws do not relate in any way to trading with the enemy and that, in the present proceedings, there is not and there could not be any allegation that this company, or any of its subsidiaries, had been guilty of trading with the enemy. In this country and in America we have assisted to the utmost in the furtherance

of the war effort—in America this has been recognised by the grant of the Army and Navy "E" awards for exceptional work in national defence. The policy of our company has been and will be to develop and increase the uses for and sales of Boron products in every market and by all means, including the employment of mass-production methods to reduce the prices of our products to an economic level within the means of all users. Since the war our industry has been controlled by the Ministry of Supply and our profits have

been restricted to the pre-war level. After the war we are fully prepared to agree to and co-operate in such control as may be considered necessary.

A WORLD-WIDE BUSINESS

Your company is a good example of the enterprise of the last generation, which was responsible for the building-up of invisible exports and the attainment of a fair standard of living. As its history shows, your company was a pioneer in the

industry: it undertook all the risks and difficulties inherent in a comparatively new field of mining, it set up factories and, traded in many foreign countries, and, although it suffered set-backs, it has attained an established position as the largest unit in its industry. To-day, your company's business is world-wide, it contributes annually to this country substantial sums in foreign exchange and it imports a commodity—not found within the British Empire—which is essential both in war and in peace.

(Continued from page 423)

In the long run, prefabricated houses will be needed insofar as they offer scope for bringing down construction costs, but in the short-run they will be needed urgently as a means of alleviating the pressing shortage of dwellings. RIBA has, perhaps, not laid sufficient stress on their short-term rôle, though it is recognised in the report that some prefabrication systems "could be reasonably followed." According to the White Paper on Housing, three-quarters of a million houses are needed so that each family can have its own dwelling, and another half-million to reduce overcrowding. In this context complacency is out of place. Unfortunately, complacency is a criticism that can be laid at many other doors than RIBA's.

Outlook for Paper Companies

The accounts of two large paper manufacturing concerns, the Bowater and the Inveresk groups, show improved results for 1944. Bowater-Lloyd Paper Mills owns the ordinary capital of three large British and a Newfoundland subsidiary, but the group does not publish a consolidated balance-sheet. The Bowater group suffered severely from the restriction of paper supplies at the beginning of the war, and all except one of its British companies were unable to pay even preference dividends until 1943, when substantial arrears were liquidated. Similar amounts have been paid for the year ended September 30, 1944, with smaller aid from dividend reserves, and all companies have now cleared off arrears on first preference stock. Inveresk Paper Company, which suffered less financially from wartime rationing, is able to maintain its ordinary dividend of 6 per cent, whilst securing an increase of some £30,000 in the group's carry forward, as revealed by the consolidated accounts.

Paper rationing of all types remains, however, very strict. The slight improvement in 1944 profits is the result of the increased paper quotas allowed at the end of 1943, which were supplied partly out of stocks, partly out of increased imports, and partly from higher domestic production. Newsprint mills in 1944 were allowed to produce 18½ per cent, instead of 15 per cent, of their normal pre-war output. The gain to manufacturers has been reduced by the fact that costs have risen, while the controlled price has been unchanged at £32 5s. per ton delivered. Until traffic is resumed with Scandinavia, where substantial supplies of pulp and paper have accumulated, the paper outlook remains poor. But the Bowater board clearly anticipate some increase soon in the size of British newspapers, to be met by expanding output of newsprint mills.

Such expansion is contingent on supplies of labour and materials being made available. The ending of munition work at the mills, which has helped to cover their overhead charges during wartime, will add to the difficulties of the transition period. It is clear that no quick recovery is possible for paper manufacturers, but strong liquid resources and the possibility of a bright "mid-future" when the public's hunger for reading-matter can be satisfied, adds lustre to the prospects of the Bowater and Inveresk groups.

Health of Women War Workers

Unlike coal-mining, for which detailed information exists, very little is known about the causes of involuntary absenteeism among factory workers. For this reason, the occasional surveys undertaken by the Industrial Health Research Board of the Medical Research Council are very welcome, and could with advantage be conducted on a wider scale and at more regular intervals. The Board's latest report on the sickness absences of some 20,000 women in five munition factories (producing small arms, fuses, shell

cases, guns and projectiles, and electrical equipment) during the last six months of 1942, provides an interesting (and probably typical) picture of the position in industry generally during the war.

The recorded absences due to sickness represented 7.8 per cent of the total number of days in the period, excluding casual, uncertified absences and cases of pregnancy. 45.3 per cent of the women had no sickness absences, while 14.4 per cent were absent for more than 29 days. The majority of the absences were due to colds and gastric illnesses, but there was a high incidence of "nervous disorders," and a large number of prolonged absences due to "fatigue." The absences of married women, as might be expected, were more numerous and more prolonged than those of single women, which they exceeded by 65 per cent. Though most days were lost in the 30-50 age group, the difference between married and single women was most marked in the under 25 age group. Productive workers lost more days than clerical workers or examiners, and women with long service lost fewer than new recruits.

The report attributes these results mainly to the strain of long hours on unaccustomed or monotonous work, and, in the case of young married women, to the dislocation of normal family life and worry if their husbands were abroad. It does not attempt any suggestions for improving the health, and thereby the output, of women workers, apart from some general recommendations about extending factory medical and canteen services (it points out that most women are indifferent to the importance of a properly balanced diet), but it emphasises the need for keeping accurate and complete records of sickness absences, as a general guide to industrial health. Many of the points raised are obviously being solved by the passage of time—the report relates to 1942. Shorter hours are being worked already, and many women will leave industry when the war is over, and domestic problems will automatically adjust themselves. But this type of study furnishes a useful guide to many problems of women's employment, which will continue even when the war is over.

Shorter Note

In accordance with the recommendation of the Catering Wages Commission, the Minister of Labour has set up a Wages Board to regulate the wages, hours and conditions of workers in public-houses, clubs and other licensed non-residential establishments. About 80,000 establishments will come within the scope of the Board, which is the third to be set up by the Catering Commission.

Company Results

Metropolitan-Cammell Carriage and Wagon Company.
Owned by Cammell Laird and Metropolitan-Vickers.

	1939	1943	1944
Profit after tax and deferred repairs	280,454	112,122	115,326
Directors' fees	1,830	2,000	2,000
Depreciation	30,930	33,394	35,767
Debiture Interest and Sinking Fund	62,770	...	...
Ordinary shares:			
Earned, tax-free	184,924	76,728	75,559
Paid 10% free	80,025	75,023	75,023
Paid 10%	8	74	74
Reserve	100,000	59,718	60,254
Carry forward	48,073	...	...

	1939	1943	1944
Net fixed assets	573,873	529,912	518,146
Net inter-company items	805,351	454,562	581,146
Net liquid assets*	1,069,223	1,075,552	960,581
Gross liquid assets	2,178,688	5,783,357	6,899,941
Stocks and work, gross	677,222	4,861,369	5,834,900
Installments on contracts	61,197	3,289,484	4,362,255
Sales on deferred terms	178,372	...	...

* After deducting instalments on contracts. Debiture stock of £450,565 at end of 1939 has been paid off and for £102,282, then standing in Debiture Sinking Fund, there has been substituted an addition of £100,000 to General Reserve.

RECORDS and STATISTICS

GOVERNMENT RETURNS

For the week ended March 24, 1945, total ordinary revenue was £60,563,000, against ordinary expenditure of £109,204,000 and issues to sinking funds of £10,000. Thus, including sinking fund allocations (£15,659,280), the deficit accrued since April 1st is £2,871,628,000 against £2,735,799,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1944-45	April 1 to Mar. 25, 1944	April 1 to Mar. 24, 1945	Week ended Mar. 25, 1944	Week ended Mar. 24, 1945
ORDINARY REVENUE					
Income Tax	130,000	116,073	127,415	27,555	31,223
Sur-tax	30,000	74,122	71,755	2,250	2,469
Stamp duties, etc.	100,000	97,516	109,038	3,460	2,326
Stamps	19,000	17,540	18,520	1,100	2,090
I.D.C.	500,000	31,796	32,924	1,088	535
L.P.T.	1,000	462,148	468,247	10,253	5,856
Other Ind. Rev.	1,000	908	702	30	...
Total Ind. Rev.	200,000	184,476	197,337	45,737	44,498
Excise	564,900	546,460	568,035	5,788	8,150
Motor Duties	472,900	467,100	482,200	8,700	6,600
Total Customs & Excise	1,037,800	1,013,560	1,050,235	14,488	14,750
Motor Duties	27,000	27,294	28,832	...	...
P.O. (Net Receipts)	4,850	4,340	4,420	...	...
Wireless Licences	800	980	960	...	...
Grain Lands	7,350	6,455	7,518	6	4
Secondary Loans	24,000	75,576	86,640	2,191	1,312
Accl. Receipts	310,800	297,270	315,194	62,422	60,563
Total Ord. Rev.	112,370	108,600	114,900	1,500	1,700
Self-Balancing P.O. & Broadcasting	112,370	108,600	114,900	1,500	1,700
Total	604,976	582,173	602,281	11,737	11,094

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £6,083 to £2,850,427, the other operations for the week (no longer shown separately) increased the gross National Debt by £48,895,401 to £22,354 million.

	£ thousands
NET RECEIPTS	206
Overseas Trade Guarantees	200
NET ISSUES	200
P.O. and Telegraph	250
Housing (Temporary Accommodation) Act, 1944	6
Housing (Scotland) Act, 1944	456

	£ millions
Treasury Bills	...
Way and Means Advances	...
Treasury Deposits by Banks	...
Total Floating Debt	...

Date	Tender	Tap	Public Depts.	Bank of England	Total Floating Debt
1944					
Mar. 25	1170-0	...	...	...	...
Dec. 23	1470-0	...	...	...	...
30	38 06-0	...	...	...	...
1945					
Jan. 6	1470-0	...	...	...	...
13	1470-0	...	...	...	...
20	1460-0	...	...	...	...
27	1450-0	...	...	...	...
Feb. 3	1440-0	...	...	...	...
10	1430-0	...	...	...	...
17	1430-0	...	...	...	...
24	1430-0	...	...	...	...
Mar. 3	1430-0	...	...	...	...
10	1430-0	...	...	...	...
17	1430-0	...	...	...	...
24	1430-0	...	...	...	...

AND SILVER

d's official buying price for gold is per fine ounce throughout the week. The New York silver market prices per fine ounce for cash and for two months. The New York price of fine silver remained at 44½ cents throughout the week. Bombay bullion prices

	Gold	Silver
1945		
Mar. 23	72 5	128 12
24	73 2	130 0
26	74 2	130 6
27	73 6	130 0
27	71 7	127 12

TABLE I

Year	Production of Saleable Coal	Average Number of Persons Employed (including Clerks and Salaried Persons)
1873	23,278,556	...
1883	29,878,435	93,686
1893	30,819,070	120,716
1903	35,873,268	165,807
1913	41,532,890	174,992
1923	38,217,862	105,961
1933	27,606,127	102,607
1943	24,346,518	...

TABLE II

Year	Coal Raised and Weighed	Average Number of Wage-earners on Colliery Books	Output per Wage-earner per Annum
1938	33,356,400	114,518	291.3
1939	32,547,500	111,205	292.7
1940	28,446,700	105,376	270.0
1941	26,261,200	92,980	282.4
1942	27,132,900	98,849	274.5
1943	26,203,100	100,049	261.9

TABLE III

	1939	1943		
No.	Output as Percentage of Total	No.	Output as Percentage of Total	
Coal-cutting machines	1,012	43	892	43
Mechanical picks	4,301	27	5,668	38
Hand hewing	...	30	...	19
Face conveyors	426	...	498	...
Trunk conveyors	163	...	175	...
Gate-end loaders	67	...	70	...
Power loaders	...	...	10	...

TABLE IV

Year	Number of Coal Cutting Machines in Use	Output of Coal Obtained by Machines	Percentage of Total Output Cut by Machines (Excluding Pneumatic Picks)	Number of Conveyors in Use Below Ground	Coal Conveyed	Total Horse-Power of Electric Motors Installed
1913	338	1,469,633	3.5	43	...	105,953
1923	990	5,314,544	13.9	103	...	228,841
1933	1,162	9,666,601	35.0	358	3,894,777	283,061
1936	1,143	12,379,616	39.5	479	6,570,241	319,328
1938	1,094	13,183,197	42.0	601	7,822,004	338,058

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
Mar. 24	90-0	176-9	90-0	20 0-36	36
Dec. 22	110-0	205-4	110-0	20 1-50	27
29	110-0	208-0	110-0	20 0-67	17
1945					
Jan. 9	110-0	224-2	110-0	20 1-81	36
12	110-0	211-1	110-0	20 1-50	37
19	110-0	216-3	110-0	20 1-19	32
26	110-0	207-8	110-0	20 0-31	39
Feb. 2	110-0	225-0	110-0	20 0-26	29
9	110-0	218-0	110-0	20 0-13	31
16	110-0	207-3	110-0	20 0-53	37
23	110-0	208-6	110-0	20 0-99	17
Mar. 2	110-0	237-6	110-0	19 11-37	21
9	110-0	239-2	110-0	19 11-50	21
16	110-0	236-1	110-0	19 11-77	27
23	110-0	225-3	110-0	19 11-85	25

On March 23, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday and Thursday of the following week were accepted as to about 25 per cent. of the amount applied for, and applications as higher prices in full. Applications at £99 15s. 0d. for bills to be paid for on Saturday were accepted in full. £110 millions of Treasury Bills are being offered for March 29. For the week ended March 31, the banks will be asked for all Treasury deposits at a maximum amount of £75 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION

(£ thousands)					
Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)	
1945					
Jan. 9	4,798	2,385	5,659	8,227	
" 16	4,647	2,022	5,925	10,108	
" 23	4,950	1,774	5,765	10,398	
" 30	4,036	1,648	5,587	11,118	
Feb. 6	5,034	1,794	6,178	11,777	
" 13	5,344	1,941	7,052	11,873	
" 20	5,197	1,849	7,655	13,601	
" 27	4,841	1,767	5,857	16,201	
Mar. 6	4,394	1,923	10,312	18,160	
" 13	4,387	1,789	15,134	15,258	
" 20	4,107	1,816	8,142	19,285	
Totals to date	1,341,843*	798,457*	1,904,598†	186,334‡	

* 278 weeks. † 220 weeks. ‡ 20 weeks. † Including all Series. Interest free loans received by the Treasury up to Mar. 20th amounted to a total value of £70,947,615. Up to Feb. 24th principal of Savings Certificates to the amount of £208,120,000 has been repaid.

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THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3

War and Peace

THE last act of the European war is drawing to a close. The British and the American armies in the West have carried their blitzkrieg from the Rhine into the very heart of Germany. Everywhere, from the Westphalian plain to the Bavarian hills, the tides of Allied armour and infantry continue to surge forward. The distance between the western and the eastern fronts is shrinking with great rapidity. The last hour of the Third Reich has struck. The military tasks of the alliance are nearly fulfilled, at least in Europe, but the tasks of peacemaking for the part still lie ahead. They are certain to put Allied diplomacy to a test much more severe than any of the pains of war. Victory over the common enemy inevitably tends to loosen the ties of solidarity that bind allies in the face of mortal danger. On the eve of victory, and even more on the morrow, differences of outlook and interest reassert themselves. Indeed, anything else would be an unnatural defiance of all historical experience. And as if to provide a timely reminder, there has been an outbreak of disagreement and dissension about the San Francisco Conference and the Dumbarton Oaks proposals that it was called to adopt. As the day of the founding conference of the new League draws nearer the amendments to its constitution pile up and ever new claims and demands of the most contradictory character are put on record by its prospective members.

In raising demands, Russia has so far held pride of place. The two features of the Dumbarton Oaks pro-

posals which have excited the greatest opposition among the powers unrepresented there—the dominant rôle assigned to the Great Powers, and the provision by which a Great Power (but a Great Power only) can veto any action against itself—owe more to Russian insistence than to either American or British views. It has been clear for some months that there would be severe opposition, in any general conference, to these clauses of the draft. But in the last few days, two further Russian demands have become known. It is revealed that, at Yalta, Marshal Stalin asked that the Ukrainian and White Russian Republics should be members of the new League, thus giving the Soviet Union three votes in the Assembly. And more recently the Marshal has asked that the Lublin Administration, now established in Warsaw, should represent Poland at San Francisco. The American and British Governments have agreed to support the first proposal (at one time the United States intended to demand three votes for itself, but has since thought better of it), but both have rejected the second.

These two Russian demands have stirred up more dissension than they are intrinsically worth. Multiple representation in the new League's Assembly is almost meaningless in view of the fact that all vital decisions are to be reserved to the Security Council. Similarly, the demand for the admission of the Lublin Government might be regarded as a purely demonstrative gesture, since Russia has pledged itself to the

"broadening" of that administration. But the significance of these Russian demands lies less in their intrinsic merits than in the evidence they provide of a complete lack of any enthusiasm on the part of Russia for the new World Organisation or of any desire to consult its partners' susceptibilities. The lack of enthusiasm has been further underlined by the fact that Mr Gromyko, the Soviet Ambassador to the United States, and not Mr Molotov, the Foreign Commissar, has been appointed to be the head of the Soviet delegation at San Francisco. And, as if the moral were not already clear, the Russians have bluntly stated that for the preservation of peace and for their strategic security they will rely on their bilateral alliances rather than on the new League.

*

In the light of these and similar statements, there can be no doubt about the reluctance with which Russia seems to be joining the world organisation. There is, in fact, an anti-League complex colouring the Russian attitude, which has its origin in Russia's experience with the old League of Nations. Moscow has not forgotten that Russia was the only state against which the most humiliating sanction—expulsion from the League—was applied in Geneva, when so many flagrant aggressions had been treated with mild indulgence. With this Genevan humiliation still freshly in mind, Russia, now victorious and sought-after, is showing an exaggerated anxiety to make her prestige felt at San Francisco. Marshal Stalin says in effect: "If Russia is to join the new League—and she will do so only in order to demonstrate her solidarity with her Allies—she will take care to see that never again shall the League be in a position to put her in the dock and to pass judgment on her conduct." This determination to stop up every possible loophole for attacks on Russia is certainly not a sign of great moral strength. The whole concept of a world organisation would be reduced to the level of farce if every member were equally to refuse to take the risk of finding its conduct, at one time or another, discussed and judged before an international forum. The League should not be regarded as a sort of insurance company against all damage to national reputations. But this does not in the least affect the now manifest fact that the Soviet Government regards the new organisation with suspicion and that other powers are compelled to take its views into consideration.

To those who have followed Russian policy, this attitude is a disappointment perhaps, but not a surprise. But unfortunately there has been an official conspiracy, born more of wishful thinking than of the desire to deceive, to pretend that all was going smoothly with the plans for a new, and better, League. This has been particularly so in the United States. The American people, with their tendency to attach magical properties to paper constitutions, would, in any event, have been predisposed to exaggerate the importance of the formal organisation of world order. But they have also recently been subjected to a high-pressure campaign by the State Department to "sell" the Dumbarton Oaks proposals. The calling of the conference at San Francisco has been represented as the most important decision taken at Yalta and the document to be approved there as the greatest hope for continuing peace and as a discharge of the largest part of America's responsibility to the world. Now suddenly, with only three weeks to go, the American public discovers that the policy to which it has been led to pin such exaggerated hopes is gravely endangered. If the Big Three were united, they would have to face opposition from the smaller powers. And though unremitting efforts have produced complete textual agreement among the Big Three, it is now apparent that their real courses are very divergent.

What is more, it is beginning to look as if the effort to secure Russian agreement—the effort already made and that still to come—may endanger the agreement of American public opinion. President Roosevelt has always been conscious of the mistake that Wilson made in identifying the League of Nations too closely with his own party, and he has included three Republicans in the

American delegation to San Francisco. In theory, he has thus got his opponents to endorse the policy of the Administration. In fact, however, the result is to carry the controversy over the principles of the new League into the ranks of the American delegation. Senator Vandenberg's proposed amendments to the statutes of the World Organisation amount almost to a frontal attack on the Yalta decisions. He proposes that the powers of the Assembly should be strengthened and that "the Security Organisation should be barred from taking any action in support of a situation which either the Security Council or the Assembly considered in need of adjustment." This would virtually invest the Assembly with the power to veto decisions taken by the Security Council. Another of the Senator's amendments runs:

If the Security Council finds that any situation which it shall investigate involves injustice to the peoples concerned it shall recommend appropriate measures of adjustment which may include revision of treaties and of prior international decisions.

No objection in principle can be raised to a clause in the Covenant of the new League providing for the revision of treaties in accordance with international justice. But there can be little doubt that Senator Vandenberg's amendments, if they were to be accepted by the American delegation, would meet with the strongest Russian opposition. The Russians are certain to see in them large marks of interrogation placed upon such "prior international decisions" as the acceptance of the Curzon Line by the Big Three. Still another of Senator Vandenberg's amendments provides for the power of the Assembly to make recommendations on any issues discussed by the Security Council. Undoubtedly, in this, too, the Russians will see simply another loophole which would enable "hostile capitalist powers" to place Russia once again in the dock. The guess may be risked that Russia would possibly prefer to withdraw from the new League altogether rather than agree to such modifications. The course of events at San Francisco may compel the President to choose between the Russians and the Republicans—with the knowledge that the defection of either might cripple the project of the United Nations.

*

This is an unfortunate state of affairs to arise so late in the day. It is easy to see now how it has arisen—from the resolute refusal to face the fact that Russian and American ideas of how to secure peace in the world are radically different, with the British view somewhere in between, but probably much closer to the American. What is not so easy is to see what can now be done about it. Partly because of the mounting difficulties, partly because of the inconvenience of having so many of the world's statesmen in California at such a crucial moment as April 25th promises to be, the suggestion has been made in many quarters in the last few days that the conference should be postponed. All experience certainly shows that large conferences are fruitless unless there is very substantial agreement beforehand, and it is always possible that further negotiations—with some of the smaller powers brought in—might find ways out of the difficulties.

But the mood of the peoples of the world is a factor in the problem and the psychological effect of postponement has to be considered. In Europe, no great harm would be done. The peoples of the Continent have other things to think of, and the British people, while by no means sharing the Russian attitude of suspicion, have evinced no great enthusiasm for Dumbarton Oaks. But in America the story may well be different. The State Department's propaganda might recoil against itself if the great event towards which it has been building up its climax were now to be deferred. It is the President's decision. He alone can judge whether more harm is likely to be done by postponement or by disagreement in full conference—or whether there is still a chance of finding some form of words which can mean wholly divergent things to different people. In the short run, this third course may avoid many embarrassments. In the long run, it may well be very dangerous.

The Reid Report

At last, there is a real report on coal. Not since the Sankey and Samuel reports has there been such a full and penetrating diagnosis of the troubles which have made mining the sick man of British industry as is contained in the Reid report. The committee has approached the coal problem from a severely technical angle, and its findings are those of expert mining engineers. This makes its conclusions the more effective, since the industry is lifted out of the haze of politics which has for so long enveloped it. Not that the committee has found it possible to leave wider issues aside. Though the practical recommendations are on technical lines, the committee is forced to the conclusion that improvements in technique will not avail unless they are accompanied by far-reaching changes in the organisation and structure of the industry:

It is not enough simply to recommend technical changes, which we believe to be fully practicable, when it is evident to us, as mining engineers, that they cannot be satisfactorily carried through by the industry organised as it is today.

The Reid report is in fact as complete an exposure of the technical inefficiency of the coal industry as the Platt report was of the technical inefficiency of the cotton industry, and its criterion is the same as that applied in the Platt report—productivity, measured in terms of output per manshift (OMS). Its findings will come as a surprise to few; to most, they will be a confirmation of long-held suspicions. The Reid committee attributes the inefficiency of the industry largely to the "long individualistic tradition" which has persisted in Britain, and has led the owners to oppose the principle of amalgamation which alone could have made technical changes possible. The leaders of the industry failed to appreciate the need for technical advance or to realise the gravity of the situation that developed after the last war. The employers as a body have been prepared neither to accept the principle of the survival of the fittest nor fully to abandon their traditional individualism. In relation to their own undertakings the short view has too often prevailed. This attitude, together with the fact that British mining engineers have not enjoyed the technical independence allowed to their opposite numbers in Continental countries, has been responsible for a dearth of competent technical staffs with a sufficiently progressive or realistic outlook.

Before the last war, OMS in Great Britain was higher than in practically any coal-producing country except the United States. But productivity barely increased during the interwar years, and is now low compared with that not only of the United States but also of the more comparable Continental producers. From the middle

twenties to the middle thirties, OMS increased by 118 per cent in Holland, by 81 per cent in the Ruhr, and by 54 per cent in Poland, but by only 14 per cent in Britain.

The disparity in productivity between Britain and America can be largely explained by the more favourable physical conditions in the American coalfields. But, contrary to the general belief, there is no such easy excuse for the poor British showing in comparison with the European countries. The Committee states that British conditions, in fact, are more favourable than those of the Ruhr and Holland, though somewhat less favourable than in the mines of Poland and Upper Silesia.

There are other reasons for the inferiority of British OMS, and they are by no means purely technical. The British industry has been "in a perpetual state of financial embarrassment" and the "political uncertainty surrounding its ownership" has been detrimental to the expenditure of money on capital equipment. The dispersed ownership of the British mines, compared with the high degree of integration on the Continent, has prevented the concentration of production on the most efficient units and has made it "difficult, if not impossible, to ensure that the abilities of the best mining engineers are widely available." In addition, the fact that until very recently the mineral itself was in the hands of a number of different royalty owners was a deterrent to orderly extraction. The wave of intensive rationalisation on the Continent in the 1920s by-passed the British industry, with the result that by comparison, British mines are still under-mechanised and uneconomically laid-out and, in particular, that their underground haulage and transport systems are antiquated. What the committee calls "startling proof" of this point is shown in the fact that in the United States, there is one haulage worker for every 50 tons of coal produced, in Holland, one for every 20 to 25 tons, and in Britain one for only every 5 tons. With almost monotonous regularity, the report comments on every aspect of British production: "Efficiency is capable of improvement" . . . "the standard is too low."

*

The technical solutions put forward by the Reid Committee can be summed up in two words—mechanisation and modernisation. This must be applied to all the coal-getting processes from the face to the railway wagon. Twenty per cent of Britain's coal is still hand-gotten and this proportion could "be reduced with advantage." Where geological conditions rule out the introduction of mechanical cutters, pneumatic picks should be used. But it is not in the actual cutting of coal that there is room for the greatest economies. Loading and transport in the mine stand out as the two departments most in need of

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modernisation. The hand filling of cut coal should be reduced, and the committee believes that mechanical loaders and machines which simultaneously cut and load the coal "represent a revolutionary development of mining technique." Locomotive haulage or conveyor transport should be introduced to replace existing haulage practices, which are not only wasteful of manpower but act as a brake on OMS at the face. If these appear to be the most urgent needs the report also gives a long list of other necessary technical reforms in every part of the mine.

The Report does not give a figure of the cost of this technical rationalisation. An Appendix to the Report, however, contains brief particulars of reorganisation schemes drawn up by 13 undertakings in different parts of the country. A straight arithmetical average of the figures for ten of these (not all the data are given for the other three) gives a present OMS of 24 cwt., a prospective OMS of 54 cwt., and a capital cost of 10s. 6d. per annual ton. Not all these schemes might come up to the Committee's requirements, and it is not stated whether the cost is at present or at pre-war prices. But the figure of 10s. 6d. a ton, when applied to the pre-war national output of about 225 million tons, gives a figure of about £120 million as the minimum required to bring the industry up to a satisfactory state of technical efficiency.

Revolutionary technical changes will not be carried out without a change of attitude on the part of those who now manage the mines; and they will not bear fruit without an equally revolutionary psychological change in the miners. On this the Report is as emphatic as it is in condemning the owners' shortcomings. It recognises that the underground miner is "entitled to look for wages at least as high as in other industries demanding an equal degree of skill and efficiency" as well as for satisfactory machinery for settling his grievances; he deserves improved safety and health, and above all the prospects of economic security, and opportunity for education and advancement. But the miner must realise that wages and productivity are complementary, and that until he raises his OMS he will not get what he wants. The miner must co-operate with the management to raise productivity; he must eliminate indiscipline, lightning strikes and absenteeism, and must renounce obsolete practices and customs, which hinder productivity. He must accept the principle of double-shift working, and on this basis he could have a five-day working week of eight hours per shift.

The Reid Committee is not unduly concerned by the prospect of declining manpower, which has been the chief anxiety in wartime. Indeed, the main effect of its recommendations would be to save labour, and though it does not attempt any estimate of the labour force that would eventually be needed, a figure of 400,000 to 500,000 (compared with the 1938 figure of 780,000) is probably about right. With a satisfactory training scheme, and the removal of the stigma attached to the industry, the problem of recruitment would probably disappear.

The committee is perhaps more concerned with the prospect of the inevitable exhaustion of the national coal reserves and the consequent need for their conservation and economic utilisation. "There is no justification . . . for haphazard, wasteful or uncoordinated exploitation of our resources," it states, and it therefore urges that there should be a national plan for the development of the industry. This plan should be drawn up coalfield by coalfield, and not mine by mine, and should provide for the systematic closing down of worked-out mines, the reconstruction of existing pits and new sinkings. This programme, together with the necessary research work and problems ranging from mine drainage to training call for "combined action upon a broad basis."

*

This is an inadequate summary of a report which is not only authoritative in substance, but precise and intelligible in form. Though it is highly informative on a large number of details, it does not in general say anything that was not known or strongly suspected already. The great advantage of this report lies not in any novelty in its findings but in their authority. Henceforward it will

be quite impossible for anybody to maintain that a drastic technical overhaul of the industry is not necessary, and it will be so difficult as to be virtually impossible for anybody to contend that the industry, with its present organisation and management, can carry out the overhaul by itself.

Two things are now plain beyond mistaking. The first is that the industry must be re-arranged in a much smaller number of much larger units—not a mere amalgamation of neighbouring pits, but on a coalfield basis. The Reid Committee thought this conclusion emerged so clearly from the purely technical evidence, apart from any other considerations, that they considered themselves empowered to recommend the creation of a statutory Authority "endowed by Parliament with really effective powers" for the purpose

of ensuring that the industry is merged into units of such sizes as would provide the maximum advantages of planned production, of stimulating the preparation and execution of the broad plans of organisation made by these units, and of conserving the coal resources of the country.

The second fact now clearly established is that, to restore the industry to productive efficiency, a greater sum of capital is required than can be raised by the present industry, or probably by any private agency.

The closing words of the Report are "But there is no time to be lost," and it is now the plain duty of public opinion to insist on action. This can be done the more easily because the Committee has provided the Government with a starting-point for action from which political dogmas are absent. The Committee says amalgamate and rationalise; it does not say anything at all about public or private ownership. It is true that action cannot proceed very far before it runs straight into this question; but this is clearly the only angle of approach by which the obstruction can be cleared. Those whose thinking starts from the dogma of national ownership and proceeds only in search of *post facto* justifications for the dogma will always be a minority, and will always stiffen the backs of the majority by the nature of their advocacy. But if it can be proved that some form of public ownership is technically necessary for efficient production, then the opposition to it, in this pragmatic land, will melt away. And the proof is now very nearly complete. It might conceivably be possible, though only with great difficulty, to bring about the necessary amalgamations by private negotiation; but the provision of the additional capital is a task for the state alone. On the other hand, it also emerges with great clarity from the Reid Report that the political brand of nationalisation, resulting in a cumbersome, top-heavy organisation, bureaucracy-ridden, dominated by the unions and controlled in financial matters by Treasury rules, would be a disaster. The decisive element should be neither financial nor political but technical.

If the angle of approach is from the technical requirements to the appropriate organisation, the sort of structure that will arise will be neither the present nor what is usually meant by nationalisation. It will be something much more like the proposals made in *The Economist* of December 16th last. It was then suggested that reorganisation should be in three stages. First, a technical inquiry should be made (as the Reid Committee now also recommends) to draw the boundaries of a number of mining undertakings, each large enough to be a fully economic unit. Secondly, each of these units should be organised as a single company, in which the existing undertakings should hold ordinary shares. And thirdly, additional capital should be provided by the Government by purchases of further shares. In this way the Government would automatically become the dominant partner and ultimate public control could be combined with business principles of operation.

The Reid Report is by no means the last word on coal. It leaves many questions unanswered—in particular the very difficult question of whether the wide differences in productivity between districts can be reduced, and if not, how they can be reconciled with a national standard wage. But it can be, and should be, the first word in a programme of action

Indian Initiative?

THE Viceroy's arrival in London for a brief visit is an event surrounded with an air of some expectancy. Attempts have been made to suggest that it is the strategic and supply problems of the post-German phase of the war that have inspired such an unusual course, and these matters will no doubt be discussed. But the presence of the Reforms Commissioner in Lord Wavell's suite is enough, even without the atmosphere of speculation, to concentrate attention on political matters. In this country, there is a sanguine feeling that an attempt may be possible to break the deadlock of the last three years; and in India hopes are running very high.

The time is indeed propitious for a new move. Internal and external circumstances have conspired to produce a much better atmosphere. There are plentiful signs that the Indian politicians now regret their rejection of the Cripps offer in 1942. Some part of the stubbornness of Congress three years ago was due to doubts about the outcome of the war and to a belief that England's extremity might be India's opportunity. That picture has now changed and it is clear that, for some time to come, there is no other road to Indian independence than through agreement with Britain. Within India, the tide of opinion is set strongly against revolt and resistance and strongly towards compromise and agreement. Several promising attempts have been made to reach an accommodation between Congress and the Moslem League, relating either to the ultimate constitution of India or to the more short-term problem of seats on the Viceroy's Council in the transition period. Congress Ministers have once again taken office, for the first time since 1939, in two provincial governments. The current popularity of economic plans has painted an enticing vision of what can be done once the political problem is solved. Thus everything points to another effort to achieve independence. But everything also points to the impossibility of finding agreement on the conditions of independence by purely Indian efforts. It is significant that Mr Gandhi and Mr Jinnah should have met and talked, but it is also significant that they should have failed to agree, and that the strenuous and honest attempts of such mediators as Mr Rajagopalachari and Sir Tej Bahadur Sapru should equally have failed to produce an agreed formula.

In all these circumstances, it is not at all surprising that the cry is going up, both in India and in Britain, that the British Government should "take the initiative." Unquestionably, this is one of those moments when an initiative, if it were taken, would stand a more than usual chance of success. It is not unreasonable to suppose that some such reasoning has brought Lord Wavell to London. But what is "an initiative"? An initiative was taken three years ago when the Cripps offer was made and rejected. Should the new initiative be a simple repetition of the same offer? If so, it has been open for acceptance every day since Sir Stafford Cripps left New Delhi. If not, how is the new initiative to differ from the old? These are the questions that have to be answered before any practical proposal can be made. In particular, there are two very large and difficult issues that have to be decided before any progress can be made.

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The first of these issues relates to the future constitution of India. Until very recent years, it was always assumed, without argument, that an independent India would be a united India, a national state as other states are. There would, of course, be the problem of subordinate units of government, which would probably be solved by the federal device. But the most important organ of sovereignty would be the Government of India. The Act of 1935 wholeheartedly embraced this idea. But in the past ten years it has become apparent that the Moslems of India are in revolt against it. They want a state of their own, which they call Pakistan, and which they claim shall consist of four provinces in the north-west

and two in the north-east. On this issue, Hindus and Moslems—or at least Congress and the Moslem League—are completely at variance. Mr Gandhi and Mr Jinnah, in their recent conversations, could find no accommodation between their views. The Hindus reject any solution which does not provide for the unity of India, the Moslems reject any solution which does not provide for the sovereign independence of Pakistan. Any British Government wishing to take an initiative must first make up its mind what its view is on this issue.

When the question is analysed, it is seen to be, in reality, something considerably less than a straight issue between unity and partition. The Hindu solution would necessarily provide for a very considerable degree of provincial and communal autonomy and in the preliminaries to the Act of 1935 the Hindus accepted, though with much protest, an electoral system which not only gave the Moslems separate electorates but a larger number of seats than they would be entitled to by strict proportion of populations. And it is inconceivable that the Pakistan solution would be embraced without some provision for All-India organs for handling such matters as can hardly be treated otherwise than on a continental basis. Indeed, the real problem, behind the exaggerations of oratory, is not whether there shall be unity in India but how it shall be attained. The Hindus want All-India matters to be settled, subject to safeguards for minority rights, by majority vote; Congress intends that the All-India Government shall be a Congress Government. The Moslems—at least as they are represented by Mr Jinnah—hold that all-India matters should be settled by equal agreement between the two communities.

This is not an easy dispute to settle. The trend of opinion is undoubtedly towards the Moslem solution. This is not because of any desire to achieve one more partition in a world already too much divided, or of any under-rating of the difficulties of drawing a frontier, but because it has gradually become apparent that the more unified solution could hardly work. Unity cannot be imposed by constitution if it does not exist, and whether or not the Moslem minority could, in earlier years, have been brought to accept a unitary solution, it manifestly will not do so to-day. The only result of imposing greater unity than can effectively be brought into operation might be administrative chaos and a further embitterment of inter-communal feeling. The Pakistan solution, though it may be less desirable, seems, at present, more workable. And since politics, in India as elsewhere, is the art of the possible, politicians' minds are turning to the elaboration of schemes for binding two largely independent states, Pakistan and Hindustan, into a single Indian condominium.

Economic arguments, unfortunately, run strongly the other way. Under any economic system, India is a natural unit, and if there is to be something in the nature of economic planning (which appears to be universally conceded) a strong central Government, able both to finance and to administer its plan, is an almost essential requirement. Anything which disturbs the unity of India or which, even within a united India, dissipates power and functions from the centre to the provinces, is a strong disadvantage for economic planning. But to this it can be objected that political chaos and administrative deadlock are even greater obstructions to any form of economic progress, and if these would be the results of an attempt to impose a unitary constitution, the greater political coherence of smaller areas would make their plans more effective, in spite of the economic disadvantages of partition. Moreover, there would be ways of reducing those disadvantages. The proposal, after all, is not for provincial sovereignty and both Hindustan and Pakistan could have strong central governments—perhaps stronger than any All-India Government could be. Hindustan would certainly be a viable unit, and Pakistan might be—the more so if it were not itself divided into two halves in the north-west and the north-east. And, in addition, the prin-

ciple of equality at the centre need not necessarily mean an entirely impotent All-India administration. Currency, defence, communications and customs are the minimum functions that would have to be left to it, and certain general financial and economic functions could no doubt be added. But none of these are more than palliations of the fact that politics and economics point in different directions. Clearly, it will be no easy matter to decide which policy to pursue.

Once this has been decided, the second great issue arises. By what means is the policy to be carried into effect? Here, again, there is a clear choice, although to call it a choice between imposition by the British and agreement among the Indians is an exaggeration. No solution would be imposed without the most earnest endeavours to secure agreement to it, and no policy of leaving it to the Indians to agree would be pursued without a lead, and perhaps even pressure, from the British Government. Nor is it right to talk about a "strong" policy and a "weak" policy, since a policy of setting up a constitution and transferring power to a new government without first securing complete agreement might conceivably, if the British calculations went wrong, mean an abdication to chaos, while the alternative policy of deferring entirely to the agreement of the Indian parties may very well mean the indefinite continuance of British rule.

But a choice there is, nevertheless, and it can perhaps best be defined as the choice between leading events and following them. Sir Zafrulla Khan has recently put forward an ingenious compromise. He proposes that the British Government should give the Indian parties twelve months to agree, in default of which it would promulgate its own solution, which, however, would be open thereafter to amendment by constitutional means. But this is not really a compromise at all, but a variant of the "imposed" policy, since agreement within twelve months is almost inconceivable. There is, in fact, no way of dodging the issue. Is Indian agreement a precondition or not? The risk of acting without agreement is that a perfectly reason-

able solution (if such can be devised) might be sabotaged simply because it was imposed—the objection to the declaration of war in 1939, which led to the breakdown of the Act of 1935, was not that it was wrong but that it was done without agreement. And the risk of waiting for agreement is that it might mean waiting for ever.

All the instincts of British statesmanship will be on the side of proceeding by British decision, if that proves to be the only way by which any progress can be made. But if that is to be the course, it requires the most skilful handling by those who are fully cognisant of all the facts and of all the trends of opinion. It is not a policy that can stand either very close control from the India Office in London or very much pressure from a largely ignorant public opinion in Britain. Such questions as the release of the Congress Working Committee, who are mostly still in prison, will have to be decided by the strictly pragmatic test of whether it would be more likely to help than to hinder the success of the policy embarked upon.

There has been no intention in this article of throwing cold water upon the demand for a new initiative. On the contrary, the Indian problem, so long as it remains a problem, is a serious potential embarrassment to any British Government, and any favourable opportunity such as the present should be seized, if it can be. But the problem is by no means as simple as British politicians and publicists, lifting their eyes for a moment from the urgency of their domestic concerns, are sometimes apt to assume. It involves decisions of high policy which are complex and difficult. Every responsible British citizen should be thinking about these matters. If he has faced the difficulties and thinks he can solve them, let him by all means be given a respectful hearing. If the Government, with its higher responsibilities, can chart a course through the shoals, let it set sail without a moment's delay. But those who clamour for a "new initiative" without saying what that new initiative shall be are merely confusing counsel and bedevilling the issue. They may not be India's worst enemies, but they are certainly India's worst friends.

Budget Hopes

THE financial year closed last Saturday with the highest figures ever attained, or likely to be attained for some time to come. Expenditure is over £6 billion and revenue well over £3 billion. Revenue turned out to be £200 million higher than last year, and expenditure £264 million higher. The deficit is thus £64 million greater—but since the total expenditure is also greater, the proportion of it covered by revenue has actually risen from 52½ to 53½ per cent. The detailed figures, which are given in the accompanying tables, also show very few surprises. There is still a slight tendency towards under-budgeting on both sides of the account—revenue was £136 million, and expenditure £126 million, more than the Budget estimate—but, in all the circumstances, this must be accounted very close planning.

So stereotyped have become the forms of public finance in wartime that the Chancellor of the Exchequer now finds himself in an entirely paradoxical position. The continuance of the war would provide him with many fewer problems than the outbreak of peace. If the war could be relied upon to continue, at the intensity of the past year, for another twelve months, then the Budget to be opened on April 24th could be a pure formality. The expenditure estimates would probably be a little higher, but the existing taxes could also be relied upon to bring in a little more. Everything could be left as it is, and the financial year 1945-46 would probably turn out in very much the same way as 1944-45 has done.

But clearly the war cannot be expected to continue as before. The European war will be over in a few weeks and the Japanese war may not last out the full twelve months. This makes the Chancellor's task very difficult, since his estimates of expenditure will have to depend on

two unknowns—both on the dates at which the two wars end and on the reduction of expenditure that will follow upon the end of each. It will not be possible to estimate save within the broadest limits. But it is not wholly unreasonable to guess where those limits may lie.

Let us suppose, for example, that the course of events is disappointingly slow. Let it be assumed that the European war goes on full tilt until the end of June, and the Japanese war until the end of next March. Let us further assume that the Japanese war by itself is conducted at half the scale of the present combined war, and that European war expenditure is steadily reduced, over the nine months after the end of the fighting, to one-fifth of the present total war expenditure. (There is, of course, a great deal of war expenditure which is not attributable to either war—food subsidies, for example—but for the convenience of this very elastic arithmetic, it can be divided between them.) In the year just ended, in round figures, the war cost £5 billion, and other expenditure amounted to £1 billion. This set of assumptions would work out at a war expenditure in the coming year of £4½ billion. Other expenditure will be higher, because of the rising National Debt and the higher cost of education and other social services. Total expenditure, on this set of assumptions, might be about £5½ billion, or £500 million less than in 1944-45.

An alternative and more optimistic set of assumptions might envisage a complete end to the European war this month, and to the Japanese war by the end of September, and a demobilisation so rapid that war expenditure in the final quarter of the financial year—that is, from January to March, 1946—was reduced to a small fraction of the peak. These assumptions might justify an estimate of total

expenditure of about £4½ billion. The "calculation," as will be seen, is very crude, but the conclusion may not be very far out. Expenditure in the coming year is likely to be at least £500 million less than in the year just ended, but it cannot very well be more than £1,500 million less. The Chancellor will probably have to budget for something between £4½ and £5½ billion, instead of £6 billion, for the whole year, which is not a very large reduction. But the rate of expenditure in the second half of the year may well be much lower.

The end of the war will not be without some direct effects upon the yield of taxation. For example, under Pay-as-you-earn, the return of the troops to civil occupations, where their cash earnings will, on the average, be higher, should be immediately reflected in a rise of income tax receipts. On the other hand, the removal of the extreme pressure of war will probably lead, even with full employment, to some shrinkage of the national income. There will be less overtime and some decline in the total working population. Any release of supplies of consumption goods, however, will raise the yield from customs and excise, and there will doubtless be a rush to re-license laid-up cars. It is difficult to assess the balance of these con-

Revenue (£ million)			
	Actual Receipts, 1943-44	Budget Estimate, 1944-45	Actual Receipts, 1944-45
Income tax	1,183.6	1,300.0	1,316.8
Surtax	76.0	80.0	73.5
Estate, etc., Duties	99.5	100.0	110.9
Stamps	17.7	19.0	17.0
N.D.C.	33.4	500.0	33.3
E.P.T.	466.7		477.1
Other Inland Revenue	1.0	1.0	0.8
Total Inland Revenue ..	1,877.9	2,000.0	2,029.5
Customs	560.8	564.9	579.4
Excise	482.2	472.9	496.9
Total	1,043.0	1,037.8	1,076.3
Motor Vehicle Duties	27.3	27.0	29.0
Post Office (net)	0.4		
Wireless Licences	4.7	4.9	4.8
Crown Lands	1.1	0.8	1.0
Sundry Loans	6.5	7.4	7.5
Miscellaneous Receipts	77.7	24.0	90.0
Total Ordinary Revenue ..	3,038.5	3,101.8	3,238.1

Expenditure (£ millions)			
	Actual Issues, 1943-44	Budget Estimate, 1944-45	Actual Issues, 1944-45
Interest and Management of National Debt	364.7	420.0	414.9
Payments to N. Ireland Exchequer	9.0	9.0	10.0
Other Cons. Fund	7.2	7.0	7.3
Total Cons. Fund	380.9	436.0	432.2
Civil Departments	457.5	501.4	5,625.6
Vote of Credit	4,950.0	5,000.0	
Total Ordinary Expenditure ..	5,788.4	5,937.4	6,057.8
Sinking Funds	10.3		5.1
Total	5,798.7	5,937.4	6,062.9
Self-Balancing Revenue and Expenditure:—			
Post Office	110.6	112.4	116.6

flicting factors, and any resulting change in the total revenue is likely to be small.

But is it right to assume that there will be no change in the present rates of taxation? As recently as three weeks ago, the opinion was expressed in *The Economist* that "it would take a particularly hardy brand of optimism to foresee the possibility of any relief" from the load of taxation in this year's Budget. But March 17th is now a long time ago; the odds are still against any changes just yet, but it is no longer possible to be quite so certain, and the season of relief is clearly approaching. Within a comparatively short time, the rate of expenditure will be

lower by at least £1 billion. Must the rate of taxation be maintained for another twelve months?

It is no more possible to be dogmatic in answering these questions than it is in estimating the effect that the end of the war will have on public expenditure. Here again, the best way of proceeding may be to set out the two extremes between which policy must find its course. In strict economic logic, a strong case can be made out for permitting no reduction in taxation so long as there is any deficit at all. A time when physical controls are being taken off, when the patriotic urge to save is necessarily weakened, when the obstacles in the way of rising prices are inevitably diminished, is hardly a time for releasing further purchasing power. If, in such circumstances, the deficit is only half as much as it is at present, that may be quite enough to exert a powerful inflationary influence at a time when it can do most damage.

Budgets, however, are made by politicians, not by economists—and never more so than in an election year. There has been a great display of economic logic in the Budget speeches of the past four years, and in the White Papers that have accompanied them. But the Budgets have not, in the last resort, been based on logic, but on something closely resembling a politician's rule of thumb—the rule that if a belligerent Government can cover as much as half of its expenditure out of revenue it is doing pretty well. If the same rule of thumb is preferred over strict principle in the transition period, will the results be any more disastrous than they have been in the war? If expenditure falls by £1,000 million, could not the taxpayer have £500 million to be going on with? There will be very many who will argue in this sense.

A wise Chancellor will no doubt try to steer a course between these two extremes. He might determine to raise by revenue a higher proportion of his total expenditure and still have a few titbits for the taxpayer. Just how austere he will feel it necessary to be cannot, of course, be foreseen. But as soon as total expenditure falls below £4,800 million, provided the revenue proportion is not put at more than two-thirds, there should be some margin for tax reductions. And—to take the other extreme—when expenditure falls as low as £4 billion, and if the proportion is left at last year's figure of 53½ per cent, then taxation could be reduced by over £1 billion, or by about one-third.

No outsider has the detailed knowledge to speculate much further than this, and the answer must await Budget Day. But the discussion can be conveniently concluded by indicating the amounts of money likely to be involved by the changes of taxation that come first to mind. To reduce the standard rate of income tax by one shilling—and the reduced rate *pro rata*—would cost about £140 millions. The cost of an increase of the income tax allowances would depend on the particular adjustments made and is difficult to calculate; but very welcome alleviations could be made for £60 million, making the total income tax relief £200 million. Excess Profits Tax now brings in about £480 million and, if the yield can be regarded as stable—as it probably can for the next year—a reduction of the rate of tax to 75 per cent would cost £120 million. Among the indirect duties, those on beer, spirits and tobacco now bring in something of the order of £750 million. Increases in these duties have not, save in the shortest run, reduced consumption, and reductions in duty by themselves could not be expected to increase it; but on the other hand larger supplies may well be available. A reduction of about one-fifth in the rates of duty—say 1½d. off the price of a pint of beer, and 3½d. off the price of 20 cigarettes—coupled with rising consumption, might reduce revenue by, say, £130 million. The yield of Purchase Tax was £110 million in 1942-43, and £92 million in 1943-44. Larger supplies of goods would put the yield up very sharply. It would not be appropriate to reduce the three rates of duty in an equal proportion, but an average reduction of one-third—say, enough to bring the lowest rate down to 10 per cent, and the highest to 75 per cent—might cost about £50 million. These figures, of course, are illustrative only. The fact that they add up to £500 million may be regarded as purely coincidental.

NOTES OF THE WEEK

When?

This is clearly the last act. The Rhine once crossed, anything in the nature of coherent opposition seems to have largely disappeared. The Allied spearheads are pressing on cautiously, and there is a certain amount of local opposition, but a German Army, in the sense of a single organism fighting under a single strategic direction, has—for the moment at least—ceased to exist. Whether it can be re-created is very doubtful. A stand on the line of the Weser had been talked of, but the river has already been crossed. The Elbe is another possible line, but the Russians are close behind it, and the flight from the Rhine has been so rapid that the mere collection of troops and material might well be impossible. The final collapse is very near.

The only remaining question is when? According to the book, the Germans should have surrendered long ago. That they still hold out at all is a tribute both to the hold of the Nazi police system and to the dull tenacity of the German people. There is very little talk, even in the Nazi propaganda, of fighting back by open military means. Indeed, the main propaganda campaign is now directed to glorifying the Werewolves, who, by definition, have no function in an unconquered Germany.

How serious a nuisance the Werewolves will be to the occupying armies it is not yet possible to say. They have carried out a couple of murders of collaborating burgo-masters, and no doubt there is a great deal of general sabotage. No doubt, too, there are a certain number of fanatical young Nazis who will be willing to fight on indefinitely. But the conditions for a really effective *Maquis* are missing. There will be no outside help for the Werewolves, and no hope of ultimate rescue from outside. And, after the Nazi collapse, it is unlikely that the majority of the German people will give any moral support to the most extreme and fanatical members of the party—unless, indeed, the Allies exercise such a tyranny as to make the people desperate, or unless labour conscription for reparations forces the young men into the hills. It is most unlikely that the Nazis can create an effective Werewolf organisation, but the Allies could.

Arab Union

The pact of Union newly signed between the seven Arabic-speaking states is born of two impulses. The first is emotional: ties of language, blood, tradition and religion have breached the frontiers set up by the Powers after the last war and since fostered by local Arab nationalisms and dynastic quarrels. The second is practical: the Arab states want to end their period of inferiority *vis-à-vis* the west. They want to be, on their own, a factor in world affairs. Their pride of achievement is bound to receive a fillip at San Francisco, where their pact will attract notice as one of the first of the regional arrangements envisaged in the Dumbarton Oaks draft.

It is in many ways a model of Dumbarton Oaks propriety. Its aims—set out in Article 2—are the strengthening of friendship between its members, the co-ordination of their political action, and the safeguarding of their independence. It leaves room for new adherents: presumably for Palestine, the Sudan and Cyrenaica when they are ready. It forbids resort to force for the settlement of disputes and provides full machinery for dealing with these by arbitration and conciliation. Its strongest suit undoubtedly is its provision for the settlement of family differences in private.

Another strong suit is the united front which it enables Arab foreign policy to present to the rest of the world. Its only weakness here is its dependence, for defence, upon a contract with outside forces. Hitherto its separate states have, willy nilly, made such contracts with individual Powers. But several of these treaties require revision as a result of the war and, when they are revised, the Arab Union is likely to prefer a joint arrangement. A topic of debate in the Arab world just now is whether, in future, to contract for defence through the new World Organisation or through a Power or group of Powers immediately interested in the area. The advocates of this latter method argue that it produces faster action in an emergency. If,

as seems likely, their view prevails, the future defence of the Middle East will be conducted on a basis of strong points leased from the Union and shared by the interested Powers.

When dealing with external affairs the Arab Union has plenty of good rallying cries. The handling of internal matters—and particularly the grave social and economic problems which beset the area—offers no such easy path to popularity.

Some of these problems are endemic. The worst is the unbridged gulf which yawns between the rich man—merchant or landowner—and the poor man—peasant or artisan—usually hopelessly in debt to moneylenders. Nowhere except in the Lebanon and parts of Saudi Arabia is there a contented peasantry. Other problems are the result of the war: notably, the unemployment of artisans who have been relatively well paid by the Allies, and the inflation arising from the volume of Allied expenditure throughout years when—for lack of shipping—there has been nothing to buy. In these problems, too, the Arab states will have to contract for outside assistance, both in capital and in expertise.

The Union has begun life to an accompaniment of saluting guns, cheering crowds and beaming statesmen. Whether or no it can climb from the sentimental and flag-wagging plane to become a factor in world politics and prosperity depends partly upon whether it interest of the pashas and merchants who provide most of its politicians, and partly on the degree of western help that is offered. But western help often smacks, in the Arab's eyes, of old-style political tutelage. He may find it easier to accept if it is given to a Union rather than to individual countries. And the western countries, in their turn, may find that their own frustrating jealousies are allayed if their help, both in defence and in economics, is given jointly.

Territorial Trusteeship

That some decision may be taken at San Francisco on the general principles governing the rule of mandated territories is now well established. Mr Stettinius's statement on Tuesday contained the information that the preliminary Conference of the Big Four at Washington will formulate proposals

... for a territorial trusteeship structure as part of the general world organisation ... designed to permit the placing under it of territories mandated after the last war and such territories taken from the enemy in this war as might be agreed on at a later date, and also such territories as might voluntarily be placed under trusteeship.

Significantly, no mention is made of any general international regulation of colonial territories proper. Whatever American opinion of British "imperialism" may be, the State Department is evidently not prepared to play with fire by raising the question at an International Conference. In answer to a Parliamentary question, Mr Churchill gave a firm assurance that matters affecting British colonial territory will not be discussed at San Francisco. Nor, said Mr Stettinius, will there be discussion on the fate of specific territories.

In other words, only the blueprint of an organisation will be worked out, and new checks and safeguards to the mandate system considered. No individual Government will have to accept at San Francisco future responsibility for any particular mandated territory. No individual Government need be committed in advance to submit territory, other than that already held on mandates from the League, to the supervision of an international authority. On general principles, however, it seems likely that there will be considerable pressure for an increase in the power of the world organisation over the mandatory states. One possible improvement is to allow freer and more direct contact between the International Commission and the mandated people themselves. Dr H. V. Evatt, Australian Minister for External Affairs, now in London for the Common-

wealth talks, suggested last week that power should be given to the international authority to take away the trusteeship of mandated territory if maladministration could be proved in a world court. It is on these lines (as a leading article in *The Economist* last week pointed out), rather than on any forced supervision of colonial Powers, leading to a division of authority and a worsening of inter-Allied relations, that the problems of subject and backward peoples can best be tackled.

Austrian Resistance

The Russians have taken Wiener Neustadt and soon they may enter Vienna. It is fairly certain that they will find in Austria a fairly strong Resistance movement on whose co-operation they can count. A recent report from Vienna gives an interesting picture of the political atmosphere in the old Austrian capital. The dominant feature is a revival of Austrian nationalism which expresses itself in popular hatred and distrust of all things German and also, curiously enough, in a new interest in Austria's post-war frontiers. Thus, the programme of the unified Austrian Resistance states:

Austria claims her frontiers of 1933. But she also lays definite claim to the South Tyrol, in so far as this region is not inhabited predominantly by an Italian speaking population. The Austrians are aware that the non-Italian inhabitants of South Tyrol strongly desire return to Austria.

It is noteworthy that the programme which contains this point has been signed by all the anti-Nazi parties, the Monarchists, the Catholics, the Social Democrats, the Communists and the Democratic bloc. The unified Resistance has been active under the somewhat puzzling name "O 5" and has been led by a Provisional Austrian National Committee. In the provinces the resisters are under no central direction. In southern Styria and in Carinthia an organisation led by the Communists and called the Austrian Freedom Front has fought in close association with Marshal Tito's adherents. It will be interesting to see how the entry of the Russians will affect relations between the political parties and the various groups of resisters. The one significant point about the political outlook of the anti-Nazi Austrians is that they have all agreed on a return to the democratic Constitution of 1920 and that they all, including Monarchists and Catholics, have dissociated themselves from the ideas of the Dollfuss regime established in 1934.

Lord Swinton's Powers

Five months after his appointment, Lord Swinton's powers as Minister of Civil Aviation are defined in the Bill presented last week to the House of Commons. It was introduced by Sir Stafford Cripps and should be discussed soon after the recess. The Minister's general duty is described as:

... organising, carrying out and encouraging measures for the development of civil aviation, for the designing, development, and production of civil aircraft, for the promotion of safety and efficiency in the use thereof and for research into questions relating to air navigation.

These powers, though vague, are wide—much wider than those specific duties transferred from the Secretary of State for Air. That the new Minister should have as free a hand as possible when there is so much to do in so short a time is all to the good. There will, however, come a time, most likely after the General Election, when the hierarchy of Ministries and Departments will have to be drastically pruned and regrouped to ensure that the top of the tree remains compact and strong. The Ministry of Civil Aviation may well be affected by this process. Since the publication of the Government plans to associate other transport interests in commercial aviation, there is an even stronger case for co-ordinating the new Ministry with others under a single Ministry of Transport.

Meanwhile, encouraging reports of Lord Swinton's work on South African routes come from Capetown, and, in his absence, Sir Stafford Cripps has had to answer a barrage of questioning from Scottish members, who are chiefly concerned for the future of Prestwick airport. For use as a main civil airport, an additional £6 million to £10 million would have to be spent on extensions, and even then only 200 or 300 people would be employed in place of the wartime 5,000. Clearly, Prestwick, with its fair-weather advantages, can play a most useful part as an alternative airport, but the leading terminus for foreign services must obviously

be close to London. The fears voiced by the Scottish members are rooted in the problems of diversifying employment prospects in Scotland, and can best be quieted, not by the boosting of single projects, but by a comprehensive policy for the location of industry.

The Spanish Scene

The impact of Hitler's defeats has so far not been enough to shatter the dictatorship of General Franco. All is still quiet in the Iberian Peninsula, chiefly because the most energetic elements of the opposition are isolated behind the barbed wire of the concentration camps and the prisons. But the lack of any strong positive purpose on the part of the Republican oppositions has also been responsible for the prolonged existence of the Franco régime. The exiled leaders of the Left, split as they are into innumerable coteries and enmeshed in sectarian quarrels about the past, have so far failed to stimulate any genuine movement against the dictator. After some Republican rumblings in London, Paris and Mexico, and the hopeless escapades of Spanish maquisards from France across the Pyrenees, the attack of the Left against General Franco seems to have fizzled out, at least for the moment.

A new political attack has now been launched from the Right. The Pretender to the throne, Don Juan of Bourbon, has appealed to his former idol, General Franco, to resign and so to pave the way for the restoration of the Monarchy. The Pretender claims to be able to wind up the dictatorship in a bloodless and peaceful way. His appeal has been followed by the resignation of the Duke of Alba from the post of the Caudillo's Ambassador. It remains to be seen whether other Monarchists—and very many of them are entrenched in the Spanish Administration—will follow suit. If they do, they may well create something like a vacuum around the dictator, though it may be doubted whether the Bourbon Monarchy will eventually be able to fill that vacuum.

Meanwhile, General Franco is not sitting back with folded hands. He is valiantly defending his position on the diplomatic front. He has now protested against Japanese maltreat-

BUSINESS ENTERPRISE AFTER THE WAR

Small and medium-sized businesses in all branches of industry and trade must have every opportunity of contributing, by their enterprise and initiative, towards the nation's economic well-being after the war. They must be given full support in developing British trade at home or in overseas markets.

Changes due to war conditions call for a far-sighted policy concerning the financial aid they may need. This Bank, through its branch managers, will therefore be prepared to consider enquiries from promising undertakings, whether old or new, conducted under good management. It will base its consideration of each proposal as much upon the prospective borrower's integrity and business capacity as upon his material resources.

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ment of Spanish nationals in the Philippines, and he has announced that Spain will no longer act as the Protecting Power representing Japanese interests *vis-à-vis* the Allies. The Spanish press has suddenly become vociferously pro-American, without, incidentally, relaxing its hostility towards Great Britain. When the Allies have entered Berlin, General Franco may yet make up his mind to declare war on Hitler.

Health Service Discussions

Progress in the discussions between the negotiating committee of the medical profession and the Minister of Health on the national health service has reached a stage where alternative proposals to those of the White Paper have been put forward. These are not to be taken as endorsed by the Government and offered instead of the White Paper, but, if they are acceptable to the medical profession, the Minister of Health will place them before the Government, which will also have to consider the result of his discussions with the representatives of the local authorities and the voluntary hospitals. A special representative meeting of the British Medical Association has been called for the beginning of May, when the medical profession will decide whether it approves the new proposals. In the meantime, they are declared to be confidential and not for publication, but since a copy of them has been sent to every member of the profession, including those in the Services overseas, they may very rapidly become public, even if they are not officially made so.

The gist of the alternative proposals has, in fact, already appeared in the press. From these reports it appears that they deal solely with the administrative structure of the health service. The doctors' most rooted objection to the White Paper scheme was their subordination to local authority control. There was also a fear that the voluntary hospitals would lose their independence and become dependent upon the local authorities. Under the alternative proposals, it seems that the local authorities will be the executive body only in respect of their own hospitals, which they will continue to own, and their own health services. The joint authorities of the White Paper will be abandoned, and planning will be on a regional and on an area basis. Regional councils, based on a university with a medical school, would be expert advisory bodies, whose function would be to supervise and collaborate in the planning of the health services in the areas comprised in each region—this is very reminiscent of the recommendations of the Medical Planning Commission of the BMA in its report of 1942. The areas would replace the proposed joint authorities, and planning bodies would have the statutory duty of preparing a plan for the whole health services of each area. These bodies would have a local authority majority, but the hospital services of each area would be planned in collaboration with the Regional Council by a special body on which the voluntary and local authority hospitals would be equally represented.

It also appears that the Central Medical Board, which under the White Paper scheme would be the employing body of general practitioners, will be dropped if the profession wishes, and that the terms of service and of contract for doctors in the public service would, under the alternative proposals, be based on something very similar to their present relationship, under national health insurance, with the insurance panel committees. Nor would there be any general establishment of health centres until experiments with different kinds of centres had been conducted.

If they are correctly reported, the alternative proposals seem a fairly satisfactory compromise, though a final judgment must be deferred until they are fully disclosed. It has been said that the Government has "given way to the doctors," but it may be pointed out that the object of the new health service is to provide complete medical and hospital facilities for everyone irrespective of means, and that the best administrative structure is one that ensures this object. On the other hand, the emphasis is on every-thing. Now that the Minister of Health seems to be willing to meet the doctors half-way over the administrative structure, the BMA should, for its part, reconsider its attitude over the "100 per cent issue," which according to its own questionnaire is opposed to the views of the profession as a whole. There are signs that such a reconsideration may be taking place.

Labour's Satellites

The Labour Party's ears must have been burning during the week-end: its affairs were under very earnest discussion at Scarborough, Liverpool and Blackpool, where the Co-operative, Common Wealth and Independent Labour Parties held Easter Conferences. All three parties declare themselves willing to accept the lead of their big brother, though they are by no means satisfied with his pace. All three qualify their acceptance by numerous reservations.

In the eyes of the young and vigorous Common Wealth Party, Labour policy already evinces signs of arteriosclerosis; and it was by a very narrow majority that the party reaffirmed its willingness to resume discussions with the Labour Party Executive—if it indicated any desire to advance towards Socialist unity at the next election. This resolution was subsequently redrafted to include statements of Common Wealth's policy to contest seats "in which the actual Labour candidate cannot be regarded as a resolute and determined Socialist" and "where all relevant factors suggest that the Labour Party has no normal chance of winning the seat." In any event, Common Wealth will not support Labour candidates "unless they pledge themselves to oppose a continuation of a coalition with the Conservative Party." The party intends to contest between 30 and 60 constituencies and plans to spend £27,500 on the organisation of the party in 1945.

After a very lively debate the Independent Labour Party decided to return to the fold "on the conditions prevailing in 1931." But the party maintains its right to independent organisation and the right of its MPs to express ILP policy in the House of Commons. A minority of delegates condemned affiliation on the grounds that the Labour Party is likely to support "the openly imperialist struggle in the Far East" and has already accepted a post-war settlement in Europe which is "the negation of international Socialist principles." The Conference adopted another resolution urging the removal of private enterprise from the housing programme and the recruitment of a million and a half new workers in the building industry.

The Co-operative Party rejected a proposal for affiliation with the Labour Party by an overwhelming majority. It was felt that such a move by the party would sign its own death warrant: as a Glasgow delegate put it, "... affiliation would start a heresy, hunt to root out those people in the Co-operative movement to whom the Labour Party objected."

Czechoslovak Federation

On his way to Czechoslovakia, through Moscow, President Benes has appointed a new Czechoslovak Government. The new Premier is M. Zdenek Fierlinger, former Czechoslovak Ambassador in Moscow. M. Fierlinger is a left-wing Socialist with strong pro-Soviet leanings. In advocating close political unity between Czechoslovakia and Russia he has gone farther than President Benes himself. His appointment, therefore, is a sign that Czechoslovak policy is now more definitely within the orbit of Russian influence. This has further been emphasised by the inclusion of Communists in the coalition. Two of the five Vice-Premiers in the new Government are Communists. One of them is M. Gottwald, former member of the Executive of the Communist International, who has lived in Moscow for some years. The Benes Party, that is the National Socialists, the Slovak Right and the Catholics have one Vice-Premier in the new administration.

After his talks with the Soviet leaders in Moscow, President Benes has announced that Czechoslovakia will go to the Peace Conference with its pre-Munich frontiers restored. This presumably means that the Subcarpathian Ukrainians, who a short time ago clamoured for their incorporation in the Soviet Ukraine, have now been told to remain with Czechoslovakia. It also means presumably that at least until the Peace Conference, the Czechs will retain the whole of that part of the Teschen province which was annexed by Poland during the Munich crisis.

But though Czechoslovakia's frontiers have been left unchanged, its political structure is to be radically altered. The new Republic will be decentralised. It will be split up into autonomous Czech, Slovak and Subcarpathian provinces. The Bohemians and the Moravians, too, will receive separate autonomous administrations. This last reform has hardly any serious ethical or political justification; but it follows the pattern of federated and decentralised Yugoslavia under Marshal Tito.

Resurgent Royalism in Greece

A significant feature of the situation in Greece is the revival of political self-confidence among the Royalists. Whatever were the real intentions of the British on the spot, the Greek population has taken it for granted that the British intervention was prompted by the desire to reinstall King George on his throne. The military defeat of the EAM, on the other hand, has certainly entailed political depression on the Left—though it is only now that there is any real evidence of disintegration in the EAM.

General Plastiras' position is by no means clear. He has not the confidence of the Royalists, who have not yet forgiven the sin of his youth, his violent overthrow of the monarchy in 1922. The leader of the royalist Popular Party, M. Tsaldaris, has demanded a quick plebiscite on the issue of the monarchy, undoubtedly because the Royalists expect that the result of a plebiscite now would be the return of the King and the dismissal of General Plastiras.

For the same reason General Plastiras and the Liberals are now opposed to an immediate plebiscite. And to resist the increased pressure from the Royalists, General Plastiras now finds himself compelled to tack to the Left, even though it is against the Left that his military victory has been won. The political outlook in Greece depends largely upon whether this manoeuvre will succeed, and whether the Government can secure some support from the Left. If it can, then General Plastiras may hope to keep some balance between Left and Right, and to establish himself solidly in power. But if there is too much bitterness on the Left for this, then he is more likely to be swept away by the Royalist tide. The EAM—or some parts of it—may therefore perhaps temporarily reconcile themselves to General Plastiras as the lesser evil. Whoever wins the fight—King George or General Plastiras—there is little likelihood that either of them will eventually rule Greece in a democratic spirit.

Neglected Children

Last week's debate in the House of Lords on the problem of homeless and neglected children did not make any very helpful contribution towards a solution. There was some discussion, which was hardly relevant, of the Conservative party's recent proposal that there should be legally qualified and paid chairmen of magistrates' courts. There was a vindication of the London County Council and its treatment of the problem by Lord Latham. There was a plea from Lord Denham for the flogging of parents convicted of cruelty. Lord Munster, replying for the Government, made the obvious remark that the whole problem would be considered by the inter-departmental committee set up for the purpose.

Perhaps the most realistic speech was made by the Bishop of Sheffield, who suggested that the problem was not so much one of neglected children as of negligent and cruel parents, and that while the short-term policy should aim at rescuing the children, in the long-term it has to be decided what should be done with the parents. Sentencing the parents to terms of imprisonment—or to flogging—solves nothing so far as their children are concerned. In fact, their fate, if they are returned to their parents after such a punishment, may well be worse. It was recently announced that the Bath magistrates, with the approval of the Home Office, had sentenced a mother, convicted of neglecting her four-year-old child, to a term of compulsory training in parent craft, at the end of which, if she had benefited by it, her child would be returned to her. For the present it may well be impossible for such a punishment to be meted out in more than a few cases of neglect. But it is a policy worth working for.

Harvest Labour

Mr Hudson has made an urgent appeal for volunteer labour to help with this year's harvest. This year is likely to be the last in which the farm labour problem will be acute. Theoretically, the slowly falling acreage under crops and the probability that demobilisation will commence this summer should ease this year's problem. But Mr Hudson makes his appeal in the double knowledge that "quite a lot" of potatoes and sugar beet rotted in the fields last autumn through lack of labour, and that this year the demands on the United Nations' food reserves will be not less but much greater. Mr Hudson is not exaggerating when he says that

Quite definitely the scale of rations next winter will depend upon what we manage to gather in this summer and autumn. It is unthinkable that any of the food which the country manages to grow this year should be wasted.

School-children are already fully mobilised for harvest work, but Mr Hudson calls for 300,000 adults and older children to attend harvest camps. Help is wanted over a long period, from April to November. Indeed, it is not the corn harvest, but the potato and beet harvest later in the autumn for which labour is most wanted and hardest to get. The Government is reducing the charge for food and accommodation at camps from 28s. to 21s. for the early and late parts of the season. Payment to volunteers is 1s. per hour, which should cover their living costs; but the Government would be well advised to pay the full railway fare of volunteers instead of a small part of it. The vital marginal rôle which volunteers are called on to play in wartime farm economy, as well as their sacrifice in forgoing holidays, entitles them to good conditions and adequate remuneration. There is indeed a strong case for allowing some categories of industrial workers to spend a period on the land which would not count as their normal holidays.

Argentina at War

Last week Argentina, the only absentee from Mexico City, accepted the invitation of the other American nations to sign the final act of their conference. In the same decree it declared war on Germany and Japan.

In order to identify itself with the rest of the American nations and forestall any threat or act against the security of continental America.

Adherence to the Mexico City resolutions pledges Argentina both to abandon and resist from any quarter aggression in the Western Hemisphere. On this score it will be welcomed, not least by Argentina's nearer neighbours. In the recent past there has been uneasiness in Chile and Uruguay over Colonel Peron's militaristic measures. Farther afield, there is a tendency to view with caution this least equivocal of all the Farrell Government's pronouncements in the field of foreign policy and to await results. The *Philadelphia Inquirer* says:

If the declaration of war is to mean nothing more in practice than Argentina's break in diplomatic relations with the Axis months ago its importance is microscopic.

The country's wartime record has been marked by a wide gap between its protestations of American solidarity and its practical refusal to co-operate with the rest of the Americas. Evidence of this inability to participate effectively in the defence plans laid at Rio de Janeiro was made clear two years ago when, reporting on a consultative visit to Argentina, the Emergency Advisory Committee for the Political Defence of the Continent said:

To achieve and maintain this unity (of the Americas) there must necessarily be a common basis of action, the first requisite of which is a clear distinction between friend and foe.

The severance of Argentina's relations with the Axis a year later did not, however, bring the desired unity of action. Within a month of severing relations General Ramirez was supplanted by General Farrell, who later withdrew Argentina's delegate from the Advisory Committee.

The distinction between friend and foe has now been made against protests from Argentina's nationalist faction, which have so far left the Farrell regime intact. Seizure of Axis firms and compulsory registration and immobilisation of enemy nationals have followed Argentina's declaration of war. With Germany itself on the brink of military collapse, the move has come on the stroke of twelve, if not after. The time has passed, too, when Argentina's fleet could have made a practical contribution to the establishment of a South Atlantic convoy system. The Pacific conflict has been circumscribed far from Argentina. Nevertheless, the way has been opened for Argentine participation in peace problems which concern the whole of Latin America. These are political as well as economic, and Argentina's close ties with Spain lend interest to reports that the Farrell Government may move to open relations with Russia, following in Brazil's footsteps. Spain's present regime could draw little comfort from such a significant defection of one of its warmest sympathisers in Latin America.

Bodmin Moor

It is a tribute to the Englishman's love of the countryside that whenever cliff, moor or mountain is threatened with defacement, hue and cry is immediately raised. So

effectively has this been done, in the case of Cornwall's Bodmin Moor, that the Admiralty has abandoned its proposal to use part of the moor as a bombing range. Numerous arguments were put forward. The area is needed for water supplies. Cornwall's fate is her fortune, and the loss of tourist traffic would be serious. The moor is good sheep-grazing land; it contains valuable archaeological remains. The moor is undoubtedly a thing of beauty not to be lightly disturbed. But, true as are these arguments, the Admiralty need a bombing range somewhere, and to almost every proposal similar, if sometimes weaker, objections will be made.

The real problem is one of machinery. It was because there are so many competing claims to the use of land, even in remote areas, that the Ministry of Town and Country Planning was set up two years ago to settle just such questions as this one. Unfortunately, the Ministry has turned out to be merely one more agency, the one specifically concerned with preserving amenities, whose claims must be taken into account.

It is perhaps natural that Service departments are unwilling to allow any final decision to be taken by a very junior department with limited staff, which to date can hardly be distinguished from a rump of the Ministry of Health. It was the importance and the difficulty of co-ordinating land use which led the Barlow and Uthwatt Committees to recommend, or rather assume, the creation of an expert central planning agency with overriding powers. The Government had good reasons for rejecting the idea of a "super ministry." But at least it was to be hoped that the new Ministry would act as a clearing-house for securing agreement, instead of leaving the numerous arms of Government to fight out their claims in public. The Admiralty has yielded on this occasion to public pressure, but the case of Bodmin Moor re-emphasises the need for co-ordinating land use.

Shorter Notes

There will be general satisfaction with the Government announcement about "cease fire" celebrations. The Jeremiahs have been routed. By prescribing a standard "break" the Government have greatly improved the chances of a general and orderly resumption of work after industry has

given "expression to the feeling of common effort that has carried us through the strenuous years of the war."

The announcement grants all workers in Government factories and service a three days' holiday with pay. The first day will be that on which the "cease fire" is officially announced, the second will be the day following, and the third will be a local holiday. Except in the essential services, this example will be followed throughout industry and will, of course, apply to all schools. When the tumult and the shouting are done the nation will return to work refreshed for the continuing struggle with Japan.

Now that the Allied armies are racing across Germany, seemingly faster than the weather itself, is it not time that the ban on weather news, except in the Straits of Dover, was dropped? Mr. Morrison has not waited until the end of the war to abolish the last relics of fire guard duty. Cannot the security authorities show a similar willingness in respect of what have now surely become unnecessary regulations and black-outs?

There is now a mass of Acts and White Papers covering the position, rights and entitlements of servicemen and women in regard to their release and resettlement. The Ministry of Labour, in co-operation with the Service departments, is now distributing a booklet, "Release and Resettlement," to every member of the Forces. It explains in the clearest terms the various Acts and schemes and the services of the Ministry of Labour that will be available. Resettlement advice offices are to be opened in June and will perform for the demobilised the service that citizens have received from the Citizens' Advice Bureaux. The issue of the booklet is to be followed by wireless talks, ABCA discussions and other ways of making its contents widely known and understood throughout the Services.

Road deaths in February showed a distinct fall from the level of February last year and the years before—particularly during darkness, when 113 persons, compared with 232 in February, 1944, lost their lives on the roads. The improvement is probably due in part to better standards of lighting on vehicles and in the streets. The totals for the month were 384 deaths and 7,533 injuries.

AMERICAN SURVEY

Before San Francisco

(By a Correspondent in Ohio)

IN the weeks intervening between the Crimea Conference and the United Nations' meeting at San Francisco, the American people are being exposed to an intensive educational campaign. With the aid of the press, the radio, the cinema and the lecture platforms, Mr. Archibald MacLeish, Assistant Secretary of State, has turned the country into a vast town meeting, to consider Dumbarton Oaks, its present and future. This publicity is needed because of widespread ignorance of the details of the Dumbarton Oaks plan and because no trusteeship for the world's peace can hope to succeed without the informed support of the American nation. It is likewise necessary because of growing public uneasiness over certain implications of the Crimea Conference.

The interlude between Yalta and San Francisco is a period of soul-searching by Americans, especially in the once-isolationist Midwest. Americans are asking themselves, "Just what commitments shall we make in Europe?" The question is sharpened by apprehension over the President's agreement—not yet approved by the Senate—of the Polish settlement at Yalta. At that meeting Mr. Roosevelt did something which Secretary Stettinius had lately said the United States should not do. He undertook to guarantee a new European frontier. Before the Crimea Conference, the most internationally-minded of American commentators were agreed that their government should

not underwrite new boundaries in Europe. Amid the general rejoicing over the fact of agreement—any agreement—at Yalta, that reservation was forgotten. But it is now being recalled by senators, and the old fear of "European entanglements" has begun to creep back into the editorial columns.

This fear does not arise from the agreement to accept the Curzon Line as the approximate frontier between Poland and Russia. Even those who feel that the Poles got a raw deal do not object very loudly to that, perhaps because they cannot suggest any better settlement in eastern Poland. But many Americans, especially in the Midwest, do object to underwriting the western Polish boundary. While that boundary was not traced at Yalta, the "substantial accessions of territory in the north and west" which were promised to Poland are understood on all sides to include most of East Prussia and Upper Silesia. The President agreed to the principle of partition of Germany, which has not yet been accepted by Congress or the country. He approved, and will try to induce the Senate to approve, a radical transfer of territory in one of the cockpits of Europe as part of a peace settlement which the United States must guarantee, by force of arms if need be, for the indefinite future. That does not sit well with the press or the public in the Midwest.

These popular misgivings do not reflect any sympathy

for the Germans. In the Midwest, as elsewhere, Americans generally favour a hard peace—provided it be also a workable peace. The country overwhelmingly endorses the Yalta plan for disarming and occupying the Reich. But it does not feel happy about an arrangement which would cram 70,000,000 or more Germans into a narrower Reich, with every moral inducement to bend their vengeful energies to the task of getting back the lost German provinces. To place under Polish control—and nominal Polish control, at that—the large and traditionally German territory of East Prussia is regarded as bound to intensify the national hatreds which helped bring on the present war. If it be argued that German feelings in the matter should be ignored, on the ground that they would hate even the most considerate of conquerors, many Americans will reply that German feelings are not the immediate point. The point is that Americans fear to assume responsibility for a peace settlement which they believe unworkable, which would produce much bitter controversy and which might be repudiated years hence in the face of a strong challenge.

It is realised, of course, that Germany will be disarmed after this war and made impotent, in a military sense, for perhaps a generation. But there is no confidence that the present alignment of European powers will endure that long in a changing world. In underwriting the indicated Polish boundary in the west, many Americans feel that they would be underwriting another intervention in a future European war.

The current official argument for the Dumbarton Oaks plan tries to distinguish between the functions of Yalta and of San Francisco. The former, it is said, aims at ending the war and establishing a peace. The latter will set up the machinery for preventing a third world war. But the two functions are related in the public mind. It is realised that if the terms of Yalta are unsound, the machinery set up to carry them out will be unworkable.

All this soul-searching on the subject of European commitments is having one useful result. Americans are asking themselves just what new boundaries they should underwrite. Their willingness to make commitments, backed by force, diminishes in direct ratio to the distance of the boundaries from their own Atlantic coastline. In general, they would agree to underwrite the most important boundary of all—the extreme western or United Kingdom boundary. This is true in spite of widespread approval of the Stettinius remark. (Most Americans thought he was referring to new frontiers in eastern and central Europe.) It is true despite the periodic outbursts of Britain-baiting, whether by liberals wrought up over Greece, by isolationist remnants in Congress or by agitated Zionists. Most Americans agree, after very little argument, that the United States entered two world wars under the inexorable pressure of self-interest. Most agree that in the future Britain and the United States must swim or sink together. But Americans are much more reluctant to take on commitments respecting France. Witness the strong sentiment, inside Congress and France, for putting the Ruhr and the Rhineland under international rather than French control. When commitments toward France are accepted, it is less from a conviction of the vital common interest than from a recognition of the strategic kinship in modern war between France and Britain. As one moves eastward across the Continent, American willingness to guarantee new frontiers declines steadily, until, in the states bordering Russia, it vanishes. These fears concerning the future of Poland are, after all, not strange. When so many far-seeing Poles hesitate to assume responsibility for governing East Prussia and Upper Silesia, how can Americans be expected to pledge their military forces indefinitely there?

This rather vague discrimination in the matter of commitments is, of course, far from logical. When Americans regard the British frontier as sacrosanct, they agree in effect to underwrite much of British foreign policy, as the President did in seconding Mr. Churchill's policy on Poland. The great dilemma of Americans, which Yalta sharpened rather than removed, is their unwillingness or inability to make their general commitments specific. They accept responsibilities for helping to preserve world order—in general. But they recoil from specific responsibilities on the Continent of Europe. The attitude of Americans is well intentioned but amorphous. They are overwhelmingly in favour of a world organisation to prevent war. They accept the principle of collective security. But they tend to leave applications of that principle to be worked out later.

American Notes

The President's Assistant Goes

No one would have blamed Mr. James F. Byrnes, Director of War Mobilisation and Reconstruction, if he had resigned simply because he was tired. For almost two years he has occupied one of the most gruelling of all posts, and one of great power. Mr. Byrnes' resignation was made public some hours after his second report to the President and Congress was released. It was well known that he intended to resign on or soon after the end of the war in Europe, but the fact came as a shock, and in the rather nonplussed tone of the first accounts one read suspicion that some well-concealed quarrel might have acted as catalyst. Mr. Roosevelt accepted, without published protest, the resignation of the man who had become known as the "Assistant President," and immediately named Judge Fred M. Vinson, who has been Federal Loan Administrator for only a month, to the job of directing America's reconversion programme alongside her production for the Pacific war.

Mr. Byrnes has inevitably received his full share of criticism. Most recently and most publicly, he was criticised for his "austerity orders." But that was trifling in the context of the job he had to do. A more significant clue might be found in his letter to Mr. Crowley, Foreign Economic Administrator, two weeks ago, creating the Foreign Shipments Committee to examine, against civilian needs, the "capabilities of the United States to export items for the support of the war, other than direct military Lend-Lease commitments." An immediate and certainly unfortunate consequence of this order is believed to be the transatlantic food debate.

There has been serious criticism of Mr. Byrnes by the committee set up by the George Bill (which gave statutory power to the OWMR), representing government, industry, labour and agriculture. Resentful because Mr. Byrnes has not really utilised them in the advisory capacity the Bill intended, they recently passed an exasperated resolution in which they "respectfully requested" the director to notify the Board from time to time of "particular problems upon which he desires the advice of the Board." The Labour members are said to think Mr. Byrnes has vacillated on reconversion, and they cite the recent wave of Detroit strikes as an example of labour's resultant lack of confidence and fear of redundancy. Sections of industry have objected strenuously to the top priorities given to materials destined for the Soviet Union, which they habitually view with suspicion, while their own reconversion orders carried no priority at all. The Army is said to have watched with similar distaste the Lend-Lease shipments of machinery, some of it for Soviet post-war use.

Mr. Byrnes' accomplishment in his vast and unprecedent job of economic planning cannot be judged in terms of who were his critics, for at one time or another they must have included every group. It must be carefully evaluated in terms of mobilisation and reconversion.

The Battle of the Tariff

To a Republican with isolationist tendencies a battle that involves the venerable word "tariff" is something into which he can throw himself with abandon, particularly when Mr. Roosevelt is attached to the word. Mr. Roosevelt, therefore, did not underestimate his opposition last week when he urged Congress to pass the Doughton Bill which extends and broadens the reciprocal trade pacts, authorising reductions up to 50 per cent below the level of January 1, 1945. Under the Trade Agreements Act as it now stands, after three renewals, the maximum reduction is 50 per cent of the 1934 tariff rates.

Mr. Roosevelt rightly considers the lowering of tariffs in the context of what he hopes will be a new era of international co-operation. For that era, he said, the US needs a new "workable kit of tools," including the aviation treaty of Chicago and the Bretton Woods financial plans. He made it clear to Congress that tariffs would be lowered item by item and always on a reciprocal basis. "Great Britain and Canada, our largest peacetime customers, still maintain certain high barriers against theirs," the President told Congress. "Under the Trade Agreement Act as it now stands, we do not have enough to offer these countries to serve as a basis for the further concessions we want from them."

Last time the Act came up for renewal, the Republicans were defeated in their attempt to make each agreement dependent upon Senate ratification. This time, Mr. Doughton, chairman of the House Ways and Means Committee, and Mr. George, chairman of the Senate Finance Committee, expect both Houses to put up the most stubborn fight yet, on fairly straight party lines, with some Democrats swinging over to the Republican side.

This is a critical time for such a battle, for observers sense in both Houses a tendency to withdraw back into Isolationism as though the Gentlemen had breathed a whiff of air from the outside world and found it a trifle heady. Mr. Roosevelt cannot choose his time, for this is his battle for Bretton Woods and Dumbarton Oaks and the coming San Francisco Conference and for the world organisation he hopes will grow out of it. Most important, it is considered to be an inseparable part of the battle for full employment.

* * *

Bretton Woods

The Bretton Woods Bill is not making very rapid progress, and it is reported that the Administration has abandoned its original hope of getting it through before the San Francisco Conference opens. Whether the decision, when it comes, will be favourable or unfavourable is still obscure, though the greatest probability would seem to be that the Bill will be passed with amendments. An impetus in this direction has been given by a report by the eminently respectable Committee for Economic Development, whose reservedly favourable attitude may serve to offset the more downright hostility of the American Bankers' Association.

Both the CED and the ABA, however—and this is a very general attitude—profess more love for the Reconstruction Bank than for the Monetary Fund. The ABA would abolish the Fund entirely, and transfer to the Bank the only function now attributed to the Fund which is thought to be useful—the making of loans to facilitate the stabilisation of currencies. The CED does not go as far as this, but it would restrict the activities of the Fund to currency transactions for the correction of temporary disequilibrium. The bogey, to both organisations, is the possibility that the Fund will be left holding only weak currencies. This is, of course, a necessary consequence of the purpose for which it is created, and the fact that it is urged as an objection shows how far the American business community is from seeing the Fund in the same light in which it appears to other countries. The Bill may be passed by Congress, but there is every indication that Bretton Woods will mean different things in different countries.

More "Dream Spots"

President Roosevelt, refusing to be diverted by various rival groups contending for control over the Missouri River Valley project, has asked Congress for \$4,480,000 for preliminary work and planning, a fund authorised when the Flood Control Act was passed. One set of rivals—the Army Engineers and the Bureau of Reclamation—after engaging in a battle for control over the construction of the great project, finally joined with each other to oppose the proposal for a Missouri Valley Authority on TVA lines. Under their present plans the Army Engineers would deal with flood control, the Reclamation Bureau with reclamation and power development.

Mr. Roosevelt has made no bones about his preference for the TVA type of authority, and in this he is supported even by some sections of the American press that most noisily denounced TVA when it was launched and through its early years. It was Socialism, they said, and it could not work. Whether or not they still think it is Socialism they do not say, but they are now convinced that it works. Scripps Howard papers call it "the dream spot of the world." *Electrical World*, the trade journal of the private electrical industry, has endorsed valley authorities like TVA, which, it says, are "here to stay." The journal takes the stand that private utility operators will be able to co-operate more easily with autonomous authorities like TVA than with authorities directed from Washington.

With this stand the states involved in the Missouri Valley do not agree. They want an MVA, but not one independent of themselves. The legislatures of at least three of them—Montana, North Dakota and Kansas—are all on record as opposing an autonomous TVA-type authority for the valley.

The Missouri legislature has approved a resolution for an inter-state conference to decide what is best for all states involved. The Reclamation Association of Idaho has adopted resolutions favouring the development of water resources through present state and federal agencies. Several of the states are said to favour the joint plans of the Army Engineers Corps and the Reclamation Bureau. The private utilities probably feel they would have more control over the disposal of power if it were not necessary to deal with a self-contained authority which would not necessarily respond to political pressure.

Meanwhile, the MVA Bill has been the centre of a committee dispute, and Senator Murray, of Montana, its author, who wants it placed under the Agriculture Committee, where all previous legislation of this kind has gone and where the atmosphere would be congenial, has been forced to accept a compromise that involves sixty days of consecutive hearings on each of three committees: Commerce, Agriculture, Irrigation and Reclamation.

needs, has thus been fully implemented; and, as the motives of personal gain and competition are ruled out, the sole incentive is the common interest and the pressure of public opinion, neither of which should be underestimated in such a close and compact community. These societies have, in fact, withstood the vicissitudes of booms and depressions, and have even succeeded in bringing up a second generation nurtured in their peculiar creed and tradition.

The Source of the Movement

It would, however, be wrong to regard this movement as a kind of Communist sect with an abstract doctrine of radical collectivism. The *qibbutzim* are the product of special local conditions, and though united in their general features they differ widely in matters of politics, creed and so on. The first spiritual source of the movement may be traced to anarchistic and social reform ideas, which were brought into Palestine by Jewish immigrants at the beginning of the present century, and have led to the formation of a series of small collectives of utopian outlook. But the main cause of the trend to co-operation was the hardships of pioneer settlement in a primitive country; when the settlers shared among themselves whatever they had, they possibly did so more often than not out of sheer necessity.

A new impetus to national service and constructive socialism was brought by the Legion of Labour, formed after the Balfour Declaration, and inspired by the post-war revolutions in Europe. This attempt to create a sort of guild-socialism on a quasi-military basis was, however, doomed to failure, and the settlements established under it would not have survived but for the heavy investment of capital supplied from the Zionist funds. It was this investment which gave them the technical cohesion and the economic superiority that are peculiar to any large-scale unit of production, and which is of special importance in a country of primitive individualist peasantry, with an industry which is predominantly small-scale.

Fully aware of this, the *qibbutzim* have done their best to establish themselves as the most progressive sector of Palestine's rural economy, and the backbone of Jewish agricultural colonisation. They were the first to introduce modern agricultural machinery, making cereal growing profitable; to apply mechanisation to household work; to erect grain silos; to develop rural transport, with a fleet of their own trucks, and so on. They are ahead in cattle-rearing and in fishing, and account for about half of the Jewish output of vegetables, and a third of the milk and the eggs. Moreover, in recent years they have developed a variety of workshops and factories, some of which are among the biggest in their respective trade in the country. They are also eager to accumulate their savings, and their capitalistic attitude has not failed to gain for them in business circles a high reputation for stability.

Present Trends

Thus collective enterprise was at first the prerequisite of large-scale investment, but at present it is becoming ever more dependent upon it. The chief motive force of the movement is now no longer communism in consumption; it is rather co-operation in production, which alone enables the existence of *qibbutzim* of a thousand and more people. In this respect, also, the collective regime obviously has important advantages: the utmost mobility of labour; freedom from trade union restrictions; the reduction of the cost of living by wholesale purchases, and the rational utilisation of goods and services; the pooling together of various complementary industries; and, last but not least, the active participation of the workers. But it has its disadvantages as well, and the rapid expansion of industrial plant in some of the *qibbutzim* has led to the temporary employment of disguised and open forms of hired labour. As a rule, the *qibbutzim* still preserve their puritan tradition, and up to now they have succeeded in reconciling the capitalistic conduct with their association with the General Federation of Jewish Labour; but the possibility that they may be transformed into private concerns with closed membership cannot altogether be disregarded. On the other hand, the impulse to further expansion, inherent in a country of colonisation, puts a brake on this tendency by strengthening the dependence of the *qibbutzim* upon the human and material resources of the Jewish immigration. For the time being, and in the near future, they will continue to propagate in the most vigorous manner economic progress, strict democracy and federative co-operation.

The Ethiopian Budget

[BY A CORRESPONDENT]

FOR the first time the budget of the Government of Ethiopia has been published in the Official Gazette in the form of a proclamation which has the force of law. The budget is for the year ending September 5, 1945; it is in the form of an appropriation of revenue amounting to 38 million Maria Theresa dollars, which is the estimated revenue. The De La Warr mission, which went out to Ethiopia last summer to negotiate a fresh agreement with the Emperor, failed to come to a positive result on the question of the further financial aid which Great Britain should accord to the Emperor. Under the agreement of January, 1942, there was a grant of £1,500,000 in the first year, £1,000,000 in the second, and £500,000 in the third. Under the new agreement of December, 1944, no grant is payable; and the Ethiopian Government depends exclusively on its own resources for the revenue.

The estimates contemplate a great increase in the revenue compared with the preceding years. That is due mainly to an item of 9 million dollars from a new land tax, introduced at the end of 1944, which supplements the old land tax estimated to bring in 2½ million dollars. The other main items of revenue are as follows:—

(Dollars)			
Tithe	2,500,000	Income tax	2,500,000
Market revenue ..	2,100,000	Salt and tobacco	
Customs	7,500,000	monopolies	1,700,000
		Mining	5,000,000

The last item is no doubt mainly derived from gold, which will find its way to America.

The main item of expenditure is for the army and the police. The Imperial armed forces and the Imperial body-guard account together for just on 10 million dollars, and the police for 5½ million. The next largest item is for public works; and of that the major part is for the maintenance of the roads which were the principal Italian legacy. Altogether the public works' budget is 3½ million dollars. Provincial administration accounts for 2½ millions, and education for 1,700,000. The cost of the Ministry of Finance is 2½ millions, and of the Ministry of Justice, including the courts, 1½ million dollars.

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THE contribution of the Milk Chocolate Industry in ensuring Britain's milk supply during these critical war years is not generally realised.

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THE WORLD OVERSEAS

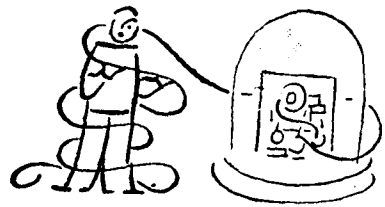
Communal Settlement in Palestine

(From Our Jerusalem Correspondent)

OUT of the few tiny groups of Jewish agricultural labourers, which, on the eve of the first World War were trying to run some primitive farms, there have by now developed in Palestine over a hundred well-established villages, with economic, social and cultural services, besides some two dozen training units, waiting for settlement, and a vigorous youth movement. These settlements comprise a population of about 30,000—that is, over 5 per cent of the total Jewish community, but they occupy some 100,000 acres, that is, almost a quarter of the total area in Jewish possession. The capital invested in buildings and other tangible assets total £4.5 million, and the gross income was computed (in 1940-41) at £2.3 million, of which 54 per cent came from agriculture, 29 per cent from manufacturing, and 17 per cent from work for hire. On the other side of the account, costs of production made up 53 per cent of total expenditure, 34 per cent went on human livelihood, 8 per cent on the amortisation of assets, and 5 per cent on interest, while some 15 per cent were booked as profits. These figures are, however, hardly comparable with other statistics, because of the peculiar social structure of these settlements. This is based

on complete collectivism, not only in production, but in consumption as well, so that an individual member has hardly any property of his own except for a few personal belongings. All land and buildings, stock and implements are the common property of the *qibbutz*, the collective of workers. Every member, man and woman alike, has to do the work he is allotted by the secretary for labour. All profits and wages are delivered to the common fund. On the other hand, every member of a family has the right to an equal share in the common supply of goods and services within the village. The dwellings are distributed in proportion to needs; all meals are taken in a common refectory; clothes, shoes, and so on are issued from stock; a nursery, a kindergarten, and a school are maintained for the children; there are recreation rooms and so on! The supply is regulated by the budget, approved by the general meeting of the members, which is the supreme authority in business and in social conditions. But within this general framework every member may have his personal needs accommodated to some extent. The Communist principle that everyone should give according to his means, and receive according to his

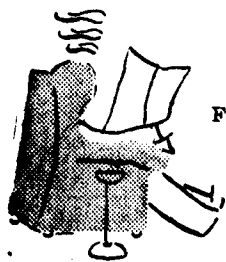
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449/161

THE BUSINESS WORLD

Gas Company Prospects

THE security silence imposed on gas company reports during the period when every works was a potential enemy target has now been lifted. The wartime story is still fragmentary—the accounts of most companies for the years 1940 to 1943 inclusive have yet to be published—but the broad outlines of the picture are clear. They reveal an uneven but on the whole reassuring state of affairs. The gas industry, clearly, has played a worthy part in a national war effort in which the rôle of fuel resources of every kind has been decisive. It has significantly increased its total output—gas consumption has risen by 16 per cent since 1938, and the industry has made great and successful efforts to cope with an unlimited wartime demand for by-products like coke, tar, benzol, sulphuric acid, chemicals and fertilisers. The increase in the cubic footage of gas supplied to industry has been greater than the rise in total output; for the black-out, evacuation and the unceasing official exhortation to consumers to economise in domestic fuel have combined to reduce the non-industrial load.

It follows from the industry's quantitative performance that the effects of enemy bombing have generally been much less serious than might well have been expected, since gas production plants are not among the least vulnerable of enemy targets. But in a few instances the burden of war losses—including loss of earning power—has been disproportionately heavy. Most of the major companies in which Stock Exchange investors have their largest stake serve great cities and their surrounding districts. Outside London, aerial bombardment has on occasion been intense but seldom prolonged. Local industry has been extremely active, and though the successful effort to cope with its demands have sometimes involved the bringing in of plant which in normal times would have been classed as uneconomic, the tendency of gas company revenues has actually been upward for the most part. In the London area, however, the story is very different. There, enemy activity has been greatest, the loss of consumers by evacua-

tion and disappearance of homes has been at its maximum, and though the Government has sanctioned a certain raising of tariffs, permission has been sparingly given and has not completely compensated the effect of reduced sales.

Even inside the Greater London area, however, the experience of different companies has been remarkably uneven. The following table, which has been pieced together from information given in chairmen's speeches, and the like, throws an interesting light on the experience, year by year through the war, of three large London companies.

LONDON GAS COMPANIES IN THE "BLITZ"

	1939	1940	1941	1942	1943	1944
Gas Light & Coke:—						
Dividends on—						
Pref. Stk. (%)	3½	1½	Nil	3½	3½	3½
Maximum Stk. (%)	3½	1½	Nil	1½	3½	3½
Ord. Stk. (%)	4½	2½	Nil	1	4	5
Commercial Cos.:—						
Trading Profit (£)	216,965	4,952	101,518	42,068	15,214	152,516
Deficiency carried forward (£)	...	71,435	222,459	299,090	367,834	367,834
Gas Sales as % of 1938†	...	70	47	57	58	...
South Met. Cos.:—						
Millions of therms sold	69.9*	55.4	52.3	60.3	59.2	59.1

* 76.7 millions in 1938.

† By value.

Clearly, 1941 was the worst year, and the subsequent improvement in London companies' fortunes, though well maintained, has, physically left gas sales well below the pre-war level. But whereas the Gas Light and Coke Company, after reducing its dividends in 1940 and paying nothing even on its preference stock in 1941, has now regained its pre-war dividend-paying power, a company like Commercial Gas, serving East London areas, has during the greater part of the war been operating at a loss, and, on the threshold of peace, finds itself with a heavy accumulated

GAS COMPANY REVENUE, EXPENSES AND EARNINGS

Company (Years to December 31st)	#	REVENUE					Expenses (Total)*	Earned for Fixed Charges	ORDINARY STOCK			
		Sales of Gas	Rentals	Residuals	Others	TOTAL REVENUE			Earned	Paid	Present Price	Yield at Present Price
LONDON AND DISTRICT:												
Gas Light & Coke	1934	8,331,051	1,592,436	1,974,142	51,953	11,949,482	9,923,366	2,026,116	5.7	5.6	24/-	4.167
	1939	8,878,680	1,767,380	2,612,495	65,734	13,324,289	11,599,357	1,724,932	4.2	4.5		
	1944	11,661,950	1,614,116	4,301,889	48,068	17,626,023	16,001,405	1,624,618	7.4	5.0		
Commercial Gas	1934	561,502	89,225	184,342	1,314	836,382	721,827	114,555	4.3	5.5	66	...
	1939	500,447	86,384	169,882	4,353	761,066	650,782	110,284	5.6	3.0		
	1944	495,169	56,715	139,857	8,034	699,775	657,427	42,348	Nil	Nil		
South Met. Gas	1934	2,815,239	424,179	693,701	6,076	3,939,195	3,393,199	545,996	5.8	5.75	95½	2.094
	1939	2,521,139	409,270	761,770	7,187	3,699,366	3,071,977	627,389	7.6	4.5		
	1944	3,071,934	334,010	1,211,705	5,053	4,622,202	4,148,580	473,622	5.9	2.0		
S. Suburban Gas	1934	933,349		378,049		1,311,398	1,118,132	193,266	6.1	6.0	117½	4.255
	1939	1,042,904		512,760		1,558,702	1,376,937	181,763	4.1	4.5		
	1944	1,423,043		768,995		2,192,038	1,996,681	195,357	5.0	5.0		
PROVINCIAL:												
Newcastle & Gateshead Gas	1934	729,842		260,184		990,026	805,722	184,304	5.8	5.375	26/3	4.095
	1939	902,169		329,154		1,231,323	1,028,858	202,465	5.1	5.375		
	1944	1,376,450		620,797		1,997,247	1,784,605	212,632	6.2	5.375		
Sheffield & District Gas	1934		575,920	1,972	6,286	584,178	446,286	138,892	6.0	6.0	150	4.333
	1939		999,224	37,863	19,386	1,051,473	879,280	172,193	8.1	6.5		
	1944		1,558,699	180,146	3,304	1,722,149	1,580,492	141,655	6.8	6.5		
Liverpool Gas	1934	1,119,718		266,033		1,385,751	1,187,972	197,779	6.0	6.0	127½	4.314
	1939	1,103,584		338,798		1,442,382	1,272,136	170,246	4.1	6.0		
	1944	1,552,645		817,389		2,370,034	2,215,425	154,609	6.7	5.5		
Cardiff Gas & Light	1934	280,890	40,156	44,191	...	365,237	306,381	58,856	6.3	6.0	125	4.800
	1939	299,855	42,423	55,178	...	397,456	342,392	55,064	5.65	5.65		
	1944	449,859	45,622	211,900	...	707,381	649,956	57,425	6.1	6.0		
Portsmouth & Gosport Gas	1934	349,280	72,967	88,463	4,221	514,931	431,744	83,187	...	8.25	147½	4.915
	1939	484,378	73,707	148,253	8,072	714,470	613,281	101,189	...	8.2		
	1944	712,443	67,972	226,385	4,701	1,011,501	960,600	50,901	...	7.25		

* Including staff funds, taxes and special allocations (where made). (a) Before crediting interest receipts, etc. (b) Not including tax on dividends. (c) Including all taxes.

deficiency on profit and loss account, and a debt to the Government—wholly through circumstances beyond its own control.

Obviously, the position of certain London enterprises will present a special problem in reconstruction economics after the war, and the case for special Government assistance—of which little in the way of concrete suggestion has yet been forthcoming—may well be strong. On the whole, however, the industry emerges from the war without serious impairment of its financial position, as is suggested by the figures in the table at the foot of page 449, which summarises the experience, in key years during the past decade, of four London and five provincial companies, whose shares are owned directly by investors.

The table shows that, in the period between 1934 and 1939, revenue from sales of gas was on the whole tending to increase, though not at a rapid rate, and, perhaps rather less markedly in London than in some provincial city areas. The trend of revenue from rentals was broadly similar, but residual products were revealing a highly welcome elasticity as revenue-producers. Expenses, however, were rising, and in most instances net earnings available for debenture and stockholders were stable rather than progressive—partly as a result of higher raw material prices, and partly, of course, as a consequence of the statutory tie-up between selling prices, and the return on capital. By the end of 1939, war uncertainties had already induced the directors of some companies to adopt a cautious dividend policy. During the war, labour has been in short supply, coal and wages costs have substantially increased, and tariffs have been officially controlled, though increases have been permitted on a moderate scale. It is the increase in the industrial load, and, particularly, the insatiable demand for residuals—plus, in some instances, reduced calorific value of gas produced—which have contributed so indispensably to the increased wartime gross revenue of the “unblitzed” companies. The curve of expenses has mounted steadily, and the industry has had its due share of the burden of war taxation. Nevertheless, with the exceptions already mentioned, earning power has been well maintained, and though ordinary stockholders are not in all cases receiving full pre-war dividends, the discrepancy (with the same melancholy exceptions) is not really very considerable from an investment point of view. The average yield in gas stocks is 3.31 per cent, but the yields on many gas company ordinary stocks, as shown in the ultimate column in the annexed table, are somewhat above the current average of 4.15 per cent for industrial equities generally, shown by the Actuaries' Index. The explanation can only be a conservative approach by many investors to certain factors in the post-war outlook for the gas industry.

How far this conservatism is due to industrial, and how far to political factors in the balance of probabilities, is a moot point. Certainly, the industry, if left to itself, will have its own formidable difficulties to meet, but they will not, of themselves, be greater than those many other industries are facing. Not all the wartime expansion in the industrial load may be maintained but domestic and lighting demand will revive. Given a national policy of full employment, and the same tendency as before the war towards reduction of costs by improved technical methods, the same progressive “service” policy towards the consumer, and the virtual certainty of further expansion on the by-product and chemical side,

the industry should find it well within its own powers to carry the burden of increased costs and, in the long term, to improve its own earning power, steadily if not spectacularly. What investors have chiefly in mind, probably, is first, the effect of the resumption of competition between the gas and electricity industries and, secondly, the possibility of Government intervention, ranging from severe price regulation (even to the point of “consumer subsidisation”) to, maybe, out-and-out nationalisation.

If the matter even lay between gas and electricity alone, the gas industry could rely, confidently enough, on keeping its niche in the long run, conceding electricity the prospect of faster progress (as the newer industry) and, ultimately receiving a division of territory that would be neither uneconomic nor unprofitable to either party. Already, the main lines are suggesting themselves—electricity in the lighting market, for industrial motive power and, probably, in agriculture of the future, gas for cooking and heating—with one or the other predominant but not exclusive, in its favoured fields. If the electric supply industry could be dissuaded from invading the cooking and heating fields by charging what the gas industry contend are uneconomically, and therefore unfairly, low rates for these purposes, gas would look forward with full confidence. The merger of the National Gas Council and the British Commercial Gas Association, to form a single British Gas Council with one of the ablest men in the industry at its head, will undoubtedly strengthen the industry, technically, on the sales side and politically. As yet, the possibilities of developments like the setting up of regional gas grids and their financial complement, and a more determined use of the amalgamation powers conferred by legislation in the early '30s, have hardly been explored. Nor has electricity, so far, discovered a way of emulating the gas industry's advantages through its ability to store its product and obviate acute peak load problems.

If that were all, investors would probably continue to treat gas company shares, as in pre-war days, as “sound” holdings, from which they expected gradual rather than sensational capital appreciation without loss of sleep meanwhile. Unfortunately (for investors), the political factor can neither be left out of the equation nor evaluated, at the moment, with any real confidence. The industry's structure and organisation are avowedly a matter of Government inquiry, and whatever the eventual official findings may be, questions of future capital ownership seem likely to be inextricably involved with them. Uncertainty goes even further, since 1945 is destined, apparently, to be an election year, and public utility ownership may well figure in the political programme of more than one party. It may even turn out that the difference between Right and Left, on that question, is largely one of stress and approach from the viewpoint of political expediency. To that problem, events alone can give an answer, and until they do, the present differential in the yield on gas equities and other equities—which though not wide is still appreciable—may be expected to continue. Yet, in the long run, if matters came to the point, it may be asked whether investors in gas shares would stand to lose a very great deal by either a fair and reasonable compensation in Government stock for their existing holdings, or by holding junior stock in some future Gas Corporation. That, however, is merely a speculative question, not a prophecy.

Business Notes

Flag Waving

The past week has brought a marked change in the tone of the stock market. The rise in the industrial equity index of the *Financial News* is twice as great as in the preceding month; the movement of the index is shown by a chart on page 459; it is now all but up to the peak of August last. The corresponding fixed-interest index shows little change, but there has been a resumption of the rise in the Funds. The improvement has not been accompanied by any substantial increase in business. The number of bargains received is still only rather over 7,000 for the first working day of each week. But there is rather less complaint of paucity of big order, and the volume of inquiry is substantial.

As was indicated last week, in the context of the general firmness of markets, the rise owes something to the general optimism associated with the approach of victory—the market calls it flag-waving. The buying is not highly selec-

tive and the inquiry covers a very wide field. The fact that the more widely representative *Actuaries' Investment Index* passed its 1944 peak before that of the *Financial News* owes something to the character of the buying as well as to the accident that the end-month dates of the former do not coincide with the highest levels touched. In fact, it is now impossible to obtain even the less marketable stocks at prices which give really attractive yields, and the point has possibly been reached where the next major development ought to be a rise in fixed-interest securities.

A development which will favour this, as well as the general rise in prices, is the reinvestment of the money to be released by the repayment of Australian stocks. It is, perhaps, too early for the general run of investors to be occupied with this problem, but large individual holders and institutions will certainly be taking action, if they have not already done so. A further stimulus to the gilt-edged market may, imaginably, be given in the not distant future

by the substitution of another new stock for the 1½ per cent Exchequer bonds which are beginning to be rather costly to the borrower. A fall in the rate of interest will, of course, tend to raise equities as well as other stocks, but any really sharp improvement must be based upon favourable developments at home. These are largely a matter of Government policy. In particular, the question of the future of EPT is one which calls for urgent consideration.

New Rule on “Placings”

After protracted negotiations with the Treasury and the Bank of England, the new issues sub-committee of the Stock Exchange has evolved a new arrangement for dealing with placings. This was officially announced by the new Council. It was its first communication to the public of major importance and it is difficult to feel that it is a propitious debut. In fact, Sir Robert Pearson, in stressing the loyal co-operation of the Council with the Treasury, was really stating the unwillingness of the House to express its true opinions. There can be no doubt that the average member of the exchange both dislikes the new regulation and fails to see any need for the policy which underlies it.

The regulation is simple. It bans any resale of placed securities until permission to deal has been granted and permission is not to be given until six months after the placing. It is understood that, in normal cases, the consent of the Treasury will not be required before dealings can commence, but there can be no certainty that a fresh ban will not be imposed at the end of six months.

Since the broker who undertakes the placing must be sure that those who take the stock in the first place honour the undertaking not to re-sell, he is required to restrict the distribution to “strong investors, such as institutional investors, trustees and other long term holders.” Placing with individual investors is not banned and there is here a loophole for reasonable treatment, but the intention appears to be restrictive. In fact the method raises the costs of issue for all who have to use it. Those who have had a favourable experience of late and can hope for good times to come, may be able to raise money by issues to shareholders. Others, and in particular the new enterprise, will have to submit to underwriting terms which will be greatly inflated owing to the element of risk arising from having to hold the stock for six months. Further, there will be a distinct tendency for the field over which stock will originally be placed to be limited to those who have an established reputation in this type of business. Both these results are restrictive and, therefore, undesirable.

For none of this can the Stock Exchange be held responsible. Before the war, it was doing its best to limit the use of placings which give, much more than other forms of issue, a differential advantage to professionals in the inner circle to the disadvantage of the genuine investor. The Treasury, however, holds an active market to be anathema and everything must be sacrificed to discouraging an interest in new securities, other than those of the Government. It may be that this attitude is also the explanation of another very regrettable feature of the new ruling.

This is that, at the time of placing, no particulars need be given, such as are required before permission to deal is granted, and that no Exchange Telegraph card need be made available. That is to say no information whatever need be published at that time. The public is to remain in ignorance. The officials of the Stock Exchange would have had to go out of their way to demand the particulars at the time of placing and they cannot, perhaps, be blamed for not doing so. It is to be hoped, however, that they will make sure that the details are fully available to the whole public—not merely to the inner circle—some days before permission to deal is granted so that all may start fair. Or will there be a Treasury objection to that, as calculated to encourage activity in the shares?

Preparing for Reconversion

Within the limits—and they are still severe—of the manpower and materials that can be spared from war production, industrialists are beginning to prepare for the difficult task of reconversion. In July last year the President of the Board of Trade announced that the Government was then prepared to consider the grant of facilities to manufacturers to enable them to carry out experimental and

development work, including the manufacture of prototypes, in preparation for the changeover to peace production. In other words, such preparation still requires Government sanction.

During the past eight months more than 1,300 applications have been received by the Board of Trade, and of these only 13 have been rejected. According to the report on applications published in the *Board of Trade Journal* of March 31st, some of the applications have been refused because the applicants have been behind on their war work and it has been considered that any post-war preparatory work would interfere with war contracts. But as soon as circumstances permit, such applicants are allowed to go ahead. Some raw materials are still exclusively reserved for war production, and the demand for labour is still so pressing that applicants are asked to undertake their approved preparatory work without an increase in their labour force.

As was to be expected, applications have hitherto come mainly from the engineering industries. Applications from road and rail transport equipment manufacturers, and from the domestic appliances, textile machinery, printing, paper and paper-working machinery, electrical machinery, food machinery and machine tool industries head the list. In view of the approaching end of the war, preparations for reconversion should be accelerated as much as possible within the limits of available resources.

French Financial Policy

The Budget Speech delivered by the French Minister of Finance, M. René Pleven, to the Provisional Consultative Assembly on March 29th was the first full-scale ministerial pronouncement on French financial policy. M. Pleven stated the aims that are to guide his policy; and he named the measures that are to be applied immediately. Whatever the final judgment on his speech, it has the overriding merit of clarifying issues that have been overlaid with controversy and of casting aside some of the financial uncertainties that have acted as a brake on the everyday business of production and exchange.

The key-note in M. Pleven's speech was his emphasis on the need to increase production in the short-run and productivity in the long-run. He drove home the lesson that finance cannot achieve these ends, that it can only be a lubricant. An immediate increase in production means the fullest possible utilisation of the country's resources—though increased imports are essential. An increase in productivity means a higher rate of capital investment; the problem is one of the distribution of resources between production for present consumption and production for future consumption.

In the matter of short-term policy, M. Pleven intends to adapt to French conditions the policies successfully

STAGGERED WORKING HOURS INCREASE TRAVEL COMFORT

There is only one way to ease the congestion of rush-hour travel—by spreading arrival and departure times over a longer period. If every other firm in a particular area were to alter working hours by 15 or 30 minutes, rush hour congestion would be greatly eased at Underground stations and adjacent bus stops. Already 600,000 London workers benefit from staggered hours.



adopted by other members of the United Nations—that is to say, to raise production to a maximum, to tax heavily, to initiate a national savings campaign and to ensure greater equality in the distribution of a shrunken volume of consumer goods by means of an efficient rationing system. In his view, the real problem of France is the shortage of supplies rather than the danger of inflation. Mere juggling with finance will not bring forth additional supplies, but additional supplies will assist in the solution of financial difficulties.

In the matter of long-term policy, the Minister of Finance contented himself with a discourse on aims, on the meaning of productivity and on the futility of hoping that this could be achieved simply by a change-over from private to public ownership. Obviously, he thought it wise, at this stage, to begin by focusing attention on the real, physical problem of France and to allow time for discussion; but he undertook to submit detailed plans to the Government before the end of the year. This means, presumably, that they will be ready before the general election, and that they can then be submitted to the test of public opinion.

The Budget of 1945

M. Plevin is faced with an estimated expenditure this year of some Frs. 406,000 million (including Frs. 220,000 million for civilian purposes), against one of Frs. 437,000 million in 1944 and Frs. 443,000 million in 1943. In other words, total expenditure this year is estimated to be almost as high as it was during the occupation, whose cost had to be met by France. Existing taxation is likely to yield Frs. 154,000 million; but additional sources of revenue are estimated to raise total receipts to Frs. 192,000 million, equivalent to 47 per cent of expenditure. In view of the country's economic paralysis, the realisation of this estimate would be no mean achievement; and if M. Plevin were to succeed in meeting the deficit from savings, without recourse to the printing press (nearly a quarter of expenditure between August 31, 1939, and December 31, 1944, was covered by advances from the Banks of France and Algiers), he would have done much towards the restoration of financial order in France.

There is to be a reduction in subsidies on items such as bread and coal; and there are to be higher taxes on tobacco, alcohol and other luxuries. The confiscation of illegal profits is expected to bring in Frs. 12,000 million, but, although Frs. 5,500 million have already been declared subject to confiscation since January 1st, only 60 per cent of the total have been earmarked for this year's budget. Economic recovery and—it is hoped—a greater realisation of their responsibility towards the community by taxpayers, are expected to swell the yield of taxation. There is to be a levy on war-time increases in the property of individuals—details of this will be announced later—payable over four years and estimated to yield between Frs. 100,000 million and Frs. 125,000 million; but as payments will begin in 1946, this levy will not benefit this year's revenue.

Compared with pre-war conceptions and practice, M. Plevin's first budget speech is no more conventional than was Sir Kingsley Wood's. Indeed, his statement of policy is in many respects in line with that pursued by this country in recent years. He rejected the shock tactics favoured by one section of French opinion; for example, the exchange of notes is to be carried out note-for-note, without any blocking. He regards "monetary puncture" as merely a new word for deflation, though he is equally determined to prevent serious inflation. He holds the view that increased supplies of goods and services, allied to high taxation and a national savings campaign, will bring the remedy. M. Plevin may be right, though in many respects his difficulties are much greater than Britain's. The first round in the tussle between the Ministry of Finance and the Ministry of National Economy—the new super-ministry—has thus been won by the former; M. Pierre Mendès-France, Minister of National Economy, is reported to have resigned on April 4th.

Vickers' Accounts

The comments made on page 421 of *The Economist* of last week at the lack of information in the Cammell Laird accounts apply with almost equal force to the report of Vickers. There is, however, this difference between the two pictures, namely, that the principal subsidiary of Vickers, Vickers-Armstrongs, shows an appreciable improvement in earnings. Since its principal income from subsidiaries comes from English Steel, whose payments are

unchanged, the bulk of the increase in revenue, presumably, comes from Vickers-Armstrongs' own works. Insofar as anything can be deduced from the figures of the balance-sheet, it would seem that the activity of this company had passed its zenith at the end of last year, for stock-in-trade, debtors and the advances to finance production, whether from the parent company or from outside the group, were all lower.

In view of the progress of hostilities, it seems very probable that a turning-point has been reached in the history of the group, and it is of interest to inquire how far they are prepared, financially, to meet the period of readjustment and modernisation. This is where a consolidated balance-sheet for the whole group is essential. Without it, and an assurance that the valuation of liquid assets and current liabilities is in close accord with their realisable value, it is impossible to say with any certainty what amount of money is available. The accounts of the two principal subsidiaries for the past three years are summarised on page 458; those of the third, Metropolitan-Cammell, were dealt with on page 430 last week, but to judge the liquid position a comparison with 1939 is, perhaps, more useful.

All that it is possible to do in this matter is to combine the figures of the four companies' balance-sheets. With the caution that only the major part of the investment of any additional moneys available will accrue to shareholders in Vickers—the remainder going to those in Cammell Laird—this should give a reasonably close idea of the amount available to the group, excluding Cammell Laird's own resources. This calculation shows an increase since 1939 of rather over £6,000,000 in net liquid assets, from which are excluded all inter-company items and trade investments. But of this increase almost £2,000,000 has been financed by the redemption of the Metropolitan-Cammell debentures, held before the war by Vickers, by the sale of certain trade investments and by a reduction in the net amount lent to subsidiaries.

There is, thus, a net increase of only some £4,000,000. There is no means of assessing the original value of the fixed assets of the group, but this figure is roughly 35 per cent of the net liquid assets in 1939 and a much smaller percentage—some 20 per cent—of net liquid assets plus net inter-company items. Probably the group has substantial amounts concealed, but, on the basis of the published figures it appears that the accumulated net resources are scarcely sufficient to meet normal requirements. They are certainly not large enough to finance large-scale rehabilitation, such as the chairman suggests is necessary.

New Rolling Mill Plant

The sanction by the Government for the installation of a new £500,000 mill to the Darlington Rolling Mills Company is of twofold interest. Incidentally, the holding company, Darlington and Simpson Rolling Mills, is to take over the whole assets of the subsidiaries and to become an operating concern. The mills are very largely associated with Crittall Manufacturing and with Dorman Long. Sir Valentine Crittall is chairman of the concern, and there was a pre-war agreement that his company should take not less than 75 per cent of its bar metal requirements from the group. The new mill is to be entirely devoted to the production of light sections, such as window-frames, and will in consequence be capable of handling a substantial output, and so making a contribution to one side of the post-war housing plans.

More interesting still is the fact that the new mill, which is said to be of the most modern design, is an entirely British product. If, as is claimed to be the fact, this country has established leadership in this particular field, there should be a very substantial demand for both the products of the mill and for the installation of similar mills both at home and overseas. Such mills are, of course, at their best when on mass production, but they are both more cheaply and more rapidly convertible to meet new demands than the heavier types, so that the demand for them should be very considerable. The interest of Dorman Long in the group is, presumably, as suppliers of the raw material, and Mr A. Dorman is managing director of Darlington and Simpson Rolling Mills.

Floating Debt in March

With an unexpectedly heavy current deficit during the last fortnight of March, probably due to last-minute clearing of accounts before the turn of the financial year, the

amount of debt created during the five weeks to March 31st, at £296 million, was appreciably higher than the £262 million for the corresponding period of last year. Only £34 million, however, against £67 million last year, came from an increase in the floating debt.

This favourable picture, unfortunately, has to be modified in view of the issue of a further £120 million of 3 per cent terminable annuity during the month; there was no corresponding issue last March. The 3 per cent terminable annuity in lumps of £120 million is issued periodically to the National Debt Commissioners for the investment, primarily, of balances accumulating in the Savings Banks. These balances are held in the form of floating debt assets, until they have accumulated sufficiently, so that the issue of a further £120 million of the annuity tends to be offset by a corresponding fall in the floating debt. Ways and Means advances from Public Departments—one of the floating debt assets held—in fact rose £33 million during the month, but this was £21 million less than last year's rise. The "tap" issue of Treasury bills, however, appears to have taken the main weight of the operation, falling £58 million, against a rise of £32 million last year.

As a result, the gap which had to be met by borrowing from the banks on TDR's was considerably larger than last year. The total of TDR's outstanding rose £58 million during the month to the record level of £1,859 million, compared with an expansion of only £13½ million in March last year.

Tungsten

The recent reductions in the Ministry of Supply's buying and selling prices for tungsten ore were a clear indication that the supply position of this product—indispensable in the production of high-speed and other tool steels—has greatly improved. It has been obvious for some time that the satisfactory supply position of tungsten was chiefly due to supplies from new sources. Southern China, which normally accounted for over one-half of world supplies of tungsten, has been isolated since early 1942 and has contributed only small quantities, sent by aeroplane over "the hump," to the war supplies of the United Nations. Moreover, Burma, before the war responsible for four-fifths of Empire supplies (equivalent to one-fifth of world supplies), was occupied by the Japanese before Allied war production had reached its peak. Production of tungsten in Cornwall, the Iberian Peninsula, Australia, some African colonies, Argentina, Bolivia and Peru has recently found much publicity, but these supplies, although impressive, were not large enough to explain the strong supply position of the United Nations, especially as large parts of the Portuguese and Spanish output were during the greater part of the war diverted to Germany, while Argentina absorbed the bulk of its production at home.

The statistics of production in the United States, now released by the Bureau of Mines, go a long way to close the gap in the jig-saw puzzle. In 1939, the tungsten ore output of the United States had reached a far higher level than in the preceding years, but even so it did not exceed 3,889 short tons, with an average content of 60 per cent WO₃. In 1942 United States production approached 10,000 tons; in 1943 it reached 12,045 tons. Last year production continued to rise until the end of April, when the Government took steps to reduce it. Even so, the 1944 output was 10,500 tons.

Hydro-Electric Board's Opponent

The Scottish Power Company is the holding company for a large group of electricity supply undertakings operating in the North of Scotland. Although the group's sales have fallen from 516 million units in 1943 to 468 million units in 1944, they are still 46 per cent above their 1938 level. Despite the rising cost of coal, prices for industrial users and for public lighting have been reduced during 1944, a fact which illustrates the economies gained from expanding demand. The extension of supplies to many rural areas served by the Grampian Company, the group's largest concern, is still in its early stages. In agricultural areas, the only efficient method is to supply a group of farms together, and Mr Shearer, the chairman of Scottish Power, regrets that farmers have not been more co-operative and that they will not make more use of electric power.

The immediate problem is, however, more likely to be one of supply than of demand. Mr Shearer is one of

the few chairmen who do not stint the information which they give about their company's activities and intentions. Unfortunately, his annual speech is marked this time by an unjustified hostility towards the new North of Scotland Hydro-Electric Board, which alone has power to construct new generating stations and which is consequently responsible for all additional supplies needed by private companies. His specific contention is that the Board's first two constructional schemes do not meet the undoubted need for providing a new source of power in the extreme north of the Grampian company's area; but the answer to this is that the Board cannot do everything at once.

Railway Wage Claim

Last November, when the National Union of Railwaymen decided to claim a national minimum wage of £4 10s. a week, negotiations were begun with the other two railway unions, the Amalgamated Society of Locomotive Engineers and Firemen and the Railway Clerks Associations, with a view to putting forward a joint claim. These negotiations did not bear fruit, and the three unions have now put forward separate claims for higher wages and improved conditions in regard to working hours and holidays.

On April 17, 1944, an increase of 5s. a week was granted to all railway workers, in response to a demand for 12s. That increase was estimated to add about £10 million a year to the wages bill. It brought the NUR minimum up to 80s. a week in London, 78s. in industrial centres, and 77s. in rural areas. The latest figures showing the change in earnings compared with before the war relate to March, 1944, and do not, therefore, take into account the last increase in rates. At that time average earnings of adult male workers had risen by 66 per cent compared with March, 1939, and by 40 per cent for youths and boys. The nearest comparable figures for industry as a whole are as follows: July, 1944, an increase of 80 per cent above October, 1938, in men's weekly earnings, and 81 per cent for youths and boys.

Retail Trade in 1944

Retail turnover in 1944 was at a higher level than in any other year of the war. Apparel sales recovered from the abnormally low level of 1943 to which they fell owing to the incidence of coupon releases. Despite the low record of the household goods index there were, in fact, more articles (except furniture) sold in these departments than in the year before; simplification and standardisation assisted in bringing down prices. The index for non-food merchandise is, of course, influenced greatly by the apparel departments. The increase in food and perishables sales to some extent reflects an easing food situation, and only to a small extent a rise in price (the food component of the

RETAIL SALES (1942=100)

	Apparel	Household Goods	Non-Food Merchandise	Food and Perishables	Total	Stocks (at Cost) End of Year Compared with Previous Year	
						Food and Perishables	Other Merchandise
1939	98	115	100	96	97	+23.6	+11.6
1940	106	112	105	98	101	+25.3	+5.8
1941	97	103	98	97	98	-1.7	+10.0
1942	100	100	100	100	100	+15.8	-3.8
1943	88	89	93	102	98	-1.5	-13.9
1944	102	87	101	107	105	-11.0	-15.8

Ministry of Labour's cost of living index (1914 = 100) rose only by two points from 1943, to 268). The accompanying table compares sales in the main categories from 1939, thus giving a comparative view of the war years. (It should be borne in mind that prices have been relatively stable since 1942, although there was a steady rise until then.)

The last two columns in the table, showing changes in food and other stocks compared with the preceding year, do not bring out the marked fall in stocks of individual groups of goods during 1944. According to the *Board of Trade Journal*, total stocks each month of 1944 were between 9 and 19 per cent below the previous year's level. In non-food merchandise the variation was 11 to 20 per cent. Only

(Continued on page 458)

BANK OF SCOTLAND

250th ANNIVERSARY

FURTHER GROWTH OF BUSINESS

LORD ELPHINSTONE ON THE OUTLOOK

The annual general meeting of the proprietors of the Bank of Scotland was held within the head office, Edinburgh, on the 3rd instant. The Rt. Honourable Lord Elphinstone, K.T., Governor of the Bank, presided.

In submitting the directors' report, the chairman said:—Ladies and gentlemen, I assume that as usual we may hold as read the report by the court of directors of the affairs of the bank as at February 28th last, a copy of which you have no doubt received.

THE BOARD

To fill a vacancy on the board, the directors, by virtue of the powers contained in the bank's constitution, invited Mr William Watson, chartered accountant, to become an ordinary director. I am glad to say that he agreed to accept office and you will be asked to re-elect him to-day.

During the past year two of our extraordinary directors—The Earl of Haddington, M.C., and Lord Balfour of Burleigh—have, for personal reasons, relinquished office. We congratulate Lord Balfour of Burleigh on his appointment to the board of Lloyds Bank, Limited.

BANK'S 250th ANNIVERSARY

On July 17, 1695, the Scots Parliament passed the Act which established the Bank of Scotland. Accordingly this year we attain our 250th Anniversary. We are thus junior by only a year to the Bank of England. Two and a half centuries is a long time to have been in business, and it is with some pride and no little satisfaction, that I present to you to-day a statement which, I think, affords proof of the value of a consistently careful and prudent policy, and of strict adherence to those well established principles upon which the banking system of this country has been built, and upon which indeed its high reputation rests.

EXPANDING BUSINESS

The business of banking operates upon a narrow margin of profit and it is from the utilisation of resources placed in its hands by depositors and stockholders that it derives the bulk of its income. In keeping with the expanding war-time economy, our funds have again increased and thus the balance sheet continues to reflect the abnormal monetary conditions of these days. During the year deposits have expanded by £94 millions and are now over £714 millions. These figures have to some extent been swollen by lodgements of a temporary nature. Our note circulation has passed the £10 million mark—nearly three times the pre-war figure. I would again appeal to those who may be disposed to keep by them—in their safes, their tills, or their pockets—a greater quantity of cash than is really necessary, to return surplus notes to the bank or to invest them in support of the National Savings movement.

The increased resources placed at our disposal have their counterpart in the expansion to investments and treasury receipts. As you can see, we have continued to respond to the calls of the Government for financial support. The

market value of our investments is in excess of the balance sheet figure.

ADVANCES

Advances and loans, although slightly higher than a year ago, are still much below normal and far short of what we would like to see.

Until industry changes over to peacetime production, and empty shelves in warehouses and shops can be replenished, it is unlikely that banking advances will show any material increase. Needless to say, we look forward to meeting all legitimate demands of our borrowing customers. Technically, the bank is in an extremely liquid position and is well able to play its part in the post-war economy of the country. All known bad and doubtful debts have been provided for.

Bank's Premises and Heritable Property.—The figure at which the properties of the bank stand in our books is much under the actual value. The properties have been maintained in good condition—so far as that is possible under present circumstances—and suitable provision has been made against the cost of renovations and improvements.

RESULTS FOR THE YEAR

For the reason already given the nett profits have increased by £10,000 to	£259,542
Add the balance brought forward from last year	159,161
Together	£418,703
Deduct:—	
Added to Reserve Fund	£75,000
Transferred to Trustees for Officers' Pension Fund	30,000
Transferred to Bank of Scotland Widows' Fund	10,000
Dividend at 12 per cent. per annum less Income Tax	144,000
	259,000
Leaving to be carried forward	£159,703

As mentioned in the report to the proprietors, the directors recommend that, to mark the 250th anniversary of the constitution of the bank, a dividend for the part half-year of 7 per cent. (as compared with 6 per cent. this time last year) be paid. For the same reason the directors have set aside a special donation of £10,000 to the Staff Widows' Fund.

CO-OPERATION BY ALL FOR PEACE-TIME PROSPERITY

The establishment of a sound peacetime prosperity through the rehabilitation of industry will call for the exercise of wisdom and patience, as well as a full appreciation in all quarters of the compelling need for the highest efficiency in our productive capacity. It cannot be too

often repeated and stressed that full employment, social security, and indeed our whole future as an industrial nation depends upon our being able to recover and expand our vital export trade. This in turn will rest upon our ability to produce efficiently in a competitive world. Given an atmosphere of mutual faith and confidence among responsible leaders—political, industrial and labour—and an honest desire by all sections to co-operate, we should be able to maintain a high level of prosperity and a good standard of life for everyone. Concurrent with this, it is essential that the savings habit, so successfully encouraged during the war years, be continued and even intensified.

FINANCE FOR INDUSTRY

Along with the other banks we have identified ourselves with the two new Corporations—Finance Corporation for Industry, Limited, and Industrial and Commercial Finance Corporation, Limited—which have for their object the provision of medium and long-term assistance in the restoration or re-conversion of industry in those cases where ordinary bank loans or advances would not be appropriate or suitable. In the reconstruction period the need for such finance accommodation may be imperative, and in committing themselves to support the new Corporations the banks have given proof of their willingness to bear their full share. The banks can be relied upon to assist industry prudently and fairly to the utmost of their resources.

Mr H. L. Usher, C.A., who has been one of the bank's auditors for the past 39 years, has indicated that, for reasons of health, he does not seek re-election. The board desire to place on record their high appreciation of his valuable services over a notably long period.

TRIBUTE TO STAFF

On behalf of the court of directors, I would again express appreciation of the services rendered during the past year by all our staff—permanent and temporary alike—and particularly in London, where, under most trying conditions, the conduct of our staffs has been beyond praise. Those absent on National Service now number 623, and once more our good wishes go out to all of them. The problems of the re-instatement of our serving men and women in their post-war duties are having careful consideration, and we look forward to their early return.

We mourn the loss of 17 additional members of the staff in the country's service and a further two are still reported "missing." Our Roll of Honour now contains 40 names. Prisoners of war number 14, and to them and to all bereaved or anxious relatives and friends we extend our sympathy.

THE RESOLUTION

I now have pleasure in moving that the report and balance-sheet, as submitted, be adopted, and that a dividend for the past half-year of 7 per cent., less income-tax, be now declared payable on 16th current, making with the dividend paid in October last, 12 per cent. for the year, less income-tax.

The motion was agreed to.

The Lord Elphinstone, K.T., and the Lord Henry Scott were unanimously re-elected governor and deputy-governor respectively for the current year.

Mr William Whitelaw, LL.D., Mr John Parker Watson, W.S., and Mr William Watson, C.A., were re-elected ordinary directors.

Mr R. Arthur Morrison, C.A., and Mr Graham Aitchison Usher, C.A., were appointed to conduct the audit of the bank's books for the current year, and a vote of thanks to the chairman terminated the meeting.

CLYDE VALLEY ELECTRICAL POWER COMPANY

A GREAT EFFORT

MR ROBERT ROBERTSON'S ADDRESS

The annual general meeting of the Clyde Valley Electrical Power Company was held at Glasgow on the 27th ultimo.

Mr Robert Robertson, LL.D., the chairman, said: Ladies and gentlemen, the restrictions on the issue of accounts by utility undertakings necessitated by the war have been relaxed to some extent. Accordingly we have been able to put before you full accounts of the operations of the company for the year 1944. The scarcity of paper has compelled some limitation of detail, but sufficient information is contained in the accounts to enable you to get a clear understanding of the operations during the year.

A CONSIDERABLE CONTRIBUTION

Some time ago I stated that when the contribution to the war effort made by the power companies came to be known, the public would realise the important part they had played, and I think you will agree that the contribution of our company has been considerable.

In order that you may have a picture of the company's operations since the commencement of the war, I propose to take as a basis of comparison the year 1938. Our generating stations have been extended and the plant has been increased by 120,000 kw. since 1938, of which 90,000 kw. has been installed since the commencement of the war. We now have 257,500 kw. of steam generating plant and with the hydro-electric capacity of 15,500 kw. of our associate company, the Lanarkshire Hydro-Electric Power Company gives a total of 273,000 kw. of installed capacity. The steam plant has been operated at a very high output, particularly the more modern plant, and has maintained a very high standard of effective capacity and efficiency, despite the considerable deterioration in the coal quality and the difficulty of obtaining adequate labour.

EXTENSION OF DISTRIBUTION

Our hydro-electric plant has proved of very great value, and its installation has shown the wisdom and foresight of those who during the past thirty years have pressed for the development of the water resources of the country. It has operated at the very high average annual load factor of 57 per cent., and since the commencement of 1939 has saved over 300,000 tons of coal.

During the same period we have extended our distribution network by 816 miles. This extension is equivalent to 31 per cent. of the whole distribution network provided over the thirty-three years from 1905 to 1938.

Consumers' connected plant has risen from 400,000 kw. in 1938 to 650,000 kw. in 1944. The maximum demand of the company's consumers in December, 1938, was 143,260 kw. and in December, 1944, 234,410 kw., an increase of 64 per cent. The number of units sold to our consumers shows a substantial increase. The comparable figures are as follows:—

1938	464,000,000
1939	529,000,000
1940	685,000,000
1941	821,000,000
1942	931,000,000
1943	993,000,000
1944	980,000,000

The sales in 1943, in which we had our highest consumption, were 114 per cent. above those in 1938. The year 1944 shows a slight recession from the previous year, which is attributable to the restriction in

use of electrical energy imposed on industry, which was practically offset by the general growth of the demand.

THE ACCOUNTS

From the revenue account you will see that the revenue for 1944 was £3,128,378, which is 133 per cent. over that of 1938. The price of fuel, which is the main item in generation costs, was 19s. 5d. per ton in 1938 and was 38s. 3d. per ton in 1944, while the quality has seriously deteriorated. The price to-day I may say is 41s. 5d.

The net revenue account shows the balance available each year and the respective appropriations. The contributions to contingency fund have been maintained on a scale similar to that prevailing in previous years. The amount at the credit of the contingency fund is now £4,000,000. Provision has also been made from profits to date for liability for Government taxation incurred but not yet imposed. The item for special superannuation contribution has been caused by an increase in the liability of the fund occasioned by increases in salaries.

It is interesting to note that the liability for local rating by this company and its associated companies for the current year of assessment amounts to £266,000, which is in excess of the dividend paid to the Ordinary stockholders. It will be realised that the payments which we make under this head are substantial and have a considerable effect on the economy of the various rating areas in which we operate.

WAR DAMAGE

During the war our undertaking was not subjected to the same sustained aerial bombardment as in some other areas, but on occasions these attacks were severe. The damage sustained by the power stations was superficial, but on several occasions they, and, in particular, Yoker power station, had very narrow escapes. During the Clydebank and Dalmuir attacks serious and extensive damage was caused to the distribution system, and in one night more than thirty sub-stations were put out of action, ranging from complete destruction to repairable damage. Over twenty main extra high pressure feeder lines were severed, most of them in several places. Power consumers with a connected capacity of 63,000 kw. were isolated. Low tension networks extending over an area of 40 square miles suffered concentrated damage and in many places were buried beneath the debris of the destroyed buildings.

I am proud to say that by nightfall of each day of the attacks every power consumer was reconnected and supply made available. In the case of the domestic consumers the majority were reconnected with equal rapidity, and as regards the remainder supply was available before the premises were ready for occupancy. This achievement was due to the detailed arrangements carefully organised in anticipation of attack and to the wholehearted efforts of all concerned. Lack of space precludes me from referring to many cases of individual self-sacrifice when personal interests were completely set aside and the public need made the only consideration.

DOMESTIC SUPPLIES

The general extension of domestic supplies was stopped at the commencement of the war except in cases of urgency or necessity. Accordingly the number of domestic consumers has not increased commensurately with pre-war years. On the other

hand, the average consumption of the individual consumer has risen very considerably. As you know, urgent appeals for economy in the use of all classes of fuel have been made by the Minister of Fuel and Power from time to time and we are satisfied that in the main our domestic consumers have responded to these appeals, but the scarcity of other types of fuel, coupled with the necessity to cut down domestic work in order to release workers for war industry, has brought about an increased demand.

We are satisfied that when restrictions are removed, this demand will continue to increase as there is a growing appreciation by the domestic consumer of the advantages of electricity over all other types of fuel. In addition we understand that about 200,000 of the new houses which are so urgently required will be situated in our area.

ALL-ELECTRIC NEW HOUSES

Already a number of progressive local authorities have decided to make these new houses all-electric. We are, however, under a serious handicap in promoting this type of service because many local authorities who are responsible for the equipment of the houses in their respective areas own the gas undertakings and prefer to provide gas cookers without regard to the wishes of their prospective tenants and in some cases to put difficulties in the way of those who prefer to use electricity.

It is to the credit of some local authorities that although owning a gas undertaking they have decided to instal electric cookers in many of the new houses. They recognise that although electric cookers are of recent development, they possess advantages over any other type, and the majority of users have indicated their preference for an electric cooker. We look forward to a great increase in the demand for electrically operated labour-saving devices so soon as restrictions are relaxed. The housewife has every right to enjoy the benefit of improved conditions and electricity can immeasurably ease her burdens.

THE OUTLOOK

There is a possibility that temporarily at least the power demand may fall as the demand of industry at the high intensity which has characterised the war years is unlikely to continue. The extent of that possible decline cannot yet be foreseen or whether it will be met by the influx of new industry to our area, but we hope that after a temporary period the loss of power load will be compensated at least in part by the development of the demand of the domestic consumer.

Our charges for electricity supply to domestic consumers continue to be attractive and have not been increased since the commencement of the war notwithstanding the very heavy increases in operating costs of all kinds. Electricity must be about the only item in the household budget which has not risen in price.

So far there has been no indication of any policy on the part of the Government regarding the future of the electricity supply industry. The danger is still existent that the power companies, notwithstanding that their splendid services before and during the war fully warrant their continuance, may be nationalised either directly or indirectly in the guise of the establishment of Regional Boards.

In conclusion I repeat the warning that the stockholders and the public at large should be fully on their guard against any proposals of that nature, which can only be to the public detriment.

I now have pleasure in moving the adoption of the directors' report, balance-sheet and accounts and that in terms of the directors' recommendations provision be made for the dividend on the 6 per cent. Cumulative First Preference Stock for six months to 30th April, 1945, and that a final dividend be paid of 5 per cent. on the Ordinary stock, making 8 per cent. for the year, subject to tax.

The resolution was carried.

SCOTTISH POWER COMPANY, LIMITED

GROWING DEMAND FOR SUPPLIES

MR WILLIAM SHEARER'S REVIEW

The thirty-fifth ordinary general meeting of this company was held in Edinburgh on the 29th ultimo.

The chairman, Mr William Shearer, presided, and in the course of his remarks said: All our plants, hydro electric and steam, functioned satisfactorily during the year, enabling us not only to meet all demands within our areas of supply from Service Departments, factories and works directly engaged in the prosecution of the war, but also to satisfy the requirements of our general consumers.

Since the commencement of the war new connections by Government direction have been restricted to supplies essential to the war effort and to those given in cases of extreme hardship. These restrictions have apparently been misconstrued in certain quarters. In this connection I was interested to read the report of a recent speech by the chairman of the new Hydro Electric Board, in which he was explaining the immediate plans and proposals of the board, which have excited much comment and not a little criticism in the Highlands and elsewhere.

Lord Airlie is reported to have stated that in the area of the Grampian Company "new consumers are being turned away daily owing to shortage of power." In order to remove any misapprehension I must state emphatically that I know of no case of an application for a supply of electricity being refused where it was possible for us to obtain the necessary priority for material from the Government department concerned.

PROBLEM OF ADDITIONAL SUPPLIES

The promoters of the Hydro Board's schemes frequently refer to the duty which lies upon them to afford bulk supplies to authorised undertakers, among whom the Grampian Company takes a foremost place. As we are now prohibited from establishing any new generating works ourselves, it is clear that in course of time the Grampian Company will be entirely dependent on the resources of the Hydro Board for such additional supplies as we will require to meet the demands of our consumers. As to when these additional supplies will be required is at the present time problematical in view of the uncertainty of the extent to which wartime load may be shed, and of the difficulty of making any reasonably accurate estimate of requirements during the inevitable period of transition.

Our conception of the proper method of dealing with immediate requirements and of ensuring the efficient development of supplies in the Grampian Company's areas was confirmed by the Cooper Committee in their report.

The Tummel-Garry project of the Hydro Board, to which I will refer later, is meantime *sub judice*, but by reason of its location does not appear to meet the considerations which I have emphasised. It is possible, however, that the Hydro Board have other plans in view to deal with the situation. Meantime we have not been consulted as to when or where the demands we may have to make to enable us to serve the community may be met, and in any event it would appear that the Hydro Board cannot for a number of years meet any such demands if made.

The future outlook, therefore, in regard to additional supplies as and when required, and the cost thereof, is by no means free of anxiety, as we are no longer able to exercise that "healthy and vigorous" initiative in regard to the generation of hydro power which we have consistently applied in the development of our business.

HYDRO-ELECTRIC BOARD'S SCHEMES

Since our last meeting the Hydro Board have published two constructional schemes, and the brief references which I shall make to them are intended only to indicate the

extent to which our interests are or may be affected.

Constructional scheme No. 1 lies entirely outside our areas of supply, and our interest is therefore indirect and remote.

Constructional scheme No. 2 similarly comprises a major project based on the use of the waters of the rivers Tummel and Garry and a minor project at Gairloch.

Distribution schemes have also been published affecting the same areas in the vicinity of the minor developments. The minor projects and developments are stated to be completely uneconomical.

The Tummel-Garry project lies within the 1922 area of supply of the Grampian Company, and is designed to take advantage of the water control we have established at great cost in our extensive catchment areas. By all the laws of equity the very substantial benefit which will accrue to the Hydro Board through our works and operations should be recognised if the development is proceeded with. This aspect of the scheme is receiving our consideration in addition to various other matters which would affect us.

Excluding special supplies to authorised undertakers and the Central Electricity Board, the average price obtained during the year 1944 from our general business, which includes power, domestic, shops and agricultural supplies, was as low as 1.3d. per unit. Including special supplies, the average price was slightly under 1d. per unit.

These figures completely refute the accusations frequently levelled against us that we are exploiting the Highlands and using their natural water resources in order to supply electricity in the southern areas. Our uninformed critics, however, may have changed their view in the knowledge that the development of the water-power resources of the Highlands and the supply of electricity in these sparsely populated districts by the new Hydro Board will depend almost entirely on profits—if one may dare to whisper such a word in referring to a "non-profit earning" organisation—profits anticipated from export to the south, unless of course in the meantime the tax-payer is called upon to foot the bill. In other words, those critics may, somewhat reluctantly perhaps, have come to the conclusion that the devil they knew is probably not much more objectionable than the devil they are only beginning to know.

REDUCTION IN CHARGES

Further reductions in the rates of supply to power users in industrial areas served by our selected stations were carried into effect during 1944, and our tariff for public lighting supplies were also reduced.

All our agreements with industrial users, except within the areas of the Grampian Company, contain a coal clause which provides for an increase in the unit charge in ratio to the rise in the cost of fuel above a basic figure. The reduction in the rates of supply to these consumers includes a concession of between 8 per cent. and 9 per cent. on the special fuel charges which, I believe, is much appreciated by those engaged in industry.

NATIONALISATION

I will not detain you by elaborating my views on the question of nationalisation.

I will content myself to-day by suggesting that if any of you are inclined to be influenced by the opinions of those political theorists and bureaucratic monopolists who are so eager to create to their own specification a new world for other people to live in and who are always so vociferous in times of national emergency, you should think well before giving any support to their policies.

If these gentlemen should ever achieve their ambition, the shackles that would be placed upon us would have such a deadening effect that in the course of a generation or two this great country of ours would descend into the category of a second or third rate Power.

The report and accounts were adopted.

GREYHOUND RACING ASSOCIATION TRUST, LIMITED

RECORD OPERATING PROFIT

MR F. S. GENTLE ON TAXATION

The seventeenth ordinary general meeting of the Greyhound Racing Association Trust, Ltd., was held, on the 29th ultimo, in London.

Mr Francis S. Gentle (chairman and managing director), who presided, in the course of his speech, said: You will have seen, although the operating profit before charging taxation of the main subsidiary, the Greyhound Racing Association, Ltd., is nearly £578,000—a record—that the dividend is restricted to 42s. 6d. for 1944, and that the profit of the trust is £232,653, which is about the same as for last year. It will be appreciated that so long as the group is liable to excess profits tax at the present rate, and no unusual factors arise, profits are necessarily limited.

No dividends are receivable from Stamford Bridge Stadium, Ltd., or New Cross Greyhounds, Ltd. In the former case operating conditions were, as in 1943, still difficult, as apart from the general restriction on meetings, the use of the stadium for football prevented its use for greyhound racing for more than one meeting every two weeks during eight months of the year, it being possible to hold only 38 meetings during 1944; and in the latter the whole of the profits were absorbed by taxation.

TAXATION PROVISION

The charges for taxation in the group, including entertainments duty, total £734,300, which is an increase of £208,000 over the 1943 figure, and equivalent to £2,000 every day of the year. The provisions for taxation are sufficient to cover the estimated tax liability on all accounting periods up to December 31, 1944, the provision in New Cross Greyhounds, Limited, vision in New Cross Greyhounds, Limited, accounts having now been brought into line with the other members of the group. I would remind you, however, that the computations for excess profits tax have not yet been agreed.

As to dividends, your directors recommend that the ordinary dividend be maintained at 20 per cent., although this will mean that the amount available for transfer to general reserve and increased carry-forward will be reduced to £27,250, compared with £31,000 in 1943. With the proposed allocation general reserve now stands at £555,000. The total dividends for the year absorb £158,000 gross, the same as last year, and we have paid during this period, and hope to continue to pay, the preference dividends on their due dates, the 31st January and the 31st July.

CONFIDENCE IN THE FUTURE

Although we have come through five years of war without such damage as would prevent us operating we must still bear in mind that the damage or destruction of vital parts of our tracks might result in a serious fall in the company's income and at the present time the possibility of replacements would be very remote so that in considering the payment of interim dividends your board must have regard to the situation as it then is, in order to maintain the financial position which we have so carefully built up.

We all hope and believe that the end of the war in Europe is near, and that the difficulties which we have faced for nearly six years will to some extent be mitigated in the near future. For our part, we feel that during the war years we have provided relaxation for both Service men and industrial workers, and have been enabled to make a very substantial contribution to the national effort by so doing, and in the large payments we have made to the Revenue. We trust therefore, that the goodwill of your company has been fully maintained, if not strengthened, and so we are entitled, I hope, to view the future with confidence.

The report and accounts were adopted.

CO-OPERATIVE PERMANENT BUILDING SOCIETY

DR ALBERT MANSBRIDGE'S ADDRESS

The annual general meeting of the society was held in London on the 28th ultimo.

The President (Dr Albert Mansbridge, C.H.), in the course of his address, said: I stated at the Diamond Jubilee meeting of the society on March 9th, 1944, that the plans of the Government have not been made clear in regard to the housing of the people. I am disappointed that I have to say the same to-day.

There are several Ministries more or less responsible.

Diverse estimates have been made of the millions of new houses which must be built within the next five, ten or twenty years. It is estimated that the building industry in 1935 cost £600,000,000 and that during the first twenty years after the war, there will have to be at least £8,000,000,000 expended on housing.

I need not deal other than generally with the remarkable results achieved by the society during the year.

Confidence in both the financial stability and the just efficiency of the society is clearly revealed by the results obtained in 1944. A few typical figures of 1944 as compared with 1943 may be quoted to justify this statement. Advances on mortgage increased by £1,300,000. Redemptions were numerous, but, even so, the total mortgage assets increased by £140,000. As for the share capital, it rose by £2½ millions, while the number of accounts is now rapidly reaching the two hundred thousand mark, having risen by 4,300. The reserves and carry-forward have increased by £103,000, now standing at £1,705,000.

When it is noted that the average due on each mortgage is £406 and the present values of house property are remembered, it will be seen that the society is as safe for investors as anything in human affairs can possibly be.

There has been marked development in the housing society movement. For example, in the south-west of England a Co-operative housing society has been established. There are other examples too numerous to mention. In general, a housing society acting complementary to a Local Authority may consist of a body of local citizens, and be reinforced by Co-operative and other societies recognised and aided by the local authorities, who are empowered to give financial support. Such societies either purchase and administer properties, or create new estates in rural or suburban areas, utilising efficient local contractors for replanning and remodelling. Such societies are recognised and authorised by the Housing Act, 1936, Section 188, and are usually registered under the Industrial and Provident Societies Act, with the maximum interest rate of 5 per cent. They are in no sense to be regarded as profit-making concerns. At present the whole question of subsidies is under consideration. Subsidies, or some alternative, will be required if the houses are to be let at rentals which can be paid by ordinary working men and women.

The report and accounts were unanimously adopted.

BALANCE SHEET 1944

Liabilities.	
Due to Shareholders	£27,348,571
Due to Depositors	8,067,490
Other Liabilities	74,488
Sundry Creditors	21,071
Reserves	1,705,500
	£37,217,120
Assets.	
Due on Mortgage	£27,645,990
Sundry Debtors	84,552
Cash and Investments	9,486,578
	£37,217,120

BEIRA RAILWAY COMPANY, LIMITED

INCREASED GROSS REVENUE

The forty-fourth ordinary general meeting of the Beira Railway Company, Limited, was held, on the 28th ultimo, at 10 Old Broad Street, London, E.C., Mr Arthur E. Hadley, C.B.E., chairman of the company, presiding.

The following is the statement by the chairman circulated with the report and accounts:—The working of the line for the year ended September 30, 1944, resulted in a gross revenue of £971,166, an increase of £130,969 as compared with the previous year. Expenditure at £501,158 was £26,250 higher, and net revenue increased by £104,719.

As stated in the report the increase in the revenue was due to a satisfactory increase in import traffic, as well as the re-introduction of an allowance in excess of a strict mileage proportion in the division of through rates on certain special traffics. This allowance will be continued during the current financial year.

The profit for the year, after a provision for taxation increased by £25,000 is £86,420, adding to which the undivided balance from last year—£33,371—makes a total of £119,791.

Your directors propose that a dividend of 2s. per share, less tax at 5s. 4d. in the £, be paid, absorbing £77,000 net, leaving to be carried forward the sum of £42,791.

With respect to the current financial year, we have so far received traffic receipts for three months—October, 1944, to December, 1944, which are practically the same as last year, net earnings for this period amounting to £114,151, as compared with £115,126 in the previous year.

The report and accounts were unanimously adopted.

BRITISH ROPES, LIMITED

A GREAT WAR RECORD

The annual general meeting of British Ropes, Limited, was held, on the 28th ultimo, at Leeds.

Mr Herbert Smith (the chairman) said that the profit recorded for the year, before income-tax, had risen from £355,741 in 1943 to £440,890 for the year under review. Some idea of their contribution to the national effort by the production of high-grade rope for war purposes would be stated. The company had carried by far the largest individual share in roping the Navy, Army and Air Force, while their export fibre, wire and wire rope knowledge had been sought by most supply departments of the Government. The company's products had played no small part in equipping and servicing the many industries by whose unparalleled efforts a steady and ever-widening stream of essential war materials had flowed from these islands to every theatre of war. Their more direct contribution through the Service Departments towards the successful prosecution of the war had been even more considerable. Every phase of operations had resulted in a new and more pressing demand on the company.

Apart from the normal requirements of the Navy, they had undertaken the manufacture of huge quantities of various types of boom defence nets, anti-submarine and anti-torpedo devices, thousands of miles of steel wire rope for use against the submarine menace and large quantities for mine-sweeping. Towing ropes for army vehicles and tanks and vital connections in the "Mulberry" dock were all part of their production programme. Their machines had run continuously on aircraft cords, cables for rocket flares, for the balloon barrage and for the rocket guns.

With regard to exports, they believed that there would be large quantities of their products needed almost all over the world. They did not fear competition from any country for the world's markets.

The report was adopted.

BRITISH TYRE AND RUBBER COMPANY, LIMITED

SATISFACTORY TRADING PROFIT

The annual general meeting of British Tyre and Rubber Company, Limited, was held, on the 28th ultimo, at Caxton Hall, S.W.

Sir Walrond Sinclair, K.B.E. (the chairman), said that the trading profit before providing taxation, compared favourably with the previous year and was very satisfactory, particularly as the year had constituted a testing period such as they had never before encountered.

At the beginning of the year the technicians of the rubber industry were almost exclusively engaged in endeavouring to substitute synthetic rubber for the natural product. It became most imperative during the year that they should expand the rate of conversion to synthetic in a large way. He was pleased to report that they did not fail the national requirements, and the fact that the trading results compared favourably with those of the preceding year represented a very solid achievement. All their subsidiary companies were successfully fulfilling their allotted tasks, and they had never had to report a trading loss by any of them. The balance sheet now submitted disclosed a sound position. It had been built up steadily over a number of years and, moreover, it did not contain any intangible assets. Their liquid resources were substantial and their stocks equally satisfactory.

They were now faced with an outlook displaying many perplexities, but they had solid grounds for reasonable confidence and expectations of steady and prosperous trading. In more than one direction they had commenced arrangements for an expansion programme so as to be ready for the early post-war period.

The report was unanimously adopted.

H. P. SAUCE, LIMITED

ANOTHER SUCCESSFUL YEAR

The twentieth annual general meeting of the shareholders of H.P. Sauce, Limited, was held, on the 28th ultimo, at the Queens Hotel, Birmingham. Sir Patrick Hannon, M.P. (Chairman of the company) presided.

Having referred with regret to the loss which the company had sustained by the death of the managing director, Mr Cyril Owen, and the appointment of Mr R. G. Bayliss to succeed him in that office, the chairman in the course of his speech said:

The balance sheet will, I am confident, be accepted as evidence of stability. Our position after the appropriation of our profit, of which we invite your approval to-day, is wholly satisfactory. Profits for the year are sufficient to provide another substantial allocation to reserve fund, which now stands at £740,000, and we have decided that having paid a dividend of 30 per cent. on the ordinary shares for the past 15 years, to recommend an increase in the dividend to the extent of a 5 per cent. bonus. This will make our total distribution 35 per cent. on our ordinary shares.

It will be observed that the increase of profit has not been wholly absorbed by taxation, and thus the net profit for the year, after provision has been made for depreciation and taxation of profits up to date, is £158,257, an advance of nearly £4,000 on the net result of the previous year. The comparison of the balance sheets of 1943 and 1944 show that our investments including Tax Reserve Certificates have increased by £120,164. Sundry debtors and cash have decreased by £60,619. There is little change in the provision for sundry creditors and current taxation.

The market value of investments in trustee securities at the 31st December, 1944, was £1,069,351, which was £95,446 in excess of book value.

The report and accounts were unanimously adopted.

S.S. CARS, LIMITED

Change Name to

JAGUAR CARS, LIMITED

The eleventh ordinary general meeting and an extraordinary general meeting were held at Coventry, on the 23rd ultimo.

Mr William Lyons, the chairman, said: The new factories which we have built at our own expense during the war will, as they are released from war production, be equipped for engine, chassis and body manufacture. As a typical product of British quality, our cars have found a ready market in countries throughout the world. There are few countries where we were not represented by first-class distributors and dealers.

We are greatly encouraged by the forecast of requirements which we are receiving from our overseas distributors and dealers, and our post-war plans provide for an increase in export of five times the pre-war volume, and for extensive research in the world's markets in order that we may still further improve our knowledge of their demands.

As you know, since 1935, our cars have been sold under the name of JAGUAR, and have become widely known by that name throughout the world.

Your board have felt for some time that it would be better to adopt the same name for

the company as for its product as, by so doing, any possible confusion would be eliminated, and the dissipation of publicity over two names avoided, and—unlike SS—the name JAGUAR is distinctive and cannot be connected or confused with any similar foreign name.

The special resolution changing the name of the company to JAGUAR CARS LIMITED was duly passed.

LONDON AND LOMOND INVESTMENT TRUST LIMITED

REVENUE AGAIN SATISFACTORY

The fourteenth ordinary general meeting of London and Lomond Investment Trust, Limited, was held, on the 28th ultimo, in London.

The Hon. W. B. L. Barrington, the chairman, presided.

The following is taken from the statement by the chairman circulated with the report and accounts: The total revenue for the year is again satisfactory and amounted to £80,575, as compared with £78,497 in the previous year.

After deduction of expenses of management, interest, income tax and dividends on preference stocks there remains £17,348,

equivalent to 13.77 per cent. on the ordinary stock.

The sum of £5,000 has been transferred to general reserve, bringing it up to £105,000, and the directors now recommend payment of a final dividend of 7 per cent., making a total of 10 per cent. for the year as compared with 8 per cent. last year. The directors feel that the increased distribution recommended is fully justified by the results. They are, however, of opinion that it may be advisable to stabilise the ordinary stock dividend at this level for a few years, although the question will of course be subject to review from time to time. Meanwhile they will take into consideration raising the rate of the interim dividend on this stock in order to reduce the disparity between the interim and final dividends.

As disclosed in the balance-sheet the market value of the investments was £385,190 in excess of the figure at which they are stated in the balance-sheet. The total surplus is as follows:—

Appreciation in value of investments	£385,190
Capital reserve	165,869
General reserve	105,000
Carry forward	6,944
	£663,003

Each £100 of ordinary stock, therefore, was represented at January 31, 1945, by net assets of approximately £376.

(Continued from page 453)

household piece-goods showed any increase compared with 1943.

Unfortunately an index number of stocks is only calculated for certain sections of apparel, and the Board of Trade Journal gives no total. The following table, taken from the Journal, gives the yearly figures of stocks:—

(1942=100)

	Dress Materials	Women's Wear	Men's and Boys' Wear	Boots and Shoes
1943	99	107	110	79
1944	75	86	93	75

These figures bring out clearly the reason for traders' anxiety that stocks are running to a dangerously low level, and the fear that unless they can be replenished before the autumn, the maintenance of the clothes ration at the present rate may not be possible.

Shorter Notes

Following an agreement between the Greek and British Governments, the Bank of Greece announces that all British "military pounds" circulating in Greece will be withdrawn. Between April 16th and May 31st, the Bank of Greece will exchange these pounds at the official rate of 600 drachmas to the pound sterling. After May 31st, the "military pounds" will no longer be accepted for payments, nor will they be exchangeable against drachmas.

At the tender for this week's issue of £110 million of Treasury Bills, the Discount Market raised its bid to £99 15s. 0d. for the 91-day bills against £99 14s. 11d. for the 92-day bills of the previous week. As last year at the corresponding tender, the market maintained its bid at £99 14s. 11d., the move caught a number of outside competitors napping. The higher bid gives a discount of only 20s. 0.05d. per cent, and the market was, therefore, the more disappointed to receive an allocation as low as 30 per cent. The reason for the small allocation to the market was not to be found in larger tenders from outside competitors—the pool of application was virtually unchanged—but must have been due to a substantially heavier allotment to special customers at £99 15s. 1d. This explains the drop of 1.8d. in the average rate of discount to 19s. 10.06d., the lowest average rate since the month before the war.

The directors of Cunard Steam Ship are able to record for 1944 a fresh improvement in profit after all charges, and a higher net preference dividends, from £312,127 to £312,131, the highest figure in the recent history of the company. The ordinary dividend, resumed a year ago with a

payment of 6 per cent, is now raised to 7½ per cent by a final payment of 5 per cent. As was the case a year ago, an interim of 2½ per cent is also recommended. The earnings represent some 11.4 per cent on the ordinary, against 8.8 per cent for 1943. The £1 shares, which rose 2s. to 25s. 9d. on the announcement, yield 6 per cent.

Company Results

English Steel Corporation.—Whole of debentures held by Vickers, some 81 per cent of preferred and 65 per cent of deferred ordinary held by Vickers-Armstrongs.

	Years ended December 31, 1942	1943	1944
Profit*	708,958	726,190	719,756
Debiture int. and I.S.F.	80,822	80,822	80,822
Directors' fees	1,500	1,500	1,500
Depreciation	300,000	250,000	350,000
Preferred ordy. div. (net)	78,011	78,011	78,011

Deferred ordinary:—			
Earned	248,625	215,857	209,423
Paid	197,946	197,946	197,946
Carry forward	157,735	175,646	187,123

Net fixed assets	3,066,453	3,197,324	3,087,156
Net inter-company	813,337	468,493	315,762
Net liquid assets†	2,045,163	2,218,839	2,493,215
Gross liquid assets†	11,919,996	11,773,762	12,579,049
Stock and work	3,381,366	4,039,561	3,063,122
Installments on account	187,769	106,601	71,521

* After tax and including profits of subsidiaries only to extent of dividends.
† Excluding cash and Government securities to total of £312,044 held for Preferred ordinary dividend equalisation fund.

Vickers-Armstrongs.—Wholly owned by Vickers.

	Years ended December 31, 1942	1943	1944
Profit*	1,643,987	1,655,166	1,709,624
Depreciation	850,000	850,000	850,000
Preference dividend (net)	318,494	318,494	318,494
Ordinary shares:—			
Earned	475,493	486,672	511,130
Paid	432,543	471,865	471,865
Carry forward	311,846	326,653	395,918

Net fixed assets	8,479,964	7,809,850	7,283,906
Net inter-company	Dr. 2,203,175	36,788	2,050,068
Net liquid assets†	11,499,308	10,012,044	8,274,810

Gross liquid assets	76,638,929	75,878,489	68,564,326
Stock and work	61,316,080	56,549,708	49,805,821
Installments received	47,095,743	47,279,935	41,946,582
Due to Vickers	8,517,007	5,778,073	3,426,463

* After tax and including profits of subsidiaries only to extent that dividends are to be paid.
† After deducting sum due to Vickers.
‡ After deducting installments received on account of contracts.

RECORDS and STATISTICS

INVESTMENT
Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
March 22	5,913	4,398	115.7	137.2	3.01	3.70
" 23	5,957	4,342	115.7	137.2	3.01	3.69
" 26	7,079	5,853	115.7	137.0	3.01	3.70
" 27	5,841	4,290	115.5	137.0	3.01	3.70
" 28	5,905	4,391	115.5	137.1	3.01	3.69
" 29	5,722	4,811	116.0	137.1	3.01	3.69
" 30	(a)	4,790	(b)	(b)	(a)	(b)
April 2	(b)	6,208	(b)	(b)	(a)	(b)
" 3	7,141	4,730	116.1	137.1	3.01	3.68
" 4	6,001	5,515	116.3	137.2	3.01	3.68

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1945: highest, 116.3 (April 4); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.2 (Mar. 23); lowest, 136.3 (Jan. 2). (a) Good Friday. (b) Easter Monday.

New York

STANDARD AND POOR'S CORPORATION INDICES
DAILY INDEX OF 50 COMMON STOCKS
(1926=100)

1945	Average	Transactions	1945	Average	Transactions
Mar. 15	137.1	800,000	Mar. 22	133.1	830,000
" 16	137.4	880,000	" 23	133.8	680,000
" 17	137.3	400,000*	" 24	132.7	450,000*
" 19	136.5	1,070,000	" 26	130.5	1,390,000
" 20	134.6	920,000	" 27	131.3	1,100,000
" 21	133.2	1,340,000	" 28	132.4	720,000

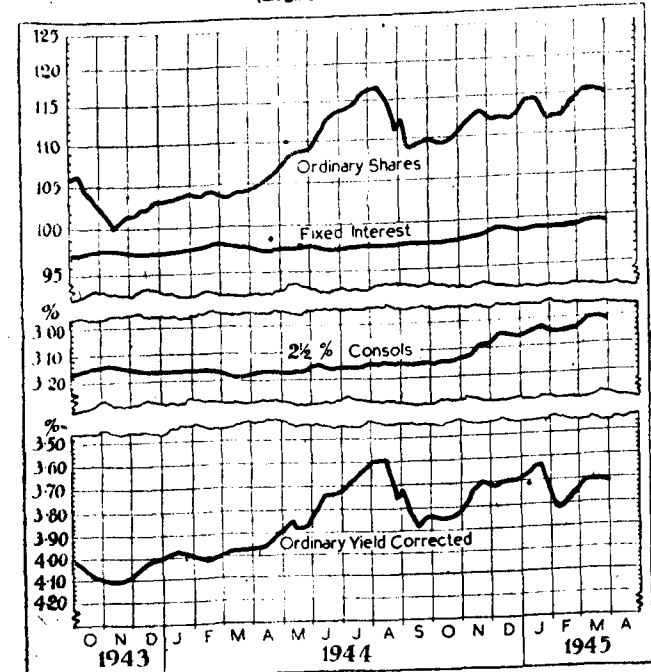
(WEEKLY INDICES) (1935-39=100)

	1945		Mar. 14, 1945	Mar. 21, 1945	Mar. 28, 1945
	Low Jan. 24	High Mar. 7			
354 Industrials	108.6	118.0	114.8	112.0	111.1
20 Rails	116.1	127.8 (a)	124.3	122.9	120.1
28 Utilities	93.2	97.8	96.2	95.6	94.6
402 Stocks	106.7	115.4	112.5	110.1	109.1
Av. yield %†	4.63	4.15	4.39	4.51	4.53

(a) Feb. 21. † 50 Industrial Com. Stocks.

FIXED INTEREST AND EQUITY PRICES.
CONSOL 2½% AND EQUITY YIELDS

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols (Logarithmic Scale)



Capital Issues

Week ending April 7, 1945	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 460.		Including Conversions	Excluding Conversions
Year (to date)			
1945	427,102,657	339,442,891	
1944	327,653,138	316,960,480	

Year† (to date)	Destination*		Nature of Borrowing*	
	U.K.	Foreign Countries	Deb.	Ord.
1945	339,283,464	34,177	125,250	338,619,193
1944	316,842,230	118,250	Nil	315,601,816
				551,749
				806,916

* Conversions excluded. † Includes Government issues to March 28, 1945, only. Above figures include all new capital in which permission to deal has been granted.

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)			Average Yields		
	Mar. 28, 1944	Sept. 25, 1944	Feb. 27, 1945	Mar. 28, 1944	Feb. 27, 1945	Mar. 27, 1945
2½% Consols	140.4	140.4	147.5	147.5	3.18	3.02
Home Corps.	141.9	141.8	143.2	143.2	3.28	3.25
Inds. Debts, all classes	122.3	122.5	123.8	124.1	3.85	3.81
Inds. Pref., all classes	113.7	113.9	117.3	117.7	4.27	4.14
Building Materials	94.7	103.1	104.0	102.9	3.11	2.88
Electric Light & Power	117.6	124.3	125.0	126.2	3.97	3.74
Elect. Manufacturers	159.5	164.0	175.4	176.0	4.01	3.64
Gas	100.3	109.5	109.7	111.1	3.69	3.37
Iron and Steel	65.7	69.0	72.7	71.5	5.97	5.59
Motors	49.0	51.4	55.9	56.7	4.28	3.77
Oil	92.8	100.0	99.0	97.4	3.53	3.32
Total Productive	79.4	83.9	86.5	86.5	4.68	4.39
Home Rails	76.0	74.4	74.5	70.8	6.01	5.94
Stores and Catering	73.0	85.9	93.4	94.4	3.42	2.84
Total Distributive	71.0	79.0	84.2	84.0	4.04	3.67
Breweries & Distilleries	146.8	152.7	158.0	161.0	4.25	4.16
Total Miscellaneous	86.8	91.0	93.6	94.4	4.08	3.91
Industrials—(All Classes)	78.8	83.9	87.0	87.2	4.41	4.14

FINANCE AND BANKING

THE MONEY MARKET.—The new issue of T.D.Rs. this week at £150 million was double the level of the previous week, but nominal maturities were £80 millions higher than the week before at £120 millions. As a result of fairly heavy prior encashments, however, the amount of "fresh" money required came to about £55 millions, some £15 millions more than the previous week. This considerable withdrawal of credit did not cause much trouble. Tax payments are on the decline after the turn of the financial year and, more important, the large balances gathered for window-dressing operations at the end of March provided a surplus of credit to be drawn on. Thus, though the Bank Return shows a decline of £31.0 million to £187.9 million in the level of Bankers' Deposits, credit remained quite comfortable, though the banks were not particularly anxious to increase their bill portfolios. The tender for Treasury Bills, which produced the lowest average rate of discount of the war, is discussed in a note on page 458.

MONEY RATES, LONDON.—The following rates remained unchanged between March 22nd and April 5th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, 1%. Discount deposit at call 1½% at notice, 1½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between March 22nd and April 5th. (Figures in brackets are par of exchange).

United States. \$ (4.862) 4.021-031; mail transfers 4.021-031. Canada. \$ (4.862) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.224) 17.30-40. French Empire. Francs 1936-2004. Syria. p. 8-81-85. Sweden. Krona (18.169) T.T. 16-85-95. Dutch West Indies. Florin (18.11) 7.58-83. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. 44-02-04; mail transfers 4-02-04. Brazil. 83.8456½ (buying). Uruguay. 7.6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. Turkey. Piastres 520. Italy. 71.25 lire.

Market Rates.—The following rates remained unchanged between March 22nd and April 5th.

Egypt. Piastres (97½) 97½. India. Rupee (184 per rupee) 173-18½. Belgian Congo. Francs 176-1. China. National \$3-3. Iran. R.L. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

(Continuation on page 462)

GOVERNMENT RETURNS

For the week ended March 31, 1945, total ordinary revenue was £86,121,000, against ordinary expenditure of £149,930,000 and issues to sinking funds of £285,752. Thus, including sinking fund allocations £15,945,032, the deficit accrued since April 1st is £2,835,723,000 against £2,765,319,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1944-45	Receipts into the Exchequer (£ thousands)				
		April 1 to Mar. 31, 1944	April 1 to Mar. 31, 1945	6 Days ended Mar. 31, 1944	Week ended Mar. 31, 1945	
ORDINARY REVENUE						
Income Tax	130,000	118,583	131,683	22,848	42,688	
Sur-tax	80,000	76,042	73,535	1,920	1,780	
Estate, etc.	100,000	99,466	110,888	1,950	1,850	
Duties	19,000	17,740	17,010	200	490	
Stamps	500,000	33,446	33,304	1,650	380	
N.D.C.	500,000	466,668	477,134	4,520	8,887	
E.P.T.	1,000	968	779	60	77	
Other Ind. Rev.	200,000	187,791	202,949	33,148	56,152	
Total Ind. Rev.	2,000,000	1,877,913	2,029,489	155,144	356,800	
Customs	564,900	560,832	579,352	14,372	11,317	
Excise	472,900	482,200	496,900	15,100	14,700	
Total Customs & Excise	1,037,800	1,043,032	1,076,252	29,472	26,017	
Motor Vehicle Duties	27,000	27,294	28,965	...	133	
P.O. (Net Receipts)	...	368	...	368	...	
Wireless Licences	4,850	4,750	4,820	410	400	
Crown Lands	800	1,060	980	80	20	
Receipts from Sundry Loans	7,350	6,455	7,520	...	2	
Miscellaneous Receipts	24,000	77,676	90,037	2,100	3,397	
Total Ord. Rev.	3,101,800	3,038,548	3,238,063	65,578	86,121	
SELF-BALANCING P.O. & Brdcastg.	112,370	110,632	116,600	2,032	1,700	
Total	3,214,170	3,149,180	3,354,663	67,610	87,821	

Expenditure	Estimate, 1944-45	Issues out of the Exchequer to meet payments (£ thousands)				
		April 1 to Mar. 31, 1944	April 1 to Mar. 31, 1945	6 Days ended Mar. 31, 1944	Week ended Mar. 31, 1945	
ORDINARY EXPENDITURE						
Int. & Man. of Nat. Debt	420,000	364,734	414,936	777	2,818	
Payments to N. Ireland	9,000	8,988	10,010	553	594	
Other Cons. Fund Services	7,000	7,176	7,278	50	194	
Total	436,000	380,898	432,224	1,381	3,607	
Supply Services	550,139	540,753	562,561	93,468	146,324	
Total	593,739	578,841	605,784	94,849	149,930	
SELF-BALANCING P.O. & Brdcastg.	112,370	110,632	116,600	2,032	1,700	
Total	604,979	589,905	617,444	96,881	151,630	

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £349,580 to £2,500,847, the other operations for the week (no longer shown separately) increased the gross National Debt by £62,513,333 to £22,416 million.

NET RECEIPTS (£ thousands)	
P.O. and Telegraph	1,400
Housing Act, 1914	1
Overseas Trade Guarantees	81
Total	1,482

NET ISSUES (£ thousands)	
Housing (Temporary Accommodation) Act	260

MONTH'S CHANGES IN DEBT

NET RECEIPTS (£ thousands)		NET REPAYMENTS (£ thousands)	
Nat. Savings Certs.	11,350	Treasury Bills	58,248
3% Defence Bonds	6,992	5% Conv. Loan	50
2% Nat. War Bds.	313	1944	25
1952-54	294	2% Nat. Defence Bonds 1944	6,891
1960-70	48,030	Other Debt	1,202
3% Savings Bonds, 1965-75	82,450	Tax Reserve Certificates	118,498
12% Exchequer Bonds, 1950	2,717	Internal	34,045
3% Terminable Annuities	58,000	Ways and Means Advances	58,000
Other Debt	362,689	Treasury Deposits	66,416

FLOATING DEBT

Treasury Bills (£ millions)		Ways and Means Advances (£ millions)		Treasury Deposits by Banks (£ millions)		Total Floating Debt (£ millions)
Date	Tender	Tap	Public Depts.	Bank of England	Other Banks	
1944						
Mar. 31	31	49.1	394.5	1389.5	4933.1	
Dec. 30	38	06.0	387.7	59.2	1794.5	6247.4
1945						
Jan. 6	1470.0		Not available			
" 13	1470.0		"			
" 20	1460.0		"			
" 27	1450.0	2341.8	489.3	1799.5	6080.6	
Feb. 3	1440.0		Not available			
" 10	1430.0		"			
" 17	1430.0		"			
" 24	1430.0	2309.2	542.4	1801.0	6082.6	
Mar. 3	1430.0		Not available			
" 10	1430.0		"			
" 17	1430.0		"			
" 24	1430.0		"			
" 31	36	80.7	575.7	1859.0	6116.1	

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
Mar. 31	90.0	190.5	90.0	20.2	25
Dec. 29	110.0	208.0	110.0	20.0	17
1945					
Jan. 5	110.0	224.2	110.0	20.1	36
" 12	110.0	211.1	110.0	20.1	37
" 19	110.0	216.3	110.0	20.1	32
" 26	110.0	207.8	110.0	20.0	39
Feb. 2	110.0	225.0	110.0	20.0	29
" 9	110.0	218.0	110.0	20.0	31
" 16	110.0	207.3	110.0	20.0	37
" 23	110.0	208.6	110.0	20.0	37
Mar. 2	110.0	237.6	110.0	19.1	21
" 9	110.0	239.2	110.0	19.1	21
" 16	110.0	236.1	110.0	19.1	27
" 23	110.0	225.3	110.0	19.1	25
" 29	110.0	225.6	110.0	19.1	30

On March 29, applications at £99 15s. 0d. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 30 per cent. of the amount applied for, and applications as higher prices in full. £110 millions of Treasury Bills are being offered for April 6. For the week ended April 7 the banks will be asked for all Treasury deposits at a maximum amount of £150 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BOND SUBSCRIPTION

Week ended	N.S.C. (£ thousands)				3% Defence Bonds (£ thousands)	3% Savings Bonds (£ thousands)	1% Exchequer Bonds (1950) (£ thousands)
	N.S.C.	3% Defence Bonds	3% Savings Bonds	1% Exchequer Bonds (1950)			
1945							
Jan. 23	4,950	1,774	5,755	10,398			
" 30	4,036	1,548	5,587	11,118			
Feb. 6	5,034	1,794	4,178	11,777			
" 13	5,344	1,941	7,052	11,573			
" 20	5,197	1,849	7,655	13,801			
" 27	4,841	1,767	5,857	16,201			
Mar. 6	4,394	1,923	10,312	18,160			
" 13	4,387	1,769	15,134	15,258			
" 20	4,107	1,816	8,142	19,288			
" 28	3,292	1,686	7,537	12,546			
Apr. 3	...	...	6,351	14,041			
Totals to date	1,345,135*	800,143*	1,918,485*	213,921*			

* 279 weeks. † 222 weeks. ‡ 22 weeks. § Including all Series.

Interest free loans received by the Treasury up to Apr. 3rd amounted to a total value of £71,022,030 up to Mar. 31st principal of Savings Certificates to the amount of £215,870,000 has been repaid.

BANK OF ENGLAND RETURNS

MARCH 28, 1945
ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1235,788,297	Other Govt.	1238,365,505
In Bank, Department	14,453,421	Securities	613,753
		Other Securities	5,642
		Silver Coin	...
		Amt. of Fid. Issue	1250,000,000
		Gold Coin and Bullion (at 168s. per oz. fine)	241,718
			1250,241,718

BANKING DEPARTMENT

Proprietary Capital	£14,553,000	Govt. Secs.	245,807,764
Reserves	3,525,670	Other Secs.	18,594,961
Public Depts.	8,912,180	Discounts & Advances	22,599,691
		Securities	41,194,652
Other Depts.	218,931,750	Gold & Silver Coin	1,471,055
Bankers' Other Accts.	67,003,292		...
			302,926,892

APRIL 4, 1945
ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1240,265,208	Other Govt.	1238,268,688
In Bank, Department	9,976,510	Securities	708,845
		Other Securities	7,367
		Silver Coin	...
		Amt. of Fid. Issue	1250,000,000
		Gold Coin and Bullion (at 168s. per oz. fine)	241,718
			1250,241,718

BANKING DEPARTMENT

Proprietary Capital	£14,553,000	Govt. Secs.	225,582,764
Reserves	3,099,636	Other Secs.	20,659,664
Public Depts.	10,876,537	Discounts & Advances	14,834,299
		Securities	35,493,963
Other Depts.	187,930,527	Gold & Silver Coin	9,976,510
Bankers' Other Accts.	55,980,513		...
			272,440,114

COMPARATIVE ANALYSIS

(£ millions)		1945			
		April 5	Mar. 21	Mar. 28	April 4
Issue Dept.					
Notes in circulation	1119.2	1222.8	1235.8	1240.5	
Notes in banking department	31.0	27.4	14.5	10.0	
Government debt and securities	1149.3	1249.3	1249.4	1249.3	
Other securities	0.7	0.7	0.6	0.7	
Other securities	0.0	0.0	0.0	0.0	
Silver Coin	0.0	0.2	0.2	0.2	
Gold, valued at s. per fine oz.	168.00	168.00	168.00	168.00	
Deposits					
Public	8.7	9.7	8.9	10.9	
Bankers'	166.8	218.4	218.9	187.9	
Others	56.8	55.3	57.0	56.0	
Total	232.3	283.4	284.8	254.8	
Banking Dept. Secs.					
Government	189.4	247.2	245.8	225.6	
Discounts, etc.	13.7	10.2	18.6	20.1	
Other	15.6	15.1	22.6	14.3	
Total	218.7	272.5	287.0	260.1	
Banking dept. tes.	31.4	28.9	15.9	11.4	
Proportion	13.5	10.2	5.5	4.4	

* Government debt is £11,015,100; £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 254d. for cash and for two months. The New York market price of fine silver remained at 44s. 0d. per ounce throughout the week. Bombay bullion prices were as follows:—

1945	Gold per Fine Tola		Silver per 100 Fine Tolas	
	Rs.	a.	Rs.	a.
Mar. 28	71	11	126	13
" 29	73	4	128	4
" 30	73	2	128	6
" 31	72	10	129	12
Apr. 2	71	12	129	12
" 3	73	3	132	8
" 4	73	3	132	8

THE REVENUE

I.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1945, as compared with the corresponding periods of the preceding Year.

	Quarter from Jan. 1 to Mar. 31, 1945, compared with the corresponding Quarter of the preceding Year					Year ending March 31, 1945, compared with the preceding Year			
	Quarter ending Mar. 31, 1944	Quarter ending Mar. 31, 1945	Increase	Decrease	Estimate for the Year 1944-45	Period ending Mar. 31, 1944	Period ending Mar. 31, 1945	Increase	Decrease
ORDINARY REVENUE.	£	£	£	£	£	£	£	£	£
Inland Revenue—									
Income Tax.....	669,399,000	721,327,000	51,928,000	...	1,300,000,000	1,183,583,000	1,316,839,000	133,256,000	2,507,000
Income Tax.....	55,690,000	55,477,000	...	213,000	80,000,000	76,042,000	73,555,000	...	...
Sur-tax.....	27,590,000	31,552,000	3,962,000	...	100,000,000	99,466,000	110,888,000	11,422,000	730,000
Estate, &c., Duties.....	4,000,000	5,895,000	1,895,000	...	19,000,000	17,740,000	17,010,000	...	142,000
Stamps.....	10,468,000	8,677,000	...	1,791,000	500,000,000	33,446,000	33,304,000	...	...
National Defence Contribution.....	110,849,000	104,424,000	...	6,425,000	466,668,000	466,668,000	477,134,000	10,466,000	189,000
Excess Profits Tax.....	720,000	597,000	...	123,000	1,000,000	968,000	779,000	...	...
Other Inland Revenue Duties.....									
Total Inland Revenue.....	878,716,000	927,949,000	57,785,000	8,552,000	2,000,000,000	1,877,913,000	2,029,489,000	155,144,000	3,568,000
Customs and Excise—									
Customs.....	153,571,000	145,119,000	...	8,452,000	564,900,000	560,832,000	579,352,000	18,520,000	...
Excise.....	123,805,000	121,100,000	...	2,705,000	472,900,000	482,200,000	496,900,000	14,700,000	...
Total Customs and Excise.....	277,376,000	266,219,000	...	11,157,000	1,037,800,000	1,043,032,000	1,076,252,000	33,220,000	...
Motor Vehicle Duties.....	21,834,000	23,140,000	1,306,000	...	27,000,000	27,294,000	28,965,000	1,671,000	368,000
Post Office (Net Receipts).....	6,668,000	2,730,000	...	3,938,000	...	368,000	...	70,000	80,000
Wireless Licences.....	1,560,000	1,550,000	...	10,000	4,850,000	4,750,000	4,820,000	...	...
Crown Lands.....	330,000	260,000	...	70,000	800,000	1,060,000	980,000	...	...
Receipts from Sundry Loans.....	1,913,745	2,305,088	391,343	...	7,350,000	6,455,118	7,520,018	1,064,900	...
Miscellaneous Receipts.....	19,086,264	26,119,693	7,033,429	...	24,000,000	77,676,027	90,037,001	12,360,974	...
Total Ordinary Revenue.....	1,207,484,009	1,250,272,781	66,515,772	23,727,000	3,101,800,000	3,038,548,145	3,238,063,019	203,530,874	4,016,000
			£42,788,772	Net Increase				£199,514,874	Net Increase
SELF-BALANCING REVENUE.									
Post Office Revenue.....	22,032,000	26,320,000	4,288,000	...	112,370,000	110,632,000	116,600,000	5,968,000	...
Total.....	1,229,516,009	1,276,592,781	70,803,772	23,727,000	3,214,170,000	3,149,180,145	3,354,663,019	209,498,874	4,016,000
			£47,076,772	Net Increase				£205,482,874	Net Increase

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Odour of Dissolution

TWO political speeches, one Labour and one Conservative, have hastened the end of the Coalition Government, if not of this ten-year-old Parliament. In Mr Greenwood's words, "The fight is on," and what the Prime Minister called the odour of dissolution is in the air. Mr Bevin, at Leeds on Saturday, felt it incumbent on him to reply both to the mildly partisan passages in the Prime Minister's speech to the Conservative Conference a few weeks ago and also to the rumour that he himself was a candidate for office in a post-election coalition. There were certainly no qualifications about his attack on the Conservative Party, particularly for their pre-war record, or any lack of precision in his profession of party loyalty. Mr Bevin does not like being cast for the role of Ramsay MacDonald. On Monday Mr Bracken retorted in kind from the Conservative side. "Fears and doubts of our future," he said, "seem to hag-ride the Socialists towards a lop-sided totalitarianism."

It is so long since the days of party politics that phrases like this have caused a minor sensation. The cooler heads on both sides are counselling moderation, but it is perfectly clear that a Government whose members are verbally assaulting each other in this fashion cannot last very long, and when the Government goes, the Parliament will go soon after. The time-table hitherto agreed may now perhaps be speeded up. There may not be a clear-cut end to the German war, and if the next few weeks do not bring a definite end to the fighting, the Cabinet

might possibly break up without it. And the probability is now that the General Election will follow fairly quickly on the resignations of the Labour and Liberal Ministers.

It is also becoming clearer what the issues will be on which the parties will choose to fight. One will be that the Conservatives brought the war on by their folly or worse. "They thought they could buy Hitler and his gang," said Mr Bevin on Saturday. "Big Business was ready to do a deal with them." And the Tory kettle will call the Labour pot black. The second issue will be "public ownership" versus "free enterprise."

The Economist has consistently argued in favour of a return to party government, not, indeed, because of any positive benefits that the existing parties are likely to confer on the country, but because of the paralytic impotence of a coalition to reach decisions save on uncontroversial issues such as the winning of a war. But if anything could reverse the argument it would be the spectacle of the parties drawing up to do battle on a couple of controversies which, in so far as they are not misleading, are irrelevant. Neither party's record is clean in the pre-war years. If the Tories had more leaders who were lamentably wrong, they also had more who were right. The contributions of the Labour Party to the great debate of those years, if they were not wicked, were certainly silly, and if pasts are to be raked up, it would be difficult to beat for foolishness the Labour vote against conscription after Hitler was in Prague. What matters is not who failed to

prevent the present war, but who will succeed in preventing the next. That is the task of foreign policy, and the leaders of both sides have been singularly barren of any constructive ideas on the subject—with the sole exception of the Prime Minister's "Council of Europe" speech, from which he has now apparently departed.

As for the economic argument, any elector in his senses knows by now that neither "public ownership" nor "free enterprise" by itself is any good. The task of the next decade or two is to evolve techniques by which they can be combined so as to reinforce each other and not merely, as so often hitherto, for mutual frustration. It would be

a very sound rule of thumb to write off every politician who advocates either "public ownership" by itself or "free enterprise" by itself as a fraud and a charlatan—save for the fact that that would involve writing off almost the whole of the two largest parties.

If the election is coming soon, it is not too early for the party leaders to begin to put some constructive ideas before the electorate—if they have any. By all the indications, sloganising and mudslinging and the general antics of the party circus will not carry much conviction to the voters this year. But it does not look as if very much more is going to be offered.

Russia and Japan

THE approaching end of the campaign in Europe is beginning to produce a new alignment of forces in Asia. Russia is emerging from her enforced passivity in the Far East and assuming an active role. On April 5th Mr Molotov denounced the Russo-Japanese Neutrality Pact of 1941. The Pact has stood Russia in good stead, freeing her from the fear of a war on two fronts. It had to be denounced this month, as otherwise it would automatically have continued for a further five years. Even now, it is technically in force for another year. The choice of moment to denounce it may, therefore, be less significant than appears at first sight. But the method of denunciation, together with the publicity given to it, are certainly suggestive. Mr Molotov's statement to the Japanese Ambassador was worded in such a way as to allow the most elastic interpretation. He did not explicitly declare the Treaty to be null and void; and to this extent it may still be regarded as binding. But he charged Japan with "lending assistance to Germany in her war against the USSR" which may imply that, in the Russian view, a breach of the Pact has already been committed by Japan, and that Russia no longer considers herself pledged to remain neutral. Which of these interpretations turns out to be the correct one will be dictated by practical consideration of Russia's own interests rather than by legalistic scruples.

What are the practical considerations? Generally speaking, war—like peace—tends to be indivisible. The ties of Russia's alliance with the United States and Great Britain are too manifold and many-sided to allow for her continued neutrality. It is difficult to conceive a situation in which the Big Three should jointly shape a post-war European settlement and discard the partnership at the boundaries of Asia. The partnership has already, to some extent, been carried into the Middle East. It would be very surprising indeed if it were not extended from the Middle to the Far East. Russia's own interests would not permit a division of spheres so eccentric as to deprive her of the benefits which she can expect from the alliance in the Pacific theatre of war.

In the last decade or so before the war, Russia's influence in Asia was steadily receding. In the critical years of the German invasion it seemed to be reduced almost to insignificance. But the historical tendency of Russian expansion towards the Pacific has certainly not disappeared. For Czarist Russia this was the line of least resistance, the easiest direction of expansion. Revolutionary Russia, for different motives, was equally closely interested in Asia. The only country in which the Soviet influence ever became strong enough to induce the Government to work in close co-operation with official Soviet advisers was China in the early stages of the Kuomintang regime. Contemporary Russia has not abandoned the patterns of the old pre-revolutionary and nationalist tradition so much as added to them something of its original Leninist outlook. Marshal Stalin's desire to win back for Russia the influence and the position lost by the Czars is very likely to assert itself in the Far East with the same vigour and determination as in Europe.

The defeat of Japan will give Russia a brilliant opportunity of re-gaining the patrimony lost 40 years ago when

Russia, defeated by Japan, signed the Treaty of Portsmouth. The reversal of that Treaty is probably Russia's diplomatic programme in the Far East. This would mean the return of Port Arthur and of Southern Sakhalin to Russia; the replacement of Japanese influence by Russian in Korea and Manchuria; the recovery of the Chinese Eastern Railway, connecting Vladivostok with eastern Siberia, which was sold to Japan in 1935; and the extension of the Russian protectorate from Outer to Inner Mongolia. These, in all probability, are the first four items on the programme. They are important enough by themselves to induce Russia to intervene in the Pacific war. But there are still larger stakes. Russia will certainly be anxious to have her say in the Chinese settlement. Until quite recently, the Russian attitude towards China was one of studious aloofness and indifference. From the time of the conclusion of the Neutrality Pact with Japan, the traditional expressions of solidarity with China were carefully avoided. Nor have Russian spokesmen in recent years spoken their mind about the conflict between Chungking and Yen-an, which threatens to split China into two hostile camps. Quite recently there was a change of attitude. Russian interest in China has been revived; and the Russian press is beginning to take sides with Yen-an against Chungking.

When the Far Eastern chances are weighed in Moscow, the burdens and the cost of a new war are certainly set against the possible gains and prizes. The tremendous devastation and blood letting suffered by Russia in the German war make it impossible for the Soviet leaders to take lightly the prospect of more fighting in the Far East. Nor would a war against Japan be as popular among the people—whose mood cannot be ignored even in Russia—as the war against Germany. The claims of a Far Eastern campaign on Russia's resources and manpower would compete with the most urgent demands of economic reconstruction. And though it might be a short war, it might also be a long one, especially on the mainland. The Japanese are strongly entrenched in China and Manchuria; and their quick expulsion cannot be taken for granted.

The certainty that there will be some Russian activity in the Far East is thus much clearer than the form it will take. Russia might bring only diplomatic pressure to bear upon Japan. She might conceivably act as the mediator between the Allies and Japan (just as the United States acted as mediator between Russia and Japan in 1905). She might perhaps persuade Japan to surrender by the mere threat of throwing her forces into the fight. Alternatively, she might put Siberian bases at the disposal of her Allies. And finally she might choose to engage the Japanese in a fully fledged war on the mainland.

The choice of method will clearly depend on political developments inside Japan. Will the Japanese be realistic enough to surrender before defeat, now so certain, devastates their home islands and shatters the foundations of their national life? Or will they, like their Nazi allies, fight to the bitter end and commit national harakiri? The change of Government in Japan which took place simultaneously with the denunciation of the Neutrality Pact in Moscow is, like all Japanese political moves,

difficult to interpret with any certainty. But it seems to point to a confusion of policies in Tokyo. It reflects a state of uneasy balance between the various political groupings, the militarist extremists and desperadoes, the pseudo-Liberals and quasi-Liberals, the dubious pro-Russians who are wholly anti-British and anti-American, and the equally dubious moderates with the reputation of being pro-American. The new Premier, Admiral Suzuki, is a representative of that spurious Japanese liberalism which has allowed itself so often to be exploited as a smoke-screen for militarism and has been so easily swept aside, when the time came, by the secret military juntas. (He himself was gravely wounded during the Young Officers' revolt in 1936.) Admiral Toyoda, the new Minister of Munitions, belongs to the same category. He was Foreign Minister in the early stages of the Washington talks whose eventual failure led up to the attack on Pearl Harbour; and, to judge from the testimony of Mr Grew, the former American Ambassador in Tokyo, he ought to be regarded as something like the potential leader of a pro-American "peace party." The Foreign Minister in the new Cabinet, however, is Togo, who held the same post after the decision had been taken for war and when the negotiations were being continued simply as a blind; he had previously been regarded as "the most acceptable representative of Japan in Moscow." The militarist extremists are represented by General Minami, the President of the quasi-totalitarian Party, and by several other military leaders.

Thus, this odd Cabinet seems to include some potential Japanese Badoglios who might, in some circumstances, be prepared to negotiate a surrender. But it is doubtful whether the situation is really ripe for them to act. The new Government will try to mark time, to fight on and, at the same time, to keep several doors ajar through which to escape from disaster. Suzuki and Toyoda may hope to be able to talk, if need be, to the State Department, while Togo deals with the Narkomindel. The chief diplomatic rôle has for the time being undoubtedly been assigned to Togo. The Japanese probably still think that they need not throw up the sponge, if Russia can be kept neutral for a few months longer. True, the Americans have come dangerously near to the home islands. But to the Japanese the occupation of the Yokinawa islands may look no worse than the occupation of the Channel Islands looked to the British in 1940. The chief battle—the invasion of Japan—is still ahead. The American bases are far off; and the home islands are certain to be strongly defended. Meanwhile—so the Japanese may hope—they may benefit from political windfalls. The post-war chaos in Europe may produce disunity among the Allies and help Japan to obtain a negotiated peace. Should this hope fail, and should Russia, after all, cease to be neutral, then the "moderates" may still come to the fore and wage a "peace offensive"—provided, of course, that the fanatical

believers in national harakiri and the terrorists from the secret Army associations do not upset the plans by last-minute assassinations of the "moderate" leaders.

It is obviously in the Allied interest to speed up the end of the Pacific war. The German example shows that the enemy's harakiri does not make matters easier for the victorious Allies but more difficult. It leaves a legacy of economic chaos and social unsettlement, a very shaky ground for any peace settlement. A Japanese fight to the bitter end, without any central Government being ready to capitulate, might well mean that, even after the conquest of the islands, the war would still go on in Manchuria, Korea and China. This, in its turn, might create grave political problems in China, where the Russians would work through the Communist administration of Yen-an, while the Americans and probably also the British would support Chungking. A dangerous inter-Allied rivalry, of which Europe has already seen some examples, may develop also in Asia. And, perhaps even more dangerous, the Pacific war would overshadow the peace settlement in Europe, where decisions would continue to be taken under the pressure of military expediency rather than on the merits of the issues.

The Allies ought certainly to do what they can to create the conditions for Japan's surrender and to strengthen the hands of the potential peace party against the militarist faction in Tokyo. An attempt to achieve this may, of course, fail because of the explosive and incalculable character of Japanese politics and because of the political timidity or cowardice of the quasi-Liberals. But even so, it should be worth while to define conditions of unconditional surrender in a way that would help the Japanese to reconcile themselves to defeat.

The margin of the possible Allied concessions must of necessity be very narrow. There can be no abatement of the decision that Japan should be deprived of all her colonial possessions and dependencies. Nor can the demand for complete disarmament be waived, even though this condition alone may be enough to drive the army fanatics into despair and to make them terrorise the more moderate elements. But the Japanese ought to know that through timely surrender they can save the homeland from a long Allied occupation, preserve at least some of their industries and be given a chance to resume normal peaceful economic relations with the outside world. No one who realistically contemplates the practical problems of enforcing a settlement in the Far East can doubt that these terms will, in fact, be granted to the Japanese. To those Japanese who are still unable to abandon the dreams of the Great East Asia Co-Prosperity Sphere this may not be a sufficiently attractive prospect. But to the great mass of the Japanese people and to a section of its ruling class it may offer a welcome opportunity to avoid national suicide. It would be foolish of the Allies to base their policy on the belief that the instinct of self-preservation is altogether absent from the Japanese mentality.

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French Economic Policy

THE contents of M. René Pleven's Budget speech on March 29th made it clear that the Provisional Government had decided in his favour the long dispute with M. Pierre Mendès-France, who duly resigned from the Ministry of National Economy on April 4th. M. Pleven is to combine this office with the Ministry of Finance. This episode not merely clarifies the kind of financial policy the French Government is likely to pursue, at least until public opinion can be tested by a general election, but it also marks the end of an experiment in Government whereby a super-ministry was to initiate financial and economic policy and to co-ordinate the activities of other ministries dealing with economic affairs.

As an experiment in government, the grouping of a number of departments under a new super-ministry was almost doomed to fail. The scheme was conceived by members of the Provisional Government before the liberation of France and, like many other plans, it looked neat on paper but has proved unworkable in spite of the French penchant for logical solutions. As experience in this country has shown, a new ministry, set up to control established departments, inevitably encounters friction because it can only establish its own authority by diminishing that of other departments; M. Mendès-France soon discovered that, in spite of the full paper powers given to him by the constitution of his Ministry, other departments tended to resist encroachment. A super-ministry of the kind envisaged can therefore only establish its authority if its Minister possesses an outstanding personality and a first-class staff; but since established departments are usually unwilling to part with their most experienced administrators, a new ministry is never likely to gather a strong team, at any rate initially. M. Mendès-France has been imprisoned by his own logic; rather than accept the more modest rôle of a chairman and an energiser—as is Lord Woolton's in this country—he preferred to resign. He wanted all or nothing.

This does not mean, of course, that a co-ordinating ministry, charged with the initiation and supervision of economic and financial policy, will never work. It can; but only if the ministry is the natural co-ordinating department, and this is inevitably the department that holds the purse strings, that is to say, the Treasury in Britain and the Ministry of Finance in France. The strength of the Ministry of Finance is not merely derived from its control over revenue and expenditure but also from the *esprit de corps* of the *Inspecteurs des Finances*, who hold many key positions in Ministries other than the Ministry of Finance and, by reason of their training, generally retain, if not necessarily allegiance to their former department, a common outlook upon financial and economic problems. In a sense, the taking over of the Ministry of National Economy by the Minister of Finance is, therefore, a natural development or, rather, it means a return to the *status quo*, for the nucleus of the new ministry was formerly a department of the Ministry of Finance.

The resignation of M. Mendès-France, however, is not merely a reflection of the difficulties he encountered in the attempt to establish his authority. It is also a reflection of a clash of views about policy and about the methods that should be pursued to lead the country out of its present difficulties. M. Mendès-France brought back from Algiers detailed schemes for the control and direction of the French economy. Like his conception of a super-ministry, his schemes were logical and symmetrical. He wanted to start with a clean slate. As he is reported to have stated at a press conference on April 5th, he wished to take advantage of the present stagnation of the economic life of the country to carry out a series of cleansing operations, especially in the monetary sphere, in order to enable the country to start from a sound and healthy basis. He had prepared plans for radical reforms. In particular, he wished to put an end to inflation by monetary operations. His policy included the exchange of banknotes and the

temporary blocking of all but small amounts—frs. 5,000 a head (£25 at the official rate of exchange and less in purchasing power) was the figure mentioned—the ruthless confiscation of illegal profits, and a capital levy. In sum, he was in favour of shock tactics against the threat of inflation.

The Minister of Finance, whose views have prevailed, professes the same zeal for economic recovery—indeed, it would be absurd not to—but he prefers to rely upon more orthodox methods. In his Budget speech M. Pleven laid down the principles of short-term as well as of long-term policy. In the short run, his aim will be to mobilise the country's resources to the fullest possible extent, to tax heavily and to initiate an energetic savings campaign as a means to resist inflation. One of the running sores of the French fiscal apparatus has been wholesale tax evasion by the public. M. Pleven declared his intention of tackling this problem vigorously, not merely by exhortation but by direct action. He has sought and obtained the promise of the British, American and Belgian Governments to give him information about French assets in these countries; he is to tighten up the apparatus of internal tax collection. Illegal profits are to be confiscated; of the expected yield of frs. 12,000 million, frs. 5,500 million have already been declared subject to seizure. He intends to impose a levy on wartime increments of personal property, payable over the next three years and expected to yield frs. 100,000 to 125,000 million; the details of this levy have not yet been announced. If he succeeds in doing all these things efficiently, he will have gone a long way towards financial rehabilitation. M. Pleven's long-term policy is to be designed to raise the productivity of France, and he promised to submit to the Government this year detailed plans concerning the financial methods to be employed in the pursuit of his aim.

M. Mendès-France has been criticised for putting forward theoretical proposals. But it remains to be seen whether M. Pleven's will be any more successful in translating themselves from paper into reality. Many French Ministers of Finance in the past have promised to end tax evasion. A campaign to induce the public to invest their savings in Government paper is not a policy whose success can be confidently predicted—the less so in the conditions that now prevail in France. A plan to improve productivity is an admirable object; but in the best of circumstances it will not take effect for many years. M. Pleven is unquestionably right in thinking that the fundamental immediate problem is to increase the supply of goods; but that does not mean that M. Mendès-France's more financial approach is wholly divorced from the needs of the moment. There is a grave risk of progressive inflation of a purely monetary sort, irrespective of the volume of supplies, and M. Pleven's policies will have to be applied with a promptness and effectiveness that has not been customary in French fiscal practice if they are successfully to confront this danger. Next door, in Belgium, a successful step in monetary deflation has substantially eased the pressure of money on supplies and it is impossible not to sympathise with M. Mendès-France's desire to do likewise in France.

But Belgium is not France, and this may well be the crux of the matter. Draconian measures require a strong and coherent administrative machine, and this does not exist at present in France. Even if M. Mendès-France's reasoning had been perfect, even if he had met no opposition within the Government, he would still have had the most formidable difficulties to contend with in trying to get a tight grip upon the national economy. Not the least of these difficulties would have been the traditional unwillingness of the agricultural community either to put much financial trust in the politicians of Paris or to deliver supplies of foodstuffs against currency that may be blocked. It may very well have been considerations of this order that decided the issue in favour of M. Pleven. But, if so, that is tantamount to saying, not that his policies

are good, but that they are the best that are possible in difficult circumstances.

But whatever the merits of the two different approaches, the fact is that the country remains in the throes of serious financial and economic difficulties. Fundamentally, the short-term problem is one of supplies. The degree of success he is likely to achieve in his attempt to arrest inflation depends largely on his ability to absorb excess incomes by taxation and an active loan policy. True, the latest increase in wage rates is an adjustment of the wages structure that has probably been made necessary by the uneven application of the increase granted last September and, in a sense, a means of restoring something like the former relationship between town and country. (The hourly rate of an unskilled worker in Paris is to be raised from frs. 15 to 20—that is, from 1s. 6d. to 2s. at the official rate of exchange—with proportionately lesser increases for skilled workers.) But this will inevitably mean higher costs and, incidentally, it emphasises still further the artificiality of present official rates of exchange. And, in the absence

NOTES OF THE WEEK

The German Strip

The Nazis have now lost one-half of Germany. An area roughly equal to three times what is left is still under German occupation in Denmark, Norway, Austria, Czechoslovakia, Italy and Yugoslavia. The German territory in central Europe has become a narrow strip, and from west to east Allied armies near Magdeburg have to cover not more than 120 miles, as the crow flies, to join forces with the Russians at Frankfurt east of Berlin. Outside this narrow strip of territory there are still German pockets in the Ruhr, in French Atlantic ports, in Courland in Russia, near Danzig, and on a number of islands in the Aegean Sea. Inside the strip the military and civilian administration of the Nazis continues to function haphazardly.

Nazi propaganda from the centre, which is still maintained for internal as well as for foreign consumption, suggests very different conditions in different parts of Germany. In some provinces, the administration is still intact; in others, the entire population has been simply turned over to the regional military commander. Some groups of the *Wehrmacht* have become autonomous in all supply matters, others have turned into groups of stragglers. Soldiers in training camps and in training units for officers and NCOs have often transformed themselves into field units. But the Nazi party as a centralised body of privileged men and women still functions after the territorial losses. Here and there, *Gauleiters* have been left behind in pockets of resistance in order to preserve prestige, but as a rule party officials have moved faster than the advancing Allied armies.

There is evidently a quite definite intention to preserve the party intact, or at least to keep a skeleton in existence at the centre. Formerly, civilian administrative offices and party offices could not, in theory, be held by one person, but in practice this rule was frequently waived in the lower grades. Recently, however, it was again decreed that the party office of *Kreisleiter* (District leader) and the office of *Landrat*, that is the head of the smallest administrative district, should not be held by one person. The object of this decree, as of former similar decrees, is to give the party officials more freedom from direct administration. The party officials, the *Gauleiters* and *Kreisleiters*, as well as the local party leaders, have been engaged for some time in organising the *Volkssturm* battalions. In other words, the situation has forced the party leaders to be as mobile as possible, which looks as if the party and its organisation are thought to be more important than the civil administration.

Displaced Persons

The problem of "displaced persons," the official term for foreign workers, deported persons and prisoners of war employed on forced labour in Germany, is rapidly becoming a major concern of the Allied troops occupying Germany. The first authoritative statement on the problem was made by Brigadier-General R. Mickelsen, head of the Displaced Persons, Refugees and Welfare Branch of the Allied Military Government. He estimates the total number of displaced persons at about 7,000,000, but this figure

of an expansion in supplies, the pressure for higher wages and farm prices may be expected to continue. M. Pleven still has to justify his policy by results.

Moreover, it will have to do so in a political atmosphere which cannot fail to be prejudiced by the outcome of the affair. However practical the real reasons that decided the issue, it is regarded by the Left, in the light of their hopes of sweeping social changes, as a victory for the Right. It is true that the mood of the majority of the French people, as it is gradually being revealed, is against any consistent policy of revolutionary change; but this will not lessen the disappointment of the Left, who were confident, so recently, of being in the majority. Nor will it prevent them from attacking M. Pleven's Liberalism as outright reaction. Even the Right in 1945 is a long way to the Left of where the Centre was in 1938. But there are still differences deep enough to provide plenty of obstructions. The basic problem of French economic policy, now as before, is to organise a sufficient body of support for the policy of the majority to make it effective.

excludes prisoners of war and civilians confined in camps. Twenty per cent are women and 5 to 10 per cent children, mainly orphans. This is a reduction on the unofficial estimates, which put the total number of displaced persons and prisoners of war at about 14 million. In fact, the rare German statements on the subject suggest that foreign labour in Germany never exceeded 8,000,000 persons. Allied armies have so far collected a total of 800,000 displaced persons, including 100,000 in France and another 100,000 in Germany west of the Rhine. This is about half the total which the Allies expected to find west of the Rhine, and it appears that the Germans marched many of the foreign workers back with them in their retreat.

The situation has now changed. The number of displaced persons found in occupied Germany is mounting rapidly. In ever greater numbers they are leaving farms and factories and are trying to find their way home. Frenchmen, Belgians and Dutchmen know their destinations, but the majority are Russians and Poles, who wander directionless. The Allied authorities are attempting to stop this involuntary vagrancy, but the problem seems impossible to solve at the moment. Ultimately, the displaced persons will have to stay until a concerted plan for repatriation can be carried out, but this is hardly possible until the whole of Germany is occupied. Thousands of transit camps will be necessary, and the repatriation itself will be a major administrative problem. The long-expected upheaval has thus come about. The first joys of liberation at long last cannot hide the tragedies of the greatest dispersal in history. To help these millions will tax to the utmost the administrative ability of the Allied Military Government and UNRRA.

Machinery of Government

Two new Bills have been laid before Parliament this week. The reason for the Statutory Orders (Special Procedure) Bill is the large number of Statutory Orders, made under reconstruction legislation, which require to be submitted to Parliament. Under it, there will be a period of 14 days during which any MP can move the annulment of a Statutory Order. If, at the end of this time, the Order has not been annulled, all objections and amendments to it will be referred to a Joint Select Committee of both Houses. The Committee's decision will be final, unless the Minister asks Parliament to reconsider it. The new procedure can, initially, only be applied to Orders made under new legislation, except that it will apply to those made under the Town and Country Planning Act, 1944. But, after five years, if its working proves successful, it can be used to replace provisional Orders made under other existing Acts.

It is clear that the Bill puts important responsibilities upon the proposed Select Committee, although it reserves to Parliament a preliminary right of annulment, which is likely in practice to be sparingly used. The Bill strikes a good balance between the needs of Executive speed and Parliamentary supervision, and is a satisfactory step towards solving the problem of delegated legislation.

Local Areas

The second Bill sets up the promised Local Government Boundary Commission, which is to consist of five members. The significant point about this Bill is that it leaves all important decisions to be taken later by the Minister of Health or the Commission itself. In theory, the Commission can unite, divide, and redraw the areas of local authorities in any way it pleases. The "general directions" which will guide it are to be issued by the Minister, subject to Parliamentary approval, but they are not to be debated by Parliament. The Commission's major decisions will be scrutinised by Parliament, presumably under the proposed new procedure. But the very latitude of the powers conferred by the Bill and the complete silence about how they will be exercised is in this case less an indication of the dangers of delegated legislation than of the probability that no serious reform will be attempted.

The County of London is excluded from consideration by the Boundary Commission. The reason given is that a separate commission will later be set up to consider the special position of the metropolitan boroughs. Nothing, however, could be more symptomatic of a defeatist attitude towards local government reform than this decision to separate the problems of the L.C.C. from those of the rest of Greater London, which the Commission will consider. The L.C.C. area has hardly altered since 1855. It contained in 1939 less than half, and in the future will contain a smaller proportion, of the population of the Metropolitan Police District, which is itself a conservative area to take as representing Greater London. Contained in the Police District are two whole counties, large parts of three other counties, three county boroughs, and well over fifty boroughs and urban districts.

Clearly it is the reorganisation of London's major authorities which should be considered first, and such consideration cannot ignore the possibilities of a Greater London Council or an enlarged L.C.C. The provision that no local authority in Middlesex may apply for county borough status is a recognition that the creation of further major authorities is impossible. The two proposed commissions can between them, in fact, do no more than re-group some of London's minor authorities. It would be better to abandon any pretence at immediate action in London, and to ask the separate commission to make recommendations about the whole region.

House Repairs

The main grounds of criticism in Tuesday's debate on the repair of war-damaged houses were that, in advertising the success of the winter repairs programme, the Government had given too rose-coloured a picture of the condition of London. Any chance impression that repairs had been completed would, some Members feared, bring evacuees prematurely back to London and despatch workers prematurely to the provinces whence they came.

Mr Sandys's reply gave ample evidence that the task of repairs in London is far from finished. Although 800,000 damaged houses have been made tolerably comfortable since September, between 250,000 and 300,000 still remain to be done. In addition, there are 40,000 houses which are more severely damaged and will need more extensive repairs. Some are slums and not worth working on, but Mr Sandys evidently hopes to complete the rest by the end of the summer. By contrast, in the whole of England and Wales there are only 10,000 severely damaged but repairable houses still not tackled. It must surely be obvious, in the light of such facts, that there can be no question of allowing workers to leave London at least until the autumn. The present labour force of 143,000 (of whom 121,000 have been drawn to London since last year) is apparently regarded as a peak, and numbers can be expected to decline next winter, when the last phase of the repairs programme—that of internal redecoration—may be begun. Between then and now one of the aims of the London Repairs Committee should be to make sure, with the full co-operation of the police, that labour so urgently needed for homes should not be wasted on private decoration obtained by back-door methods. For, no matter how many warnings and appeals are made, evacuees cannot be depended on to stay away from London. Unless every possible repair is done during the summer, the Government will bear at least some responsibility for the housing situation in London next winter.

Municipal Elections in France

The date of the first municipal elections in France, fixed for the end of this month, is close at hand; and the French are now discussing whether the elections ought to be postponed or not. One objection against holding them now is that the prisoners of war and deportees are just starting to return from Germany and that it might be better to wait until they are all back. As it will take several months before the repatriation is finished this would mean that the first formal, though incomplete, census of French public opinion after liberation would have to be postponed for a further period.

On the whole, the Left is for postponement. It expects to win many votes among repatriated Frenchmen and fears that the vote of the women, which will be cast for the first time in French history, may swing the balance in favour of the Right. This fear may or may not be justified; but it is certainly bad policy and poor tactics to build a political argument on any such fear. The women have been enfranchised by common agreement; and the consequences of this, pleasant or unpleasant, have to be faced by all parties. The absence of prisoners and deportees is a much more weighty argument. But France is not going to the polls to elect a Constituent Assembly that would pass fundamental reforms of national importance. Municipal elections will not end the constitutional interregnum, but they will give some approximate idea about the state of public opinion. Without any such idea France is and will continue to be in the dark about her own political condition. And so will the world outside.

On balance, therefore, the argument for the holding of elections seems to be more convincing than the objections to it. But whatever the result of the vote, it will mirror only very dimly the relative strength of the chief political tendencies. In municipal elections local sympathies and animosities rather than views on issues of national importance swing the balance of the vote.

Liberation in Sight

The liberation of Holland, held up last autumn, is again in progress, and it may not be long before the whole of Holland is freed. Holland was conquered by invasion from the east and by the action of German parachutists. Final liberation again comes from the east, and parachutists have again played an important part. Around Enschede, Hengelo and Almelo, there has been relatively little damage. Canadian troops, advancing along the railway to Groningen, have linked up with the parachutists dropped near Meppel, and the German garrison in Holland, estimated at 80,000 men, including a great many administrative units, will have great difficulty in escaping.

But the joys of liberation have again been diminished by the Germans' action in flooding the country. Flooding has actually cut the northern province of Friesland in half. Another flooded area is the Geld-Vallei which leads to Amersfoort. It is quite possible that the German troops will retreat from east to west into the area of Amsterdam, the Hague and Rotterdam, each of which is surrounded by flooded country, and they may try to hold these three towns as they are still holding some of the French ports.

Conditions in southern Holland, which was liberated last autumn, have hardly changed, and the food situation is still precarious. But in western Holland, especially in the Amsterdam, Utrecht and Rotterdam areas, conditions seem to have gone from bad to worse; and every day's fighting produces further deterioration.

Teachers and the Act

The annual conference of the National Union of Teachers has provided an opportunity for teachers to express anxiety for the future of the Butler Act. The presidential address gave warning against a "wave of cynicism" on the progress of reform from statute book to classroom. A resolution followed, demanding that the leaving age be raised to 15 before a year is out and that teachers and buildings should be provided for the purpose. Such sentiments are admirable, and it is right that teachers should be on guard against any whittling away of the progress that has already been achieved, on paper, in the Act.

At the same time, the buoyant enthusiasm of their claims appears to lack the ballast of fact. No attempt was made

at the conference to explain how the desired ends could, in concrete terms, be achieved. To take buildings alone, the situation at the moment is that schools have to be rebuilt and extended to provide for the equivalent of about 640,000 pupils—if damaged schools are to be rebuilt and room made for children up to the age of 15. Between now and next April, there will be, according to the Minister of Works, an average of 50,000 workers available for schools, hospitals and other public buildings. It seems unlikely that so small a labour force would be equal to the task. Even the panacea of prefabrication can, apparently, give little help; the cost to local authorities would be prohibitive and the same difficulties of finding the extensive sites would be bound to crop up. There has, at any rate, been no sign of planning in this direction from either the NUT or the Ministry of Education.

Consequently, it is possible to disagree with the teachers when they claim that anything less than their demands will bring shame on the whole country, without in the least belittling their motives. Scepticism over an optimistic programme need not, in present circumstances, be confused with cynicism for the final ideal. Later, when the labour budget is not so tight, there will be every justification for violent criticism if the Ministry fails to show a pretty turn of speed in practical reform. But, for the present, it is better not to overstate the case.

Meanwhile, an announcement has been made of re-organisation within the Ministry of Education "to facilitate administration under the Act." The department is to be divided into four distinct branches (besides the Welsh department and the medical branch) which will be concerned respectively with schools, further education, the supply and training of teachers, and information, research and public relations.

The Case of the Missing Poles

The Russo-Polish drama has been enriched by an episode worthy of a detective story. Last week, the Polish Government in London officially announced that its representatives in Poland and the leaders of the political parties had disappeared after an interview with a high Soviet officer, Colonel-General Ivanov, and that they "had given no sign of life" ever since. The Polish communiqué was so worded as to suggest, in a rather vague manner, that the Polish leaders had been either shot or imprisoned by the Russians.

However, this suggestion was soon contradicted by a report that the "missing" Polish personalities had arrived in Moscow to negotiate with the Russians on the formation of a new Provisional Government in Poland. The substance of the report seems to have been generally accepted as true, but the British Government has disclaimed any knowledge of the incident.

If it is true that Mr Molotov is attempting to reach a bilateral agreement with the authorised representatives of all Polish parties, then the Russian procedure is very odd indeed. The Crimean Conference entrusted the task of setting up a new Polish Government (or of "broadening" the Warsaw Administration) to a Commission of Three, on which Mr Molotov sits with the British and American Ambassadors. A Russian attempt to reach a direct agreement with the Poles may be prompted by understandable motives. The Russians may wish to demonstrate that they can come to terms with their neighbour without any pressure from the other Allied Powers. Even so, one might ask what purpose has been served by the long deliberations over the Polish issue at Yalta if the decisions agreed upon by the Big Three are so spectacularly obviated by the Russians. The hope may, however, still be entertained that if the Russians reach agreement with the Poles in bilateral negotiations they will submit its terms to the Allied Commission for approval. The purpose of the inter-Allied discussions about Poland is, after all, to bring about agreement between the Poles and the Russians. But perhaps another melodramatic incident, with an E. Phillips Oppenheim touch, will obscure the prospects of a Polish settlement once again.

Exit Plastiras

The violent Royalist campaign against General Plastiras has led the Greek Regent, Archbishop Damaskinos, to dismiss the General and to appoint Admiral Voulgaris as

Prime Minister. The campaign against Plastiras reached a climax last week, when the Greek press published a letter written by the General in 1941, from which one might deduce that his attitude towards the Axis was then slightly ambiguous. The content of that letter had been well known before and its publication now was hardly more than a pretext. The real motive for the change in the Government was given quite frankly by the Greek Regent when he declared that the speeding up of the plebiscite—a demand now raised by Royalists and opposed by parties of the Centre and Left—ought to be the chief task of the new Government.

Admiral Voulgaris's political career had been relatively uneventful before he took over the command of the Greek Navy during the anti-Royalist revolt in the Middle East last year. He suppressed the revolt and came to be hated by the Left. His Government is composed of Royalists and Republicans in equal numbers. A Republican of a moderate Right wing complexion holds the Ministry of the Interior, while a Royalist has taken over the Ministry of Information—an invaluable instrument of propaganda in the pre-plebiscite campaign.

The political tension in Greece is visibly increasing. The EAM has issued several protests against the terror applied to its members. It has also repeatedly accused the Administration of violating the Varkiza agreement, under which the Left Wing guerillas laid down arms. But ELAS is now almost certainly unable to stage a revolt against the Government. Plots and *coups d'état* are now more likely to be hatched among those Royalist extremists who are bent on forcing the pace of the Restoration.

However, the new conflicts in Greece may well lead to serious, and not merely internal, troubles. In Greek Macedonia, the EAM tends to look for help to the Bulgarian Fatherland Front, in which the Communists play an important role, and also to Marshal Tito's movement across the Yugoslav frontier. The Macedonian EAM may well play with the idea of Macedonian separatism. The idea has never been quite abandoned, even after Bulgaria's surrender to the Allies; and the autonomous Macedonia within the framework of Marshal Tito's federated Yugoslavia may have some attraction for dissatisfied elements



LOOKING AHEAD

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in Greek Macedonia. Significantly enough, the protests and the grievances of the Greek Macedonian Left are being given wide publicity in Soviet propaganda, which has now broken the silence it maintained during the Greek civil war.

Requisitioning in Bournemouth

A housing incident at Bournemouth has attracted a great deal of notice in the press. A number of tenants of furnished flats were served with eviction notices by their landlords, presumably because they could get higher rents from holiday-makers. On receiving representations from the Mayor of Bournemouth, the Minister of Health intervened and granted the local authority special requisitioning powers to take over the premises. This was actually the first case of its kind, though a case at Leeds about two years ago provided some kind of precedent for the Minister's action. But in view of the scarcity of holiday accommodation it would not be surprising if other seaside resorts underwent the same experience, and Bournemouth's local authority has set a valuable example.

Requisitioning powers were granted to the Minister of Health under the wartime Defence Regulations, and therefore they have no application to normal peacetime conditions. They were originally intended to apply to the requisitioning of accommodation for special categories of people, such as the bombed-out and homeless, but were recently extended to cover more general purposes. Tenants of furnished lettings have no redress against the threat of eviction, being bound only by their terms of contract, though they can, of course, complain to local authorities or lodge a prosecution in the event of extortionate rent being charged. Under the Rent Restrictions Acts, standard rent is defined for unfurnished lettings, but not in respect of furnished lettings.

The whole position seems very unsatisfactory, and it is to be hoped that it will be cleared up by the Ridley Rent Control Committee, whose Report is due to be published within a fortnight. The Ridley Committee has wide terms of reference, which include rent control of furnished as well as unfurnished premises. Previous Rent Committees have been baffled by this problem as they have found it impossible to apply common rent standards to furnished premises. In view of the shortage of all classes of accommodation it will be unfortunate if means to prevent profiteering of the Bournemouth description cannot be found.

Abnormal Earnings

The Select Committee on National Expenditure, that faithful watchdog of the public purse, has turned its attention to the abnormal earnings of certain workers on Government contracts. In its third report of the session it gives some startling examples, which have been made much of in the press. Women dilutees in an aircraft repair firm, earning the "rate for the job" after training, averaged £15 12s. 8d. for weeks in which a full week was worked, one woman averaging as much as £24 8s. 6d. In the week before Easter 1944, twelve dockers engaged in unloading Government stores at a northern port averaged £38 16s. 10d., while one man reached the high figure of £46 17s. 9d. In a third case, a dispute arose over the timing of an operation in an aircraft factory, which was referred to arbitration. Though the test of hours actually taken produced an average of 33½ hours per aircraft, the arbitrator awarded 135 hours as "fair and equitable."

Such instances are admittedly exceptional, as the Ministry of Labour's biennial survey of industrial earnings shows. The dockworkers' average in a week in July, 1944, was £6 8s. 8d., and that of aircraft workers was £7 19s. 11d. However, as the Select Committee points out, the existence of pockets of highly-paid workers may cause a sense of grievance among the overwhelming number of less fortunate workers, as well as leading to inflated costs of production. Further, there will be an inevitable drop in earnings when war contracts terminate and the abnormal conditions, such as overtime and holiday work, disappear and workers revert to base rates. This is bound to lead to industrial trouble.

But what is more to the point than instances of abnormal earnings, which will adjust themselves at the end of the war, are the Committee's criticisms of the slow working of the negotiating machinery. It took from August, 1941,

(when the Ministry of Aircraft Production originally complained of the high costs of production of the aircraft repair firm referred to above), until April, 1944, to secure agreement to reduce the rates. The Committee therefore suggests that piece rates fixed before production starts should be provisional and subject to review in the light of experience, and, further, that the Government department concerned should take the initiative in securing revisions and not wait for employers or workers to move. Finally, it appeals for the co-operation of both parties by speeding up negotiations and by observing agreements once they are reached.

The Select Committee's report, though it confines itself to the detailed cases, emphasises the need for an examination of the whole problem of wages and negotiating machinery, which has been evaded by the Government throughout the war, and will not now become easier to deal with in an atmosphere of reviving party politics.

School Meals

Draft regulations have been made, which, in accordance with Section 49 of the Education Act of 1944, impose a duty on local education authorities to provide a school meals service within their areas. When family allowances are established, dinner and milk in schools will be free for all children, and some light on what these allowances in kind will be worth is given by the regulations. The charge payable by the parents in the meantime is not to exceed the cost of food, but the minimum charge will probably be 4d. for a dinner in a primary or secondary school and 3d. in a nursery school, on the assumption that a suitable meal will cost at least these amounts in food alone. Thus for a child over five the provision of meals, five days a week, will be 1s. 8d. a week for forty weeks in a year, or £3 6s. 8d. a year. Milk is to be provided to the extent of not less than one-third of a pint daily, but the amount eventually envisaged is two-thirds of a pint. The present retail price of two-thirds of a pint of milk is 3d., which gives an additional 1s. 3d. a week for forty weeks, or £2 10s. a year. If local authorities arrange for meals and milk to be provided in the holidays, the value of these allowances in kind will be correspondingly greater.

The total of 2s. 11d. a week for milk and meals is the value of the allowances to the family. The cost to the nation is far greater because of the very high overheads. In the family allowances debate Sir William Beveridge quoted a figure of £20 million for overheads to provide meals costing, in food, £40 million. It is not clear how much of this is non-recurrent capital expenditure, but even so the running costs must be very high. The draft regulations prescribe that an authority should provide a fully qualified school meals organiser, and adequate staff, other than teachers, for preparing and serving the meals and for washing-up, whose salaries and wages will presumably have to be paid during the holidays.

There is thus every justification for the regulation calling attention to the need for economy. On the other hand, it cannot be too strongly emphasised that the purchase of poor food is not an economy and that this regulation is not inconsistent with another regulation laying down that the meals are to be decently cooked and served and the dietary well-balanced and varied. Nowhere perhaps is English cooking seen at its worst than in institutions, and now that a national meals service is to be inaugurated, it may be hoped that adults' memories of watery cabbage and stodgy puddings, provided in endless monotony for their school dinners, will not be revived.

Argentine Record

This week's recognition of the Argentine Government by the other twenty American republics was accompanied by the British Government's decision to resume diplomatic relations with Argentina. Similar moves have been made by France, Canada and Holland. This concerted resumption of relations is the outcome of Argentina's declaration of war against Germany and Japan and its adherence to the Act of Chapultepec.

General Farrell was the third President to assume office in the Argentine military regime which ousted the Castillo Government in June, 1943. Six months later, when the seizure of power by a Bolivian nationalist junta revealed the danger of Axis support for Latin American revolutionary forces, the remaining republics, working through their Committee for Political Defence, evolved and put into practice the principle of non-recognition. For the duration of the war it was agreed that Governments established by force

should not be recognised prior to proof of their adherence to inter-American defence pledges. By June, 1944, Bolivia was considered to have met this test and its revolutionary Government was recognised. Meantime, in Argentina, there appeared to be a conflict within the ranks of the military clique over the desirability of a break with the Axis, and the break, when it came, brought the downfall of General Ramirez, who had succeeded General Rawson three days after the original coup. He was supplanted by General Farrell, and Colonel Peron, mainspring of the military clique, emerged as Vice-President. Under his open leadership Fascist tendencies became more pronounced, and recognition was withdrawn by almost all the remaining republics. The United States Ambassador was withdrawn, and the British Ambassador was also recalled "to avoid misunderstanding." Argentina was left with practically no diplomatic representatives of the United Nations.

It is with the same Government that relations are now being resumed. President Farrell's recent declarations, officially interpreted as "a re-orientation of policy," conform to the formula of "hemispheric solidarity." But before the new policy will satisfy the Argentine democratic opposition, now being led by exiles in Montevideo, it will have to be reflected in domestic affairs.

Strike in Sweden

An important strike, involving half the workers employed in the Swedish mining and metal industries, is still unsettled and is likely to have important repercussions in the political and social development of the country after the war. The 125,000 workers concerned have been out on strike since February 5th, ostensibly over a wages dispute. Real wages, it is true, are lower than before the war, in spite of higher employment, but this is because the trade unions had agreed with the government to help in keeping down the high cost of manufacturing substitutes to replace imports. Moreover, economic causes have been reinforced by changes in the political background. Trade unions have grown much stronger during the war—in 1944 they numbered a membership of 1,030,000 out of a total population of only 6,500,000. They have also come more under the influence of the political Left. As in the Riksdag, the representation of the Communists has increased, and their influence has been particularly strong in the Metalworkers' Union concerned in the present strike.

The breakdown of negotiations which preceded the strike caused particular disappointment in Sweden, where a pioneer system of voluntary arbitration was established long before the last war and where, since 1928, special arbitration courts have been set up under state control. The present strike is one of the most important in recent Swedish history, and, while unemployment over the last ten years has been high (at one time 20 per cent of trade union membership), the arbitration system, so far as strikes and lock-outs are concerned, has until now worked well and there has been a fairly steady decline in the number of workers involved each year.

The strike is only one indication of the growing importance of the trade union movement in Sweden. In politics, the demands of the movement may well lead to comprehensive legislation to unify sickness and unemployment insurance, which at present are organised on a local and voluntary basis, into a compulsory national system. A Bill for the provision of state-financed family allowances is also in preparation. Other points in the trade union programme, published last spring, demand a policy of free international trade, full employment and the nationalisation of industry. The latter is particularly urged in the case of the iron-mining industry in the north, which in any case would come under full state ownership by 1947. The implications of such a policy are particularly important in the light of existing commitments on the national exchequer. The country is committed to large-scale expenditure on Scandinavian relief, and the heavy defence programme will not be completed until 1947. In addition, much wartime capital investment will become superfluous with the resumption of trade. It remains to be seen whether the trade union movement and its political supporters will be able to gain acceptance of a large additional expenditure on social projects as soon as they would wish.

Speaking Your Mind

In a world in which freedom is beset, suffering more from those who claim to be its friends than from those

who are avowedly hostile, any small assertion of your right to speak your mind is especially welcome. Particularly when you find that you can even speak freely about a solicitor.

A man wished to become tenant of a house and innocently thought that a reference from a solicitor would be of assistance in attaining that end. But it happened that the landlord and the solicitor were known to each other, and, when the prospective tenant produced the reference, the landlord gave tongue remarkably freely. "You have got one (meaning a reference) from that — X. It is quite worthless. His very calling as a solicitor makes him write whatever suits his client best. Damn it, he would sue his grandmother for 7s. 6d." One can well believe that the prospective tenant was both surprised and mortified at this outburst. Harsh words such as these naturally reached the solicitor's ears and an action for slander against the landlord resulted. But the solicitor's action was dismissed and the Court of Appeal has upheld the decision.

The laws of defamation in this country are in a curious state. If you write and publish defamatory words of anyone you may be sued whether the words cause any damage to the person of whom you write or not. But if you confine your defamation to speech (which is slander), for the injured party to recover damages he must show that he has suffered some actual damage or, amongst other things, prove that the words were defamatory of him in the way of his profession. In other words, you may say that a solicitor cheats at golf but not that he juggles with his client's money. No one can say that our present laws of defamation are satisfactory, but we are becoming so mealy-mouthed in the expression of our views that any reminder of the little freedom we possess is something of a ray of sunshine.

Shorter Notes

On Tuesday, Mr Churchill issued the following table showing casualties to all ranks of the British Commonwealth and Empire Forces up to February 28, 1945:—

	Killed and Died of Wounds	Missing	Wounded	Prisoners of War	Total
United Kingdom*	216,287	30,967	255,142	183,242	685,638
Canada	31,439	4,163	45,251	8,367	89,220
Australia	19,430	6,955	35,595	25,276	87,256
New Zealand	9,334	934	17,978	8,501	36,747
South Africa	6,059	512	12,632	14,629	33,803
India	19,420	13,327	51,038	79,701	163,486
Colonies	5,044	14,014	4,840	6,754	30,652
Total British Empire..	306,984	70,872	422,476	326,470	1,126,802

*Including men from overseas serving in these forces. †Including, except for Australia and the Colonies, those repatriated or who have escaped.

Casualties through enemy action suffered by merchant seamen and civilians during the same period are as follows:

MERCHANT SEAMEN	
Deaths (including deaths presumed in missing ships)	30,179
Internees	3,982
Total	34,161

CIVILIAN CASUALTIES IN THE UNITED KINGDOM	
Killed (including missing, believed killed)	59,793
Injured and detained in hospital	84,749
Total	144,542

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Letters to the Editor

The Problem of Germany

SIR,—While it seems certain, as you mention in the last of this interesting series of articles, that "there can be very few Germans left, even to-day, who have any illusions about the profitability of war," many may still connect unprofitability only with the losing of wars—an obvious truth, always maintained. Modern methods, however, make winning a war unprofitable too; indeed, the victorious side may "lose" more than the vanquished. (The short duration, and the very definite objective, of the wars for the unification of Germany have probably helped to cloud this fact for its people.) Since wars are begun with the idea of being won, it might be useful to emphasise this aspect; and for this, Allied losses—for instance, casualties, persons displaced, homes destroyed, living standards reduced and art treasures ruined—in other words, the sufferings of the victors, might, if vividly depicted in posters, pictures and charts, play an important part in reorientating the German people.—Yours faithfully,
ROLF LOWENSTEIN
London, N.W. 2

SIR,—A careful study of your four articles leaves one at least of your readers persuaded that your vision of a permanently disarmed Germany, content to remember the disasters of 1945, and to forget that in 1914 and 1940 she was within an ace of being the master of Europe, is unduly optimistic, not to say midsummer madness. You cannot permanently disarm a vigorous and intelligent people of seventy millions. Judged by your own tests, the alternative, which you at first somewhat contemptuously rejected, is at least more hopeful.

We are all prejudiced in favour of a united Germany. We were all brought up to admire Bismarck's work, even if we criticised some of his methods. We all half-admired the consummate skill of Hitler's evil genius. We see now the result. Germany has been merged in Prussia. Prussia, not Germany, is the real, perhaps the implacable, enemy.

Our first business is to disarm Germany. So far we are all agreed. I leave aside all question of punishment. I have no notion how we can effectively punish Hitler and Himmler and the enormous mass of their followers. We don't want martyrs, and we cannot shoot a quarter of a million proved criminals. We can for a time occupy Germany; we can proscribe tanks and planes. But seventy million Germans, keenly indignant, will still be there; and physics and chemistry will laugh at our omniscience. Surely then to divide Germany into seven or eight independent states—Prussia, Bavaria, Austria, Saxony, Württemberg, Baden, Hanover and Westphalia—and to police them for five years, would be no harder than to police the undivided Reich; would give far more openings for tact and generosity; would be no more likely to offend the feelings and interests of the great powers; would be far easier to maintain for the time and far more likely to strike root.

It is quite true that Prussia, even without Silesia and Westphalia, or Hanover, and the stolen parts of Saxony, would still be far the most powerful state. She would not be the richest, and her power of attraction would be far less. Beside, these neighbours would each start with traditions and a history, and might well develop a healthy and, if tactfully treated, a friendly life of its own.

That way at least peace seems possible; the other way war seems certain. You do not claim that your own scheme is perfect. I plead that before it is too late the alternative should be fairly considered.—Yours faithfully,
Cowbridge, Glamorgan

G. L. BRUCE

The Budget

SIR,—I wish I could see any hope of your forecast of reduced taxation being realised on April 24th; but, if it cannot be, there are some modest proposals I might put forward. First, lower EPT to 80 per cent, which is the true yield even now, because 20 per cent has to be given back after the war for capital expenditure. Secondly, lower the rate of income-tax on the first £165 of "taxable income" to 5s. Thirdly, abolish the duties on sugar and "bacon and veal," which bring in no real revenue, being more than counterbalanced by subsidies. After this, a

Chancellor might turn his attention to the purchase tax and the beer duty. On the other hand, he ought to lower the point of total exemption for single persons to £80; at present it is £110, though married men begin to pay at £141.

I might add that post-war credits are not "Revenue," but compulsory, interest-free Loans. Also, that the table giving the various National Debt totals has a note—"National Savings Certificates are shown at issue price, exclusive of accrued interest."—Yours faithfully,
Cambridge

J. E. ALLEN

The Reid Report

SIR,—At the end of your interesting article (in *The Economist* of April 7th), you suggest that, in supplying the capital necessary for the reconstruction of the coal industry, the Government would acquire a majority of shares in mining concerns, and so bring about a kind of nationalisation without tears.

This suggestion is highly ingenious, but what real advantages does it offer? The regrouping of the industry into managerial units, which are appropriate to technical conditions, must precede new investment, and powers of compulsion will be required to secure the regrouping. Powers of compulsion might also be necessary to make the mining companies accept the capital which would destroy their independence. Therefore, this proposal does not seem likely to meet with less hostility on the part of mineowners, or less political difficulties, than more straightforward methods of nationalisation.

Nor does the proposal suggest any real solution of the problem of reorganising the industry. Either the Government owns less than 50 per cent of the shares in a particular concern, in which case it has merely put public money at the disposal of that concern without public responsibility; or it owns more than 50 per cent of the shares, in which case it is faced with all the problems which would arise under nationalisation, such as the problem of deciding the principles on which directors should be chosen, and the policy to be pursued in respect of production and prices, with the additional problem of deciding what regard should be paid to the interests of the minority of private shareholders. It certainly does not seem to be the appropriate way to secure "business principles of operation."

Nor does the proposal seem to present any technical advantages. Indeed, it would be absurd to be obliged to allocate capital between different concerns in such a way as to secure 51 per cent of the shares in each, instead of in the way which is most efficacious in raising the efficiency of the industry.

Finally, when "there is no time to be lost," such a long-drawn process of acquiring control over the industry scarcely seems equal to the occasion.—Yours faithfully,
JOAN ROBINSON
Cambridge

A Progressive Business

SIR,—Your most interesting article raises a point which leads far beyond the problems of the sweets industry. Many manufacturers and trade associations are in the habit of complaining about the excessive costs of retail distribution, but at the same time add to these costs by granting most liberal gross profit margins to retailers. As you rightly suggest, they should have it in their power to reduce the number of retail outlets by squeezing out less efficient retailers through allowing smaller gross profit margins. But it is not, as you seem to imply, "tenderness" which prevents manufacturers from doing so. Under a system of retail price-competition the problem of margins would not arise. The less efficient retailer would not be able to make a profit at the lower prices the more efficient one would be content with, and would have to become either more efficient or leave business. Where, however, the price of consumers' goods is fixed or maintained by manufacturers and trade associations, and where thereby the more efficient trader is prevented from passing on to the consumer his lower distributive costs, a very different position arises.

The interest of manufacturers is no longer concentrated

on supplying retailers who can sell most cheaply and thereby attracting most customers. Instead of this, it is simply the maximum turnover of the rank and file of traders which absorbs their interest, and as the fixed-price branded article (apart from quantity bonuses) requires uniformity of the gross profit margin, this margin has to be fixed according to the less efficient, if not the least efficient, retailer. Under this system manufacturers may still compete individually in margins in order to attract retailers; or else they may come to an agreement about a uniform level of the discount. In the latter case the gross profit margin is driven upwards, for too small a margin would simply help outsiders of the combine to underbid its members by granting more liberal discounts. The high margins conceded to retailers by manufacturers are simply the compensation granted for disallowing retail price competition. Speaking from the pedestal of national economy manufacturers are apt to deplore high distributive costs and the multiplicity of retail outlets, but their restrictive price policy debars them from taking the necessary steps to meet the evil.—Yours faithfully,
HERMANN LEVY
Richmond, Surrey

Post-War Taxes

SIR,—Referring to your comments on Purchase Tax, there might be some measure of agreement as to its continuance, for a reasonable time, on purely luxury goods; but certainly not either in its present cumbersome and expensive form or, so far as its maximum incidence is concerned, on the present arbitrarily selected range of goods. What sense of justice is there, for example, in imposing the full rate (100 per cent) on all articles made of leather, including handbags and document cases—articles for everyday use in which leather, as opposed to other materials, is an economy?

But one of the most serious effects of the present method of application is the adverse effect upon our export trade with America. The incidence of Purchase Tax, including the "uplift" on the manufacturer's price which the Customs authorities deem necessary to bring the basis up to the wholesale level, and which, in some cases, is as high as 25 per cent (involving a maximum tax of 125 per cent on the producer's price) is, under USA law, necessarily taken into account by the American Customs authorities in computing the value for import duty. It is known that this

effect of the chosen method of application was pointed out to the British Government, not only by British exporting interests but also by the American authorities, before the tax was introduced; but advice was ignored. The result is that so long as Purchase Tax is applied, by the present method, at the wholesale level, it will be obstructive to any efforts to increase exports to the USA in the very lines which we are best qualified to sell there.—Yours faithfully,
JOHN W. WATERER
Clerkenwell, E.C.1

Peacetime Nurseries

SIR,—I was glad to observe from your issue of March 17th that you realise the need for day nurseries after the war, but you suggest that they will be wanted only for children under two. That is not the case, and they will be required for all children under school age.

Satisfactory nursery schools cannot be created overnight merely by changing the name of a nursery, excluding children under two, and taking away the matron now in charge. Nursery schools depend for their value entirely on the specially trained nursery school teachers in charge. These teachers are in very short supply, the training is three years, and the development of the nursery school service, if it is to be worthy of the name, must necessarily be slow. Day nurseries must therefore continue to be required during the transition years for this reason alone; while their value as a means of mitigating the distress which must inevitably accompany the acute housing shortage can hardly be over-estimated.

Taking the long-term view, nursery schools, as an educational service, must depend for their success on the regular daily attendance of the children. Day nurseries, apart from that such a daily service will be available to all mothers, or that all mothers will desire it. Day nurseries, apart from their use for mothers at work or in emergency, can provide that occasional relief and help for mothers which is so necessary. They provide for the welfare of the children through the welfare of the mother; and so far from taking away their responsibilities, put the mothers in a position to carry out those responsibilities.—Yours faithfully,
C. H. NATHAN
Chairman, National Society of Children's Nurseries
London, W. 1

AMERICAN SURVEY

Preview at Mexico City

(From an American Correspondent)

THREE main points agreed on at the Mexico City Inter-American conference (of 20 American countries, for Argentina was not present), deserve the most careful attention. First: the Act of Chapultepec and its relation to the United Nations charter. Second: the action concerning Argentina. Third: economic resolutions which recognise the responsibility of the United States for Latin American economies.

The argument whether the Act of Chapultepec conflicts with the Dumbarton Oaks proposals amounts to this: May regional organisations settle conflicts without the Security Council taking a hand until the conflict spills over beyond regional limits? Senator Austin interprets the word "international," used in the Dumbarton Oaks proposals to describe the nature of disputes to be taken cognisance of by the Security Council, to mean disputes involving countries other than those within a regional organisation such as the Inter-American system. *Pravda's* attack on Mr Walter Lippmann's idea of an Atlantic Community demonstrates that the Russian line sticks to Mr Litvinov's principle that peace is indivisible. Speaking privately, Señor Lombardo Toledano, the Mexican labour leader and president of the CTAL (the Confederation of Latin American Workers), condemned the Act of Chapultepec for its exclusiveness. The Latin American countries evidently favour the principle that regional disputes be

settled within the regional organisation. They proved the point at Mexico City by rejuvenating and vastly increasing the effectiveness of the Pan American Union; with this shot in the arm, what had become a repository for ratified treaties and dreary statistical tables takes on new meaning as a secretariat of the regional inter-American system. The San Francisco conference will have to clarify the point whether all disputes require the intervention of the Security Council and whether the unanimous decision of the permanent members (implying the veto of any one of them) is required in the settlement of regional disputes.

The question seemed somehow academic at Mexico City. Delegates and many correspondents felt that since the Dumbarton Oaks proposals were described as "exploratory" only, and the Act of Chapultepec is a concrete expression of what the American nations desire, this concrete formulation of a co-operative procedure should be accepted as taking precedence. But the point becomes the more important the more apparent it becomes that the Dumbarton Oaks proposals are only ostensibly exploratory, and in fact represent the final take-it-or-leave-it decisions of the sponsoring Big Four.

The statement on Argentina adopted at the end of the conference plants the last post in a fencing-in of Argentine aggression. It is polite and was drafted by the Latin

American nations, but it contains a non-appeasement core in its invitation to Argentina to subscribe to decisions of Mexico City and take steps to join the United Nations.* Despite the insistence on non-appeasement, the fencing-in of Argentina, as set at present, is a mechanical means of solving a dilemma between the Farrell government and the rest of America. And the dilemma is not mechanical, but moral and political. Mechanical solutions are fine if they are effective. The test of this one is whether the Farrell government falls within a short time after the San Francisco conference is over. If it does not fall, then the moral and political issue involved becomes doubly peremptory. It is whether, in the light of past experience, the system of mass control nowadays called Fascism shall be permitted to grow unmolested in Argentina. Facing up to that moral and political issue will require courage, and unfortunately that human virtue is scarce beyond its purely physical manifestations on the battlefields.

That the moral issue of Farrell-Peron Fascism was not faced at Mexico City is partly ascribed to the reluctance of Senators Connally and Austin (both advisers to the American delegation) to have the primary question of the use of force in international affairs brought up on a test case of secondary importance. Both Senators preferred to fight the battle on the Senate floor for the principle's primary application—on the issue of the ratification of the United Nations charter. Thereafter, once the principle is approved, it can be applied to Argentina. The Act of Chapultepec, however, is mandatory in Part I, par. 4: "That in case . . . there may be reason to believe that an aggression is being prepared by any state whatsoever . . . the states shall consult, etc., and take preventive or coercive action as the case warrants." Courage, of course, would again be required to recognise that the aggression was being prepared.

The mass of resolutions and recommendations on economic matters adopted at the Mexico City conference demonstrates as never before the implicit responsibility of the United States for the livelihood and sometimes the well-

* This was written before the Argentine declaration of war and the recognition of the Argentine Government by Washington and London.—EDITOR.

being of Latin America. This can best be shown by a few quotations taken from Resolution XXI on "Economic Adjustments of the Hemisphere During the Transition Period." In the preamble a paragraph states: "The international trade of the majority of the American nations is based upon the export of certain basic products which determine their purchasing power in foreign markets, the ability to meet their foreign financial obligations and in general their economic stability."

The saving word here is "majority," for this certainly does not apply to the United States; it does apply to all Latin America. The preamble adduces also that during the war "many American nations changed and intensified their ordinary and permanent production," as though this were detrimental. The resolution states in Par. 2 (a) that when purchases are reduced on basic products and strategic materials (those which were intensified), then the purchasing country or countries (the United States) "shall adopt through bilateral agreements measures designed to minimise, during the transition period, the adverse consequences to the economy of the countries concerned by an orderly adjustment of the procurement contracts or by other suitable means." Note the mandatory "shall adopt." This resolution declares stockpiling should be kept to a minimum "in order to avoid the damaging effect of such surpluses on future production and on the level of prices of such materials." This means that price is to remain the controlling factor in production, that despite all past experience of the effects of unsupplied necessity, transactions are to be geared to price. Even US military security is subordinated to price. The responsibility for this clause is not entirely that of the Latin American nations.

The documents concerning economics adopted at Mexico City do not contain binding commitments on the part of the United States. But while legally they could be rejected, the effect on hemisphere relationships would be disastrous if the United States were not to live up to its legally vague but implicit undertakings. In January, 1942, Mr Sumner Welles declared at Rio de Janeiro that Latin American nations would fare equally with the people of the US. They have in general fared somewhat better. The Mexico City speech of Mr Will Clayton, Assistant Secretary of State

in charge of economic affairs, was a review of this past US performance: in purchasing raw materials at fair prices, in supplying consumers' goods as shipping was available, in cushioning economies through Export-Import Bank financing etc. And while Mr Clayton's speech contained five references to the absence of congressional authorisation for firm commitments, his recital indicated that the past performance of the US Government is an earnest of its future intentions. Because of his speech, it was possible for the United States to avoid binding undertakings to supply the capital goods which Latin America desires to buy post-war; nevertheless the commitment was made by implication in paragraph 4 of Resolution XX on "Economic Controls in Wartime and the Transition Period."

American Notes

Another Lewis Victory

Mr John L. Lewis reached an agreement with the soft coal operators a few hours after the Government took over control of the mines. The new contract grants an average increase of \$1.30 a day to each miner. The approval of the War Labor Board is almost certain.

No matter how the WLB justifies this increase within the framework of the elastic Little Steel formula, it is quite obvious that in reality the coal leader has broken the formula or made it meaningless. His victory will have a profound effect on the gentler tactics which the CIO leadership in particular have practised during the war. And now, with victory in Europe in sight and a good proportion of industry apparently on the verge of reconversion, the demands of the workers will grow irresistible. For if it is true that 30 per cent of the resources now being used in war production will be transferred to the civilian economy, they will insist that the no-strike pledge, to which they have been reasonably loyal during the war, is no longer necessary for the winning of the war.

The increase is understood to add about \$150 million a year to the cost of producing coal, and it is not known yet whether the operators have insisted that all of the increase be reflected in coal prices. When Mr William H. Davis took over the post of Director of Economic Stabilisation he indicated that he would not be bound by the policies of his predecessor, Mr Fred M. Vinson. "Any Economic Stabiliser has got to make his own decisions," Mr Davis said then, and here is a large one to make.

Mr Lewis had moulded the habits of the mine workers too well. They had voted overwhelmingly to strike if their demands were not met by April 1st, and 80,000 men in the soft coal pits actually went out, although Mr Lewis had instructed them to stay at their jobs during a 30-day extension period to which he had agreed. Ironically, this was one of his few concessions to the country's war effort.

Mr Lewis abandoned his demands for a royalty of 10 cents a ton on all coal mined and for the right to organise foremen. The increase, averaging \$1.30 a day, has been secured by giving time-and-a-half for everything over seven hours; by an increase in vacation pay from \$50 to \$75; and by a paid 15-minute lunch period. The contract, which can be re-opened after March 1, 1946, stipulates that no strikes shall be called while it remains in force.

International Votes

American public opinion, always mercurial, has been living through a series of convulsions over the San Francisco Conference. But in the last week it has sobered down somewhat, largely as a result of Mr Stettinius' announcement that the United States will not ask for three votes in the General Assembly of the World Organisation. His assurance that the conference would not be postponed and a Soviet broadcast strongly supporting the Conference and its aims helped to dissipate misgivings.

A healthy by-product of the storm was that it gave the President an opportunity to make a grand and dramatic concession to his opposition. Senator Vandenberg, who apparently is the accepted leader of the Republican members of the delegation, came out unequivocally for one vote and no more than one for any nation. The *Herald-Tribune* gave him credit for "restoring Mr Roosevelt's perspective." He displayed rather unexpected grace in his concession that, regardless of personal convictions, the delegation was "morally bound" by the President's pledge to Marshal Stalin, to support the Soviet request for one vote for the Ukraine and one for White Russia. On all other matters

the delegation, when unanimity is lacking, will reach decisions by majority vote.

The excitement over the voting powers in the General Assembly was finally thrust into the background by the appropriately timed Russian denunciation of the neutrality pact with Japan. Comment on this ranged so far and wide that editors and broadcasters had to be urged, for military reasons, to be moderate in speculation. All but the most extreme diehards welcomed the Soviet pronouncement and drew the logical conclusion that the Soviet Union intends to take an active part in the shaping of the future of East Asia.

The American delegation to San Francisco has been meeting all this week, trying to find areas of agreement. The most controversial subject is probably Senator Vandenberg's proposal that the Assembly have authority to revise any settlements made during the course of the war. The Senator has been remarkably preoccupied with a Poland that would welcome home General Bor and General Anders and it is safe to assume that his eye is focused specifically on the political decisions taken since 1939 on Russia's western frontier. The Senator is undoubtedly sincere in his attachment to international justice. But he is a politician and the support of the electors of Michigan is at least as important to him as Russian membership of a new organisation—which is unlikely to be secured if the Conference adopts his amendments.

Victory and Reconversion

Mr James Byrnes' report, submitted just before he resigned from the Directorship of the Office of War Mobilisation and Reconversion, gave the American public some reason to be jubilant. Mr Byrnes' report reviewed the whole complex US war economy and its needs; it covered lend-lease and foreign relief now and after victory, taxes, transportation, manpower, food, foreign trade and loans, cartels, and even school lunches. But its significance lay in its concentration on the partial reconversion period between the defeat of Germany and the final defeat of Japan.

It foreshadowed more pots and pans and automobiles and refrigerators and even a small increase in the petrol ration soon after "V-E Day." It promised the abolition of the hateful austerity measures; it provided for a reconversion programme to go into effect alongside production for the war against Japan, which would release \$18 billion worth of metals and other materials for civilian production; it predicted that 30 per cent of the country's resources now used for war production would be freed for civilian use within nine months of the end of the war in Europe. The report explained in considerable detail how production controls would be relaxed to encourage private industry to reconvert with the greatest efficiency and speed: it gave warning of a brief period of mild unemployment before the drop in war production is balanced by the re-establishment of peacetime manufacturing and before civilian customers have substituted their own buying power for the Government's.

If the average American, reading the OWMR report, was not too dazzled by the vision of a new refrigerator to read further, he would have found that Mr Byrnes recommended a continuation of price and wage controls during the partial reconversion period, and the maintenance of high individual and excess profits taxes. Wages, he believes, should rise as productivity inevitably will when new war techniques are applied to civilian production.

Mr Byrnes is, perhaps, somewhat over-optimistic in his estimates of how much reconversion is possible while equipping the fighting forces for an all-out Pacific war. Mr J. A. Krug, who, as Chairman of the War Production Board, is very much involved in carrying out the country's reconversion, has announced that the OWMR report reflects the policy of the WPB. But an atmosphere of caution is to be detected in his statement and he stresses rather more than necessary the fact that the proposed programme must be considered tentative, that it would be continuously revised to fit the needs of a constantly changing war situation.

The Senate and Manpower

The Senate, brushing aside Mr Roosevelt's strongly worded appeal, has rejected, by a vote of 46 to 29, the compromise manpower Bill which had been drafted by a combined House-Senate Conference and had previously been passed by the House. Senator Johnson, one of the authors of the compromise legislation, blamed the Byrnes Mobilisation and Reconversion report, with its emphasis on recon-

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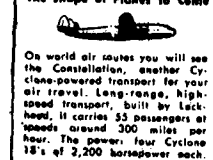
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version, for the death of the Bill. He exaggerated, of course, for the Bill, which combined the strong features of the House and Senate Bills, was never given much chance in the Senate. This was manpower legislation with some teeth in it and the Senate was not prepared to take it. When Senator Johnson himself lined up in the opposition any chance the Bill might have had disappeared.

The Bill would have given the government power to enforce ceilings on the number of workers any plant could employ and would have compelled workers to stay in essential jobs, with penalties of fines up to \$10,000 or imprisonment.

The Senators have given many reasons for resisting manpower legislation: the war production record, which on the face of it is certainly creditable; strong opposition from management and right-wing labour; the belief that strong legislation could be avoided by the device of giving the War Manpower Commission statutory authority; the revelations by Senator Mead's Special Committee to investigate the National Defence Programme that, while the Army and Navy were pressing for National Service legislation, their own Navy yards and arsenals, with high labour priorities, were guilty of shocking labour hoarding; and the blind conviction of men like Senator Morse, that there never was a manpower shortage. When Mr Byrnes placed before the Senators the spectre of peacetime controls, their case against manpower legislation was complete.

The Senators sent the bill back to conference and probable oblivion. Now the War Manpower Commission, which recently announced a need for 350,000 workers in essential industry within the next six months, must shift for itself.

Pacific Bases

A clash between the State Department and the Navy may be the result of a speech by Admiral Ernest J. King, the Commander-in-Chief, strongly advocating that the United States retain control of the Pacific bases won during the war and paid for by "the sacrifice of American blood," and that these bases be given meaning by a strong post-war

fleet "ready for action." How long, he asked, can the United States afford to continue a cycle of fighting and building and winning and giving away?

No one can quarrel with a belief that the United States must have bases for security, and it would be ridiculous to propose destroying the great naval power built up during the war. But other American voices are recalling, as Admiral King did not, that America's Allies also are interested in how Pacific security is organised. Australian blood mingled with American in the Solomons and New Guinea; the contribution the Filipinos have made certainly gives them priority interest in the future defence of their islands. The French, who contributed New Caledonia as a base under the Gaullist movement, to which the US Government was not even friendly at the time, have not lost interest in that possession.

There has also been a tendency to question the timing of the Admiral's pronouncement, immediately before the San Francisco Conference, where the American delegation will support the State Department policy that captured Pacific bases should be incorporated into a structure of international trusteeship. In terms of security, this means that the United States could build and maintain bases on strategically and tactically placed islands, certainly not on every captured atoll and island harbour, and that the United States would be responsible, in the control of these islands, to an international body. America can hardly depart from the trusteeship principle for itself and sponsor it for others, and it will undoubtedly utilise bases as a means of demonstrating faith in the international organisation.

It is quite clear, then, that the Navy view is at variance with the theories of the State Department, and the fact that the President supports the trusteeship principle does not mean that the Navy Department is incapable of embarrassing the State Department. Public opinion listens to the professional soldiers and sailors, and Navy spokesmen could conceivably gain enough public support for their attitude to make an issue of it—perhaps more of an issue than is really involved in the practical difference between possession and trusteeship.

ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

SIXTY-FOURTH ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1944

The results of the year's operations were marked by increased gross earnings and lowered net income. Labour costs rose sharply as a result of the wage award granted by the National War Labour Board, while traffic rates remained at their low, pre-war levels. Working expenses, with taxes, took a larger proportion of the gross earnings than in any year since the completion of the Company's transcontinental line. The fifth year of the war in Europe, with its decisive attacks upon the enemy, placed additional burdens and exacting responsibilities on transportation agencies. The Company was called upon to handle an unprecedented volume of traffic, ton miles of freight carried and passenger miles transported exceeding those in the previous record year, 1943, by approximately 10%. That this was accomplished notwithstanding the problems created by war-time conditions—shortages of manpower, equipment and materials as well as restrictions of various types—gives evidence of efficient discharge by the Company of its share of the responsibilities.

INCOME ACCOUNT

Gross Earnings	\$318,871,034
Working Expenses (including taxes)	275,711,370
Net Earnings	\$43,159,664
Other Income	13,371,315
Fixed Charges	\$55,530,979
Net Income	20,831,149
Dividends:	
Preference Stock—2% paid August 1, 1944	\$2,521,391
2% payable February 1, 1945	2,521,391
Ordinary Stock—2% paid December 1, 1944	\$5,042,782
	6,700,000
Balance transferred to Profit and Loss Account	\$22,957,048

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1943	\$231,234,218
Dividend of 2 per cent. on the Ordinary Stock, declared from the earnings of the year 1943, paid March 31, 1944	6,700,000
Balance of Income Account for the year ended December 31, 1944	\$22,957,048
Amount received from Grace Northern Railway Company for release from obligations under joint section agreement	4,500,000
Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement	1,045,235
DEBIT:	
Net exchange charge in respect of steamship insurance recoveries and expenditures for new steamships	\$643,254
Provision for depreciation—Net Credit	678,239
Profit and Loss Balance December 31, 1944, as per Balance Sheet	\$251,715,008

(The final dividend of 3 per cent. on the Ordinary Stock for the year 1944 which was declared subsequent to the end of the year and is payable March 31, 1945, amounting to \$10,000,000, is not deducted from the Profit and Loss balance shown above.)

The results of railway operations compare as follows:

	1944	1943	Increase or decrease
Gross Earnings	\$318,871,034	\$297,107,791	\$21,763,243
Working Expenses (including taxes)	275,711,370	247,896,224	27,815,146
Net Earnings	\$43,159,664	\$49,211,567	-\$6,051,903
Expense ratios:			
Including taxes	86.46%	83.44%	3.02
Excluding taxes	78.92%	75.82%	3.10

Gross Earnings were 7.3% greater than in 1943, establishing the sixth successive annual increase. Earnings from freight, passenger, mail and sleeping and dining car services were larger than in any prior year of the Company's operations.

The Pennsylvania Railroad

INCOME :	INCOME STATEMENT	Comparison with 1943
Operating Revenues—Freight, Passenger, Mail, Express, etc.	\$1,010,015,912	I \$30,242,757
Other Income—chiefly dividends and interest on securities owned	39,272,649	D 3,230,869
Total	1,049,288,561	I 27,011,888

EXPENSES :		
Operating Expenses	736,318,745	I 72,808,034
Taxes	152,838,409	D 27,567,082
Equipment and Joint Facility Rents	11,886,692	I 3,576,150
Other charges—chiefly rentals paid for leased roads and interest on the Company's debt	83,524,284	D 1,107,161
Total	984,568,130	I 47,708,941
Net Income	64,720,431	D 20,698,053

DISPOSITION OF NET INCOME :		
Appropriations to sinking and other funds, etc.	3,244,558	I 1,320,439
Retirement of Debt—Penna. R.R. Co.	18,767,970	I 1,456,970
Dividend 5% (\$2.50 per share)	32,819,385	
Transferred to credit of Profit and Loss	9,788,518	D 23,475,462

Business continued at a very high level during 1944, the volume being the largest in the Company's history. Operating revenues for the first time in almost one hundred years of operation amounted to over one billion dollars.

While operating revenues increased \$30,242,757, due to the greater volume of traffic, this was more than offset by an increase of \$72,808,034 in operating expenses, caused principally by the full effect of the wage increases referred to in the 1943 report, increased costs of material and fuel, and the cost of handling the larger volume of business. Taxes remained abnormally high. As a result, Net Income of \$64,720,431 was \$20,698,053 less than in 1943, and \$36,748,362 less than in 1942. Notwithstanding this fact, the dividend paid in 1944 was maintained at the same rate paid in 1943 and 1942, or 5% (\$2.50 per share).

All taxes required 15.2 cents out of each dollar of operating revenue, the equivalent of 23.3% upon the capital stock, or \$11.63 per share. The extent of the tax bill in 1944 is well indicated by the fact that taxes took about 70 cents out of every dollar left after paying operating expenses and other charges.

The Board takes pleasure in acknowledging the continued loyalty and efficiency of the employees, who have supported the war effort in full, and co-operated wholeheartedly and effectively with the management.

A remarkable job has been done by these employees—continuously now for five years—and it is to the lasting credit of these men and women who staff and operate the railroad that they have never failed to meet their responsibilities in all the problems that have confronted the railroad.

The Capital Stock of the Company at the close of the year was owned by 213,121 stockholders, an increase of 3,503 compared with December 31, 1943, with an average holding of 61.8 shares.

M. W. CLEMENT, President.

THE BUSINESS WORLD

Art and Industry

INDUSTRIAL design has recently been afforded an improved measure of publicity. The term itself has become thoroughly respectable. It no longer denotes an odd pocket of dilettantism in the rarefied atmosphere of fine arts, but a vital factor in the British drive for increased productivity and expanding exports. This is substantial progress. But design, like so many aspects of industrial reconstruction, is more easily and more readily discussed on the plane of academic principle than at the ground or factory level. In spite of recent blandishments, there are many industrialists who remain sceptical.

This is not surprising. The business man is not easily converted by rhetoric. He is more interested in brass tacks. He wants to know much more about industrial design—considered as a specialised service—before he will give it his blessing. He wants to know what it will cost, what it will do to his sales, and how it will affect his technical organisation and production programme. And, at the moment, there is no authority fully capable of advising him. To fill this gap will be the first task of the new Council of Industrial Design, and a promising start has been made with plans to set up Design Centres for each industry. These centres, as Mr S. C. Leslie, director of the Council, has said—

will study the design problems of particular industries, disseminate in the industry information about design from all over the world, undertake market research from the design aspect and seek to achieve a more practical and effective working link between industry and the educational system.

The industrialist is handicapped in his appreciation of good design by his environment. Insularity and an undue reverence for tradition deprive many British manufacturers of the stimulating influence of contemporary development abroad. Good design will win disciples very easily once it is allowed more practical expression. At present there is not enough of it to advertise itself, and strong propaganda is needed to stir an unresponsive audience.

In particular, industry needs more useful information on the lines of that given by Mr F. A. Mercer, editor of *Art and Industry*, in a paper read before the Royal Society of Arts, on Wednesday. Mr Mercer, like Mr John Gloag, regards the designer as a technician. This title implies no usurpation of the functions of the engineer, or of any other industrial expert—with whom the designer must work in close collaboration—but it indicates the very practical and scientific nature of his work. Where the functions of expert engineer and expert designer are combined in one person, the collaboration is, of course, perfect. Sir Geoffrey de Havilland, designer of the Mosquito fighter-bomber, Mr B. N. Wallis, designer of the Wellington, and Mr Charles Holden, are conspicuous examples of this happy breed.

But the majority of engineers are not, as Mr Mercer says, "consciously concerned with aesthetic appearance as an essential." This is apparent in the report recently presented to the Scottish Council for Industry, which criticised the poor standard of design in Scottish industrial products; and in the Board of Trade (Council for Art and Industry) report on Design and the Designer in the Light Metal Trades, presented in 1940 and published early this year, where it is stated that manufacturers of hearth furniture in Birmingham "will not employ full-time specialist designers because they believe they cannot afford it," and because they are preoccupied with considerations of technical performance and commercial policy.

In Great Britain the profession of industrial design seems to be adopting the pattern that has proved so successful in America. The expert is becoming a "design consultant," prepared to tackle the design problems of a wide range of industrial products. Design consultant units such as those set up by Mr John Gloag, of Pritchard, Wood and Partners, by Advertising Services Guild (Design Research Unit), under the direction of Dr Herbert Read, and by Sir William Crawford, are similar in scope and function to the American organisations directed by Loewy, Teague, Bel Geddes, Dreyfuss and Arens. This development—from designer to

consultant—is not dictated by the scarcity of first-class designers, though that is acute in Britain, but arises from the special operational advantages which the consultant system affords. Since a design panel usually includes architects, engineers and even economists, the treatment of its problems is thorough.

Some British design consultants, operating in a somewhat narrower field, work individually. Some work on a circuit, devoting a period, a month or more every year, to each of their clients. Others work to individual commissions. The consultant, whether a group or an individual, has many advantages over the internal or resident factory designer.

He is unhindered by internal politics . . . and is unaffected by precedent or prejudice. He is a free spirit brought in for one purpose only—the solution of the problem—and having no other interest . . . he is able to consider the problem dispassionately . . . he brings to the problem his experience and knowledge acquired in working on problems—sometimes similar, sometimes dissimilar but correlative—in other trades. While the producer . . . and his salaried designer may not be aware that solutions have been found in other industries that are directly applicable to his own problem; the consultant can frequently bring them to his notice.

The consultant is not the "styler" of popular imagination. He does much more than add "appearance" to industrial products. His essential equipment, more important than his drawing-board and T-square, is his technical and commercial data. He must be familiar with the defects and virtues of previous and competing models, the price-field in which his designs will sell, the technical performance of his materials and the details of productive processes. He will bow to the engineer in technical matters, but overrides him on questions of design. And at each stage of his work the consultant is assisted by his staff of salaried specialists. The Loewy organisation in America, for example, employs 162 designers and technicians, including architects, stress engineers and specialists in plastics, mechanics, lighting, marketing and business psychology.

By American standards design fees in Britain are extremely low. No fixed rates of remuneration have been or are likely to be established. But whether specialist design services are engaged for ten or a thousand guineas, the design cost per unit of output is small. There are numerous examples from American and British industrial experience to prove that good design more than pays for itself.

For his fee—and this may be arranged on a royalty basis, as a retainer or a fixed sum—the designer undertakes to prepare designs and supervise their development to the production stage. After consultation with the manufacturer's technical organisation he surveys production facilities and market conditions, and on the basis of his analyses produces his first rough sketches. These are examined and revised until agreement is reached. Next a model or a mock-up (full-scale model) is produced and given a careful testing. Then comes preparation of blue-prints, preliminary production and a final trial before quantity production is begun. There are no hard and fast rules in this procedure, but it should be clear from this outline that the manufacturer who "goes in for" design does not sign away any part of his control or enterprise. Nor does he loose upon his factory the unpractical aesthete of fiction.

Design is an important factor in at least half of the British output of industrial goods. It should enter into the production of every article created in volume by machinery, into manufactured articles of every description, every material and every purpose. It is sometimes supposed that the adoption of specialist industrial design involves standardisation in production, and this faulty reasoning causes many manufacturers whose interests are best served by production in variety to ignore the design services at his command. This is a serious mistake. Variety production, by definition, depends for its success very largely upon its design quality. If market conditions dictate a system of varied small-scale production there should be more, not less work for the designer; and it is courting disaster to practise false economy in a field where design is clearly the dominant selling factor.

A Pottery Plan

A GREAT deal of attention has been paid over many years to the large and prominent industries of this country: coal, electricity, transport, iron and steel, cotton textiles—these have been extensively studied and discussed. Many valuable reports are available about them. But add them all together, and it is clear that they account only for a small part of total industrial activity. There are innumerable small industries, each with its own problems, which, in the aggregate, will make or unmake the prosperity of this country. The pottery industry is a case in point. What is to be the future of such an industry? Economic policy during the war has had profound effects upon its manpower position, its equipment and methods. Is "reconversion" to be left exclusively to the same "automatic market forces" which have ruled it in the past? Is "transition" to be nothing more than a return to the conditions of 1939?

These conditions were anything but satisfactory. They had been unsatisfactory for a long time. As far back as 1915, the Report on the Pottery Industry, published by the United States Department of Commerce, quoted a leading English manufacturer as saying: "I firmly believe that in the whole of the Staffordshire district over 60 per cent of the potteries ought to be scrapped and modern works put up." With a few notable exceptions—Wedgwood's new factory at Barlaston being the most prominent—the inter-war period has seen little scrapping and reconstruction, although such new factories as were put up clearly demonstrated the possibilities of development. Staffordshire's competitors in the United States, in Germany, Czechoslovakia and Japan forged ahead with new methods, but the industry in Britain remained more or less stationary. The pottery industry is one more example of the familiar truth that it is a far more strenuous undertaking to modernise an old industry than to build something modern from scratch.

There exists, therefore, a reconstruction problem in the pottery industry every bit as important and in many respects even more difficult than reconstruction of those other sectors of the British economy that are more in the public eye. This is not an industry which is likely to reach a satisfactory state by being left alone. There is a general case for intervention by public authority. The nature of the intervention is a matter of the greatest concern to the 80,000 men and women workers attached to the industry, whose life is so closely tied up with the fortunes of pottery manufacture in this country. About 67,000 of them live in the Staffordshire district—pottery is one of the most localised of British industries—and have little chance of suitable alternative occupation if the pottery industry fails them. Lack of contact with other industries has contributed to the survival of old customs and methods, and the comparative absence of opportunities for alternative work has helped to depress pottery wages and conditions.

It is this general background, with its special problems and conditions, which has led the National Society of Pottery Workers to devote their serious attention to the future of their industry and to publish a report on "Reconstruction in the Pottery Industry" (Co-operative Printing Society, Ltd., New Mount Street, Manchester, 4. Price 6d.). They have produced an interesting and in many respects remarkable document. There is here none of the "sectional approach" which has so often marred the usefulness of trade union publications. Throughout the report the industry is seen and treated as but one element in the whole economic organisation of the country, with responsibilities not only to its own workers, but also—and prominently—to the general consuming public. Nor is the report marred by the all-too-frequent tendency to present nothing but a choice of extremes—"either nationalisation or nothing can be done"—which would have been particularly unhelpful in this case. The Society does indeed insist that the problems of the industry

cannot be finally solved until the industry has been nationalised, until public ownership has been substituted for private ownership. . . . But this is a long-term view. In the immediate future, there is very little prospect of nationalisation. . . . In the meantime what is needed is a short-term policy bringing about as much advance as possible in the industry, under a system of public controls.

"Public control," however, tends as much to become a

parrot cry as "nationalisation," and the value of this report lies in the fact that it carries the matter further: into a detailed discussion of the methods most suitable in this particular case. The "Plan for Reconstruction" is to rest on three principal supports, with a number of subsidiary tiers. First, there ought to be an expert body, to be known as the Pottery Board, consisting of an independent chairman and representatives from both sides of industry, to be appointed by the Board of Trade. It is to be an advisory body pure and simple, without statutory powers of any kind, but with the function of advising on questions of price-fixing and entry into the industry, on research, design, publicity, statistics and matters of this kind. Second, there ought to be a Licensing Scheme, operated by the Board of Trade. This could be evolved

by adapting the present system of control, whereby, under a Concentration Scheme, factories which are to continue production must hold a nucleus certificate. This is, in fact, a licence to manufacture, granted by the Board of Trade.

To say this, however, is misleading, for though the method of the wartime control would be adopted, the aim would be quite different. For one thing, it would not be a restrictive control; the number of licences would not be limited. "We are not," says the Report,

advocating licensing with any intention of preventing new firms from coming into the industry; our aim is to set definite standards of efficiency and working conditions which must be kept up.

The conditions of licensing should therefore include:

- (1) Conformity with the Lead and Dust Regulations, the Factory Acts, and any standards that may be laid down by the Government.
- (2) The obligation to observe the agreements in regard to rates of wages and conditions of work made between the Manufacturers' Federation and the National Society of Pottery Workers or any other Union concerned with the workers employed by pottery manufacturers.
- (3) Conformity with an agreed scheme of apprenticeship for the industry.
- (4) The obligation to provide whatever figures and statistics may be required relating to the general conduct of the industry.

This list of conditions would not involve the licensing authority in any unmanageable problems of detailed industrial planning. The type of "control" here advocated is well established in this country and is in conformity with the view that the functions of Government, first and foremost, should be to make laws, applicable equally to all, and to ensure their enforcement. The method of licensing is no more than a rational and effective method of ensuring compliance with the law.

Third, there ought to be Government price control. Again, this problem is seen in its general setting, and the Society holds that

government control of maximum selling prices in the home market is clearly one control that will have to stay after the war, to prevent inflation, and to maintain full employment.

Whether this is equally true for all goods and services and the period of time for which it might be true need not here be discussed. Few would disagree with the thesis that price control should continue to operate at least during the next few years until the exceptional pressure of consumers' demand has somewhat abated. But what about minimum price-control, which, as Mr Dalton said in his statement on the Cotton Board Committee's proposals, "may easily lead to restriction rather than expansion of output, and to the perpetuation of inefficient and old-fashioned methods"? This is a vexed question, and the grave dangers inherent in minimum price fixing must be set against the equally grave dangers of ruthless price-cutting which "in the past has been a continual menace to the wages of pottery workers, as well as holding back the modernisation of the industry." The case for minimum prices can hardly be regarded as fully established—even though pottery, like cotton, is one of the industries where it is at its strongest. But the Pottery Workers have at least grasped one point of capital importance which eluded the Cotton Board. They insist that the function of price-fixing cannot be satisfactorily fulfilled by the industry itself—not even by a joint body comprising employers, employees and the Government—but must rest entirely with the Board of Trade. The precise method by which prices are to be determined should be laid down in advance; there should be the fullest investigation of costs and continuous review

and adjustment. For this purpose, it is suggested, standardised accounting is essential.

This treatment of the complicated issue of price policy is markedly in advance of almost anything that has so far been heard from employers' or workers' organisations in other industries. There is here no suggestion of "self-government in industry"—that plausible and dangerous conception which leads straight into the Corporative State. Such schemes—"based on the demand that the majority of industrialists in any industry should have power to compel the remainder to follow an organised programme"—are wisely rejected, even if they provide for Trade Union representation.

Workers' and employers' organisations, with their fundamentally divergent views about the future of industry, cannot exercise real joint control; and this kind of sectional control would obviously make nonsense of any attempt at national planning.

Industrial Boards can supply information and tender advice, "but the actual decisions [on matters of public policy] must rest with the appropriate Government departments." If Democracy is to be combined with any kind of industrial planning, the "planners" must be subject to some form of democratic control. It is pleasant to note that the inherent difficulty of any such arrangement has been frankly faced by the Society:—

There is of course the danger of "bureaucracy"—not just in the sense in which this term of abuse is often used, to mean any Government interference with private enterprise; but in the sense of controls irresponsibly and undemocratically administered. . . . But that is a matter for political pressure, as well as pressure from the Trade Unions within each industry, to see whether the controls are democratically administered, in the general interests of the community.

It would be unfair to expect the authors of this report to go further in solving what is undoubtedly the fundamental politico-economic problem of our time. Only day-to-day experiment in practical conditions can finally resolve these weighty issues.

The Society is naturally very much interested in industrial health questions, and it so happens that in the Potteries the improvement of health conditions and the improvement of efficiency go hand in hand. Thus by insisting on the enforcement of new Lead and Dust Regulations and of the (hitherto dormant) Factories Act of 1937, the workers can claim to be just as much pushing the cause of industrial efficiency as that of health. "Lead has killed its thousands, dust its tens of thousands," as a highly placed medical officer said in a recent speech. The danger of lead poisoning has been largely overcome by Government action, but dust diseases, and, above all, silicosis, are still a major problem. It is precisely the same conditions that make for ill-health in the potteries which make also for low output per man-hour. An energetic health policy would be a powerful assistance to a policy of physical reconstruction for higher productivity. The Dust-Tile Committee, set up in 1939 under Sir Wilfrid Garret, recognised that improvements "that we were sure would be for the benefit of the industry as well as for the health of the workers . . . would require considerable expenditure of time and money to bring about," and that some of their recommendations "cannot be adopted even in some large works without a complete new layout of shops and presses, and may be quite impossible in many small works." The enforcement of the existing laws and some new Health Regulations, therefore, would by themselves enforce some degree of reconstruction and modernisation in the industry, including the adoption of new processes, the amalgamation of firms, and some planning of industrial location for the area as a whole. For these purposes, the Society feel, financial assistance should be forthcoming from the Government to any such factory owners as will carry out effective modernisation.

The main elements of the reconstruction plan are thus (1) the setting up of an Advisory Board; (2) the continuation of licensing through the Board of Trade in accordance with new aims and objects; and (3) the continuation of Government price control. But there are also a number of important subsidiary proposals, some of which are essential to the working of the above. Only a few can be enumerated here.

The proposed new Apprenticeship Scheme, a drastic simplification of the immensely complicated wage structure, the "guaranteed week," equality of status for women, and a number of proposals of welfare, works committees, and related matters, form the rest—and the more conventional (though equally intelligent) part of the report. The width

of practical vision here noticeable, perhaps for the first time in a document coming from one of the smaller trade unions, is perhaps best exemplified by the hard thought that has been devoted to questions normally outside the interests of workers' organisations, such as the problems of standardisation and distribution.

It would be less than candid to suggest that the Report is a complete answer to the basic problem of the industry, its low productivity. Here, again, the parallel with the cotton industry applies: unless productivity per worker can be drastically increased, good working conditions and industrial prosperity will not be possible. Some of the Pottery Workers' recommendations point in the direction of increased productivity. Their licensing proposals are designed to effect a "slum clearance" of the worst factories; but this would do comparatively little for the average efficiency of the industry. They propose financial assistance for firms willing to rebuild, but this might be almost completely ineffective in the absence of such a mixture of compulsion and incentive as would be provided by high profits in the modern factories and heavy losses in the old ones. The minimum prices recommended in the Report might prevent the latter, while the increase in costs resulting from a 40-hour guaranteed week—which the Report also advocates—might prevent the former. Even the cause of health would be promoted more successfully by an effort to increase PMH, and so attract the capital for replacing unhealthy factories, than by the introduction of a 40-hour week in the old squalor. The fact has to be faced, of course, that an increase in output per man-hour would result in a reduction in the labour force needed by the industry, even on the most optimistic view of the prospects of export trade. Independent calculation has put this reduction at between 30 and 40 per cent in twenty years. That the Pottery Workers are not oblivious to this is shown by their anxiety that the economic structure of the Potteries should be broadened by attracting new industries to the region.

The Pottery Workers might be invited to prepare a second report addressed, in the same spirit of constructive realism, to this basic problem. How can PMH in the pottery industry be increased? If they can answer that, everything else will follow much more easily.

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Business Notes

Markets and Politics

The improvement in equity prices, which began on the eve of the Easter holiday, had carried the index of *The Financial News* (July 1st, 1935=100) to 116.8 on Monday of this week. That is, it had all but attained the wartime peak of 116.9 touched on August 9, 1944. On Monday, too, the number of bargains received passed the 9,000 mark for the first time since the new system was instituted. But that was a definite peak, at least for the time being. On Tuesday business was still very active for that day, but sellers predominated and there were falls in virtually every section of the market, from gilt-edged to speculative mines. Only some overseas stocks—notably Argentine railway prior charges—continued to rise. In view of the many uncertainties of the immediate outlook, many people have been surprised at the timing of the revival in activity, and last week it was attributed to "flag waving." Now one of the many uncertainties has come to the fore in an acute form: there has been an outbreak of party politics and the air is full of rumours that an election may be almost imminent.

Elections are always very disturbing to the stock market, and on this occasion the period of suspense inseparable from such events is to be substantially protracted. It is very far from clear that the period during which the nerves of the investor will be subjected to the shocks involved in the more fervid type of election address will be equally extended, but the atmosphere has, for the moment at least, become too emotional for there to be any certainty as to the outlook.

The fact that the reverse has come at the moment when it seemed probable that a new peak would be stabilised will give the "chartists" fresh ammunition for their arguments that equities already stand too high. It may well be that a really fervid election campaign will give those who have their resources in liquid form some opportunities to get in well below present prices. But, unless the political risk is to be taken to include a rigid and continuing limitation upon profits and distributions, many industrial equities ought, as supplies increase, to climb well above their present levels.

Disposal of US Aircraft

A survey of present and future methods for the disposal of surplus American military aircraft, based on official information, discloses that one quarter of total expenditure on munitions has gone into aircraft. Indeed, aircraft will constitute the biggest block of surpluses at the end of the war. Some 260,000 aircraft have been produced (of these 48,000 have been transferred to other countries) and nearly 34,000 machines have been declared surplus during the past five months because of "obsolescence or war weariness." Three-quarters of these surplus aircraft have been declared "hazardous for general use" and, therefore, are hardly saleable except as scrap. Moreover, the number fit for use consists mainly of military types; the need is chiefly for transports.

So far the number of serviceable medium transport aircraft declared surplus is only 175; of these 58 have been allocated to non-American airlines. Applications from foreign countries are carefully tested on the basis of needs by the Surplus Property Board's Aviation Division, the Air Transport Division of the Foreign Economic Administration, the Civil Aeronautics Board and the State Department. At the end of the war the number of surplus transports is expected to show a rapid increase; some estimates put the potential surplus as high as 8,000 units. Supplies, in fact, are likely to be ample for immediate needs; before the war less than 360 passenger and cargo-carrying aircraft were needed for commercial purposes in the United States and some 600 units in the rest of the world. But surplus military transports can hardly form the basis of the world's air fleet of the future.

Railway Pool Accounts

The estimates of the pooled receipts and expenditure of the main-line railways and LPTB for 1944, published

by the Ministry of War Transport as a White Paper (Cmd 6619), shows a further increase in gross receipts under both passengers and freight. As was the case last year, the increases, actual and relative, are larger under the former head, but the rate of expansion has fallen. Thus, whereas total gross receipts showed a rise of 11.1 per cent a year ago, this time the figure is 3.3 per cent up. Unfortunately, the experience with regard to expenditure is the reverse, the increase being 10.7 per cent against 8.1 per cent. The result is a fall in net railway receipts, and in net pooled revenue, for the first time since the outbreak of war. The following table shows all the items for each of the past three years and the percentage increase of each over the corresponding 1939 equivalent. The figure taken is not the total for that year but a notional figure based on the account for the first four months of the war.

	Amounts (£'000,000)			Percent. of 1939*		
	1942	1943	1944	1942	1943	1944
Receipts: Passenger.....	163.5	186.3	194.6	180	205	214
Freight.....	176.7	190.9	196.1	146	158	162
Miscellaneous.....	3.3	4.5	5.7	191	261	218
Total.....	343.5	381.7	396.4	161	179	185
Expenditure.....	251.7	272.2	301.2	144	156	173
Net receipts.....	91.8	109.4	95.2	237	282	241
Other expenditure (net).....	2.6	3.9	2.9	280	390	290
Net revenue of pool.....	89.1	105.6	90.3	215	254	218
Expense ratio (%).....	73.3	71.3	76.4	89.6	87.4	93.4

* Based on figures for September 1st to December 31st

It will be seen that, despite the huge increase in traffic and the highly abnormal conditions of passenger travel, the expense ratio is fast approaching the level ruling at the end of 1939. Even so, the net receipts are 2.4 times those of that period. In the above figures expenditure includes maintenance and renewals at a standard rate. Actually, arrears of maintenance accumulated even more rapidly in 1944 than in any earlier year. They now amount to £122,906,000, excluding interest of £2,854,000. The addition during 1944 was £32,322,000, excluding £1,201,000 for interest.

Mining Taxation

The committee appointed by the mining interests of this country, under the chairmanship of Lord Geddes, to investigate the question of mining taxation, has now reported. It is a pity, but perhaps inevitable, that the report should have been prepared before the contents of the recently published Income Tax Bill were available. As it is, the committee admits that the bill is a large step in the right direction, but it is not clear how far it meets their requirements under certain heads, and it is a pity that they are unable to give any guidance on this point. There are, however, two matters on which the bill clearly gives no relief, namely, depletion of mineral deposits and double taxation.

The latter point is outside the scope of the Income Tax Bill, and there was at one time hope that an arrangement for reciprocal treatment might be reached between this country and the USA. Nothing has been disclosed of any progress which may have been made towards that end, and the position still is that, except in those areas where the provisions of Dominion Income Tax Relief are fully effective, enterprise operating overseas, but owned in this country, has to bear a double burden which must gravely restrict its expansion even if it does not lead to positive contraction.

The question of allowing depletion of ore reserves to be written off out of untaxed profits is a thorny one. The argument advanced by the committee is simple. They maintain that a mine buys its raw material, that is the ore, in one lump, whereas the manufacturing firm buys it from month to month. That, they say, does not make it any the less a cost of carrying on the business. With some minor qualifications, that seems a reasonable argument. Whether it is or

not, such relief has been granted by both the USA and Canada and, if there is competition between them and ourselves for the exploitation of overseas mining rights, they are likely to secure the contract. The fact that to grant the relief in this country would involve a re-assessment of the inland revenue's ideas of what constitutes capital and what revenue—or alternatively of giving relief for exhaustion of capital—ought not to be an effective bar to action.

The Committee gives figures which suggest that, on the basis of the average of 1936-38, mining enterprises registered in, financed from, directed or advised by London contributed rather over 1 per cent of the national income and 4½ per cent of the gross foreign exchange receipts of this country. The exact amount of these contributions is, however, of less importance than the fact that, under a more enlightened system of taxation, they could presumably be somewhat increased. The effect of relief may, in fact, mean an increase in tax revenue from the industry as a whole.

Wool Supplies

Empire raw wool trade discussions are due to start in London next week. The immediate outlook has been clarified by the Government's recent decision to continue to purchase Empire wool surpluses up to the end of the wool season following the termination of the Japanese war. But the longer prospect holds out many urgent problems.

In the years immediately preceding 1939, the annual world wool clip fluctuated between 3,600 and just under 4,000 million lbs. Since 1939, however, new supplies have been regularly above the 4,000 million lb. level, and this increased production, coupled with reduced world consumption due to the blockade, to lack of shipping and to shortage of man-power and plant in the Allied consuming countries, has led to heavy stock accumulations. Wool, in fact, is one of the few commodities that will not be in short supply at the end of the war. Total world stocks at the end of this season, on June 30, 1945, are expected to be from 3,000 to 3,500 million lbs., a figure roughly equal to world consumption in one normal pre-war year, and nearly twice as large as the annual world wool shipment.

In the first post-war decade the international meat shortage may lead to an increase in the world's sheep population and consequently force up wool production still further; but wool growers will also have to contend with greater competition from staple-fibre and other processed textile fibres. The demand for wool may expand; at the same time, with much wool-processing machinery out of operation in Europe and the Far East, the immediate unloading of the surplus on to the market would depress prices without ensuring its absorption; there is, in fact, much to be said for a policy of regulated disposals. The British Empire in pre-war years accounted for some two-thirds of world wool shipments, and now holds the great bulk of the world surplus. It appears not unlikely that the London discussions will prove the forerunner of a world wool conference.

Wool Research

Both the raw material and manufacturing sections of the wool industry are alive to the need for research to meet intensified competition from other textile fibres. Australia alone proposes to spend at the rate of £600,000 a year. According to a report of the director of research of the Wool Industries Research Association, good progress has recently been made in this country in securing the cooperation of the wool textile and related industries in a scheme of intensified research activities, to be financed by a statutory levy. Investigation is to cover a wide field and is designed to ensure improved quality as well as a higher degree of efficiency in the manufacturing processes.

The publication of the Platt report on comparative costs of production of cotton textiles in Britain and in the United States has not been without effect upon the British wool textile trade. The director of research has this to say:

It is not enough to consider that odd improvements in detail of our mechanical equipment will re-establish the industry in a sound competitive position. Our processes must be reviewed in the light of labour costs and labour availability as well as mechanical efficiency if all factors which affect productivity are to be properly assessed. There are at least three necessary lines of approach: (1) research on engineering subjects, materials, motions, lubrication, vibration; (2) design of machines; (3) study of operating efficiency.

The growing recognition of the importance of PMH as the key to industrial progress is of good augury. The old-established textile trades have long been among the leading export trades; Britain cannot afford to lose these sources of foreign exchange after the war.

Comparative Food Consumption

The second report of the Combined Food Board on Food Consumption Levels in the United States, Canada and the United Kingdom in 1944 would have been of the utmost value had it been available last month, when discussion raged over the American proposal to cut meat shipments to the United Kingdom. This report, the CFB's second (the first was published a year ago), is the most authoritative survey of civilian consumption in the three countries. The essential facts are contained in the table below, and they speak for themselves.

A study of the table makes it clear which of the countries can best afford to reduce consumption to contribute to the feeding of Europe. It is a pity that similar figures are not available for other countries, particularly food-producing countries. There was at one time a proposal that a survey should be made on the same lines for Australia, but there has been no report of progress.

It is only on a basis of knowledge of the level of consumption and production that a fairer world distribution of food can be made. One of the main reasons for differences in consumption between the United Nations has hitherto been transport. Although shipping will not be unlimited after

Estimated supplies of food moving into civilian consumption in pounds per capita per year, by food groups, pre-war, 1943 and 1944

Food	Specification	Supplies, Pre-war			Supplies, 1943			Supplies, 1944 (Preliminary)			1944 as Percent. of Pre-war			Supplies in United Kingdom 1944 as Percent. of—		
		United States	Canada	United Kingdom	United States	Canada	United Kingdom	United States	Canada	United Kingdom	United States	Canada	United Kingdom	United States	Canada	United Kingdom
Dairy products (excluding butter)	Milk solids, fat and non-fat	11.5	11.1	11.3	11.5	11.1	11.3	11.5	11.1	11.3	11.5	11.1	11.3	11.5	11.1	11.3
Meats	Carcase weight, including edible weight of offal	134.1	119.6	132.8	148.8	154.2	107.7	155.4	157.7	107.9	116	132	81	69	68	101
Poultry, game, and fish	Edible weight	25.4	25.8	31.1	28.5	31.4	22.0	26.3	27.3	22.9	104	106	74	87	84	104
Eggs	Fresh-egg equivalent	34.7	30.5	24.4	38.9	35.3	21.6	39.1	36.8	24.9	113	121	102	64	68	94
Fats and oils	Fat content	44.7	41.2	45.6	43.2	43.4	38.2	42.1	42.8	38.2	94	104	84	91	89	102
Sugars and sirups	Sugar content	106.7	103.3	189.7	93.4	88.6	71.9	94.9	89.6	75.6	89	87	69	80	84	94
Potatoes and sweet potatoes	Retail weight, fresh equivalent	144.6	195.9	177.2	144.4	206.2	272.9	145.1	190.2	285.1	100	97	161	196	150	131
Pulses and nuts	Retail weight, including shelled weight of nuts	14.6	12.5	9.6	18.3	11.5	6.3	18.3	15.7	8.0	125	126	83	44	51	86
Tomatoes and citrus fruit	Fresh equivalent	100.9	58.5	46.8	127.1	74.4	20.7	129.8	89.3	32.1	129	153	69	25	36	69
Fruit, other than citrus	Fresh equivalent	164.4	80.7	93.4	125.2	74.8	59.0	146.0	89.1	65.4	89	110	70	45	73	61
Leafy, green, and yellow	Fresh equivalent	91.0	43.8	77.5	106.6	40.3	113.3	109.1	50.8	113.7	120	116	147	104	224	47
Other vegetables	Fresh equivalent	95.5	34.0	45.2	107.1	25.9	65.2	104.7	34.0	63.1	110	100	140	60	186	32
Grain products	Retail weight of finished product	199.4	206.9	211.0	207.6	224.5	247.7	208.1	221.8	246.1	104	107	117	118	111	107
Beverages	Primary distribution weight	19.1	10.8	14.7	16.5	9.0	11.9	19.7	10.6	12.2	103	98	83	62	115	54

* Total for human consumption. Excludes sugar and sirup used for industrial purposes, e.g., tobacco, etc. Includes sugar and sirup duplicated elsewhere in canned fruits, canned vegetables, condensed milk, and cereal breakfast foods, as well as sugar and sirup used in brewing and distilling.

the defeat of Germany, certainly it will be relatively easier, and therefore less of a deterrent to the more adequate feeding of Europe.

Winter Milk

Once again farmers have increased the production of winter milk, this time in the face of additional difficulties of weather and shortages of home-grown feeding-stuffs, particularly hay. The winter milk campaign started in the winter of 1941-2, and at this stage it is worth comparing the production of that winter with the one just ended. Output was 461 million gallons between October, 1941, and March, 1942, and 535 million gallons for 1944-5, an increase of about 16 per cent. The main reason for the increase is the switch to autumn calving, which produces more milk in winter while in no way diminishing the summer output. There have been other contributory factors. More farms, particularly in the West, are selling milk, less milk is used on the farms for such purposes as calf-rearing, and there is more efficient management of herds.

For the future, when autumn calving is wholly accomplished, it is from higher yields through better stock and more efficient management that increased production must be looked for. The health of herds is an outstandingly important factor for output. As was pointed out in the House of Lords' debate last Wednesday, some 200 million gallons a year are lost through bovine diseases. As a contribution to efficiency, an official Mission is going to study methods of milk production and marketing in the United States and Canada. Its studies should provide farmers with invaluable information about North American methods. It should do for milk production what the Platt Report has done for cotton.

Stock Exchange Finance

The accounts of the Stock Exchange, London, for 1944-45, the last to be prepared by the Trustees and Managers, are the first to be officially presented to the press. Mr H. L. Uring Clark, to whom this duty fell, not only explained the accounts in detail but provided the material for a comparison of the position and prospects now and at the end of the last war. During that period 13½ per cent tax free was paid to the proprietors, absorbing the whole net revenue and necessitating a draft of £20,857 on the carry forward. In the six years just ended, after remitting subscriptions to members and clerks in the Forces of £659,747, revenue was £667,667. Of this rather over half went in taxation, £100,000 gross in paying a dividend and £230,994 in provisions and additions to free reserves.

After 1918-19, there was a sharp increase in subscriptions and entrance fees and net revenue rose from £26,000 in that year to £191,000 in 1919-20, to fall to an average of £153,000 in the four years to 1923-24. Under the then existing Clause 81 of the Deed of Settlement, not more than 10 per cent of net profit could be reserved for capital purposes and the dividends paid in the quinquennium averaged almost 24 per cent less tax. In 1938 this clause was amended and the new committee of the Council is free to do as it wishes. Further, in 1918-19 the number of members was 3,987 and that of proprietors 2,342, while at present the position is partially reversed, for there are now 3,710 proprietors and 3,558 members, excluding 137 who are enjoying a sabbatical year.

Probably, after this war, the revival of active membership will be less rapid than in 1918-20, but, whether it is

or not, there is no intention of paying large dividends. The objects are likely to be, first, to get all the shares into the hands of members, and, secondly, possibly as a necessary concomitant of acquiring a charter, to get rid of them altogether. In any case, one of the problems calling for early action is an increase in facilities, and that means better utilisation of the Stock Exchange site by a gradual rebuilding. With a new building, and net revenue pledged to improvements, instead of 90 per cent to dividends, very substantial possibilities would probably open up, but that is a field of speculation and must so remain for a considerable period. Some improvements in service certainly ought not to await that time.

Co-operative Trade Trends

The Co-operative Union, in company with the Retail Distributors' Association, the Drapers' Chamber of Trade, the Multiple Shops Federation and the British Furniture Trades Joint Committee, contributes figures which are aggregated into the retail trade statistics, published monthly in the *Board of Trade Journal*. In an article in the *Co-operative Review* for March, the co-operative component of the index is compared with the national index for the years 1941 to 1944. Unfortunately, there is no means of judging what proportion of the total trade is done by the co-operatives. However, the trend of co-operative sales can be compared with the trend of national sales, and the extent

ANNUAL AVERAGE OF MONTHLY INDEX NUMBERS
OF NATIONAL AND CO-OPERATIVE RETAIL SALES
(1942=100)

	Food and Perish- ables	Total Apparel	Women's Wear	Men's and Boys' Wear	Boots and Shoes	Total (All Goods)
1941						
National ...	97	97	97	101	93	98
Co-operative	93	91	97	89	85	93
1942						
National ...	100	100	100	100	100	100
Co-operative	100	100	100	100	100	100
1943						
National ...	102	88	90	80	89	98
Co-operative	107	85	80	80	93	103
1944						
National ...	108	102	105	102	95	105
Co-operative	113	95	91	96	96	109

to which the co-operatives are increasing their turnover at the expense of other traders can, to a limited degree, be measured. These other traders, of course, are the department stores and multiple shops; very few independent traders contribute to the Board of Trade figures.

The accompanying table tells the story for the main categories of goods sold by co-operative societies. The last column covers all types of retail goods, including, for example, furniture. It can be seen that co-operative total turnover during the years increased faster than national turnover. The co-operatives gained mainly in the food departments. In apparel the trend was behind national sales, except in boots and shoes. The explanation for the lag may lie in the large proportion of utility clothes sold by the co-operatives.

On the whole, the figures show that the co-operatives have been increasing their turnover during the war years in comparison with department stores and multiple shops. Possibly, some trade has also been won from independent shops. But the main reason for the relative increase is probably the larger spending power of co-operative members during the war.

Exit Texas Land

What looks like the last scene in the history of the Texas Land and Mortgage Company was opened at the beginning of the week by a circular to shareholders from the new chairman, Mr Denys Lowson, proposing that the company be wound up voluntarily. Since the Lowson interests held, and presumably still hold, a controlling interest, there is little doubt that the meeting, convened for May 3rd, will sanction the proposal. The logic behind this decision is not very clearly set out in the circular and the accompanying memorandum. The majority directors do

not wish to shoulder the responsibility of holding many of the investments, and they suggest that, were the concern converted into an investment trust, substantial changes would be necessary, and this would mean that a large part of the capital appreciation which has accrued would be taken away in taxation. The concern is a finance company, and tax, it will be realised, is payable on realised capital profits.

This seems to be an argument for carrying on the business until such time as the full rigours of EPT are relaxed, but the majority directors appear to believe that there is no prospect of any such relaxation. The minority directors hold the opposite view, and suggest that there is little or nothing wrong with the existing portfolio and that dividends could be paid of 15 per cent and upwards—last year's payment was 13 per cent—while still making considerable transfers to reserve. There is here a very definite difference of opinion, and it is difficult to accept that of Mr Lowson. Before doing so, one is entitled to ask, first, what he intends to do with the money obtained from the liquidation which he could not do with it while it remained the property of Texas Land shareholders, and, second, where the other shareholders are to find an alternative investment giving a better return, or indeed one as good.

Even if he is right in assuming that on many of the securities neither increases in dividends or capital appreciation can be expected, his argument that they will fall in value if there is a rise in interest rates or a recession in business activity is of very general application, and a loss which in this case is cushioned by EPT, if that tax is to persist—can only be avoided by becoming entirely liquid.

The Minority Interest

It is difficult to escape the conclusion that underlying the difference of opinion there is a clash of interest. Many of the minority shareholders in the company have had their holdings for a long period of years. The majority holders acquired the bulk of theirs in the summer and autumn of 1943, at, it is believed, an average price well under £5½. The gross break-up value of the company is placed at something between £10 and as many guineas, of which almost 50s per share will be lost to the shareholders in the taxation. This leaves a net break-up of, say, £7½. The majority holders may well think that a capital profit of around 50 per cent in two years is very satisfactory and find it easy to abandon the similar sum which goes to the inland revenue. The attitude of those who have held the shares as a revenue-yielding investment is very different. They may be excused for feeling, as some at least of them do, that it is an unfortunate state of affairs that they should be deprived of an investment which seemed to them good merely to put money into the pockets of a group who have never done anything for them or the company.

There is, however, nothing in the law as it stands to-day which recognises that a minority has any rights in such a matter. Had there been a law compelling disclosure of beneficial ownership and an obligation upon directors to disclose what was going on, shareholders might have been prevented from parting with their shares to a group whose intentions were unknown. As it is, no effective action was possible until it was too late. The best that can be said of the episode is that, in this case, the minority are fortunate in that they do at least get the same terms as the majority. Too often their fate is worse than that. Also they obtain better terms than those who had insufficient trust in the future of the company to resist offers to buy at what now look like very low prices.

The Banks' Investments

The return of the eleven clearing banks for March shows that the total of deposits has now recovered from the seasonal drop of £57.3 million in February, when both revenue and savings were at a high level. The combined total of £4,459 million is still a little below the £4,462 million of January, but the difference is almost wholly accounted for by a reduction in transit items. The major part of the rise in deposits is reflected in the expansion of £42½ million to the record level of £1,681 million in the aggregate of Treasury Deposit Receipts. There has also been an interesting rise of £11 million in advances. Though this falls below the £19½ million increase of March last year, it brings the total back to within £2 million of the peak of £772 million attained in that month.

The banks' investments are down £7 million on the month, and have now fallen £39 million from their record of £1,192 million in November. Before the rapid war-time expansion of credit, an increase in advances was customarily associated with a corresponding fall in investments and the rise in advances since November could explain a considerable portion of the drop in investments over that period. The probability of a summer savings campaign involving heavy subscriptions from the banks may also have exerted pressure towards greater liquidity—though the fall in investments over the corresponding period of last year was £8½ million smaller despite the proximity of the "Salute the Soldier Campaign." There is, however, a further possibility. The present market strength of "longs" may have induced the banks to sell some of their stock in preparation for a new issue of "National War Bonds" or some analogous Victory Bond.

Other items in the return show no significant change. There has been a falling off of money at call, but this has been more than compensated for by a rise in the banks' bill portfolios. Primarily as a result of the increase in TDR's, the ratio of liquid assets to deposits has now risen as high as 55.5 per cent, about 5 per cent higher than at this time last year. The proportion of TDR's to deposits is now 37.7 per cent.

Canadian Note Circulation

A feature in Canadian banking is the enormous rise in the note circulation since 1939. The accompanying table, extracted from the annual report of the Bank of Canada, reveals the size of the expansion. The rise in the combined total of notes in circulation and bank deposits was less spectacular; it expanded from \$2,775 million on August 31, 1939, to \$6,075 million at the end of 1944. The decline in the volume of chartered bank notes is a reflection of the provisions of the Bank Act of 1934; these prescribed a reduction in the maximum amount of chartered bank notes from 100 per cent of their "unimpaired" paid-up

ACTIVE NOTE CIRCULATION
(In Millions of Dollars)

End Year	Bank of Canada Notes	Chartered Bank Notes	Total
1935	59.1	111.0	170.1
1939	162.2	84.6	246.8
1940	261.6	79.8	341.4
1941	379.6	70.6	450.2
1942	572.5	60.3	632.8
1943	751.5	42.2	793.7
1944	896.6	33.0	929.6

capital on the date of the establishment of the Bank of Canada to 25 per cent of this figure on January 1, 1945. The Bank Act of 1944 provides that after January 1, 1945, no chartered bank shall issue or re-issue its own notes for circulation in Canada; after January 1, 1950, the liability of the banks for their notes then outstanding are to be transferred to the Bank of Canada in return for the payment of a like sum to the Bank of Canada. In other words, the transfer of issuing power to the Bank of Canada has been completed; the transfer of outstanding notes is to be completed after a further period of five years.

Canadian Pacific

The detailed accounts of Canadian Pacific Railway for 1944 underline and explain the great increase in railway working expenses, which have risen both relatively and absolutely in relation to railway gross earnings. The expense ratio, before tax, is, in fact, up from 72.8 to 78.9 per cent, its highest level ever. Out of an increase of \$35 million odd in working expenses, higher wage costs account for \$20 million odd. The cost of the 1944 wages award appears to amount to about \$10.7 million, but included in the 1944 wage bill is a further \$4 million paid retroactively in respect of 1943, which will not be repeated. The cost of materials has also risen. Individual expense items show very heavy increases in transportation expenses, which have risen 16.5 per cent, and maintenance, which is up by 16.7 per cent.

It is estimated that average wage rates have risen altogether since June 1, 1941, by about 25 per cent. Since that date no increase in freight or passenger rates has been allowed by the Wartime Prices and Trade Board. It follows that the annual rise in costs can only be covered by still greater expansion in the volume of traffic and in utilisation of

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- ★ May be sold quickly through your Savings Bank

equipment. Further gains under both heads during 1944, although insufficient to match the rise in costs, were nevertheless remarkable. Passenger earnings rose by 100 per cent, and freight earnings by 7.0 per cent. There was a notable increase of traffic in agricultural products, due to increased opportunities for export to Europe. Earnings from grain, for instance, were a third higher. Heavy agricultural traffic is likely to continue, and perhaps increase during 1945, but, generally speaking, the volume of traffic has probably at last reached its peak. There will be a danger of further decline in railway earnings, unless increased rates are authorised or the rise in costs is rigidly checked. The "windfall" nature of some credit items in the 1944 net income, as now disclosed, stresses the extent to which the company's prosperity is dependent on its railway earnings.

The Miners and Technical Efficiency

Although the National Union of Mineworkers' plan for coal is not expected until some time next month, the miners' general view of the future of the industry is well known. In formulating their detailed plans, they would be well advised to adopt the line put forward by Mr Arthur Horner in his presidential address to the South Wales Miners' Federation last week. This was, incidentally, the last meeting of the Federation, which, after 47 years of separate existence, is being merged into the National Union of Mineworkers.

Mr Horner stressed the need for improving the technical efficiency of the industry and raising the production per man-shift, which would "make possible the continuous improvement of the existing wage standards of mine workers." "Concentration," he said, "which is only possible by the application of modern methods of machine mining, must become the order of the day." He dismissed the familiar argument that British conditions did not lend themselves to mechanisation and expressed confidence that suitable machinery could be devised for British mines. He urged the need for the planned development of the industry with the ordered transfer to other employment of men whose labour was no longer required in the mines, and the introduction of conditions which would make mining attractive to new recruits.

Speaking as a miner, and for mine workers, Mr Horner has, it seems, reached the same conclusions as the mining engineers represented on the Reid Committee. It remains to be seen whether the miners as a whole will be prepared to accept these conclusions and co-operate to give them effect.

Sudan Plantations Assets

Since the concessions of Sudan Plantations and its subsidiary, Kassala Cotton, which expire in 1950, are not to be renewed, the former company has drawn up its 1944 balance-sheet so as to show the full value of its assets. Fixed assets, which are to be taken over by the Sudan Government at cost, amount to £1,632,000. In addition, there are net liquid assets of £3,946,000, and these two items amount to £5,578,000, which compares with issued share capital and premium on issue of £4,179,000. There will in addition be a handsome capital profit on the book value of the Kassala Cotton holding and something further from the liquidation of Parana Plantations, which contributed £311,000 last year to reserves. In the circumstances it is clear that the company will be free to distribute forthwith any funds it may earn and payments should be generous. The minimum break-up value appears to be about the current price of 46s. 3d. ex dividend, and yield at that price is £4 6s. 6d.

The trading profits for the year 1944, at £613,970, are down by £157,000, but taxation, owing partly to an EPT refund of £82,000, requires £198,000 less. It is scarcely surprising that the directors have decided not to augment general reserve further. As a result, it is possible to pay a dividend of 20 per cent against 12 per cent, leaving carry forward approximately unchanged. The company will receive proceeds from six more cotton crops, and the crop now being harvested should be above the average.

It is pointed out that dividend payments over the last 15 years have averaged only slightly over 5 per cent, partly as the result of accumulating reserves in the hope, now disappointed, of financing further agricultural development in the Sudan. The "sincerity and efficiency" displayed by Sudan Plantations and Kassala have been praised by the

Sudan Government, who hope that many of the companies' officials will continue in the Government's employ. It is, in fact, clear that the Government's action has been decided by political considerations, plus the ease of financing new developments with the aid of accumulated sterling reserves.

Post Office Reorganisation

The Post Office has drawn up its proposals for reorganisation after the war, and these have been under the consideration of the Union of Post Office Workers since February. Meanwhile, the union had been preparing its own report for submission to its members; it was published last Saturday. Both sets of proposals deal in great detail with the grading of workers. There is a good deal of agreement between the two on this subject; perhaps the main divergence is on the question whether there should be one or two grades in sorting-office duties. The union prefers one and the Department two. The general approach of the two reports is not dissimilar in regard to recruitment as well, although it appears that the Union has been more mindful of the effect of the Education Act on the recruitment age and a higher standard of education.

The union has a good deal to say on opportunities for promotion, on the need for equal pay for equal work, on longer holidays, and on the shortening of the wage scale so that the maximum rate is reached in the middle twenties instead of in the early thirties, and on the 40-hour week.

The UPOW has done pioneer work among Civil Service unions, and possibly among industrial unions, in producing a report in such detail as theirs, dealing with the reorganisation of their work from every point of view. It is an example which might well be followed. The report is to be presented at the Union's annual conference next month, and if adopted will form the basis of the union's discussions with the Department.

Shorter Notes

In apparent contravention of the latest ruling of the Stock Exchange Council, Stewarts and Lloyds have announced no profit figure in declaring their dividend on the deferred ordinary capital. The dividend is at the rate of 12½ per cent, paid for many years past, and the directors state that after allowing for taxation, trading profits show little change. There is, however, expected to be an increase in available profit owing to the inclusion of a full year's dividend from Stanton Ironworks. It is a pity that the company cannot synchronise the preparation of full accounts with its preliminary announcement, but this statement is, in the peculiar circumstances of the time and of the iron and steel industry, as informative as would be the publication of partial figures.

The Mining Association has appointed as Director of Education and Training in the coal industry, Dr R. W. Revans, present Deputy Chief Education Officer for the County of Essex, thus following the precedent created by the appointment of Mr Robert Foot of bringing new blood into the owners' counsels. This is certainly a welcome appointment; it is indeed overdue. Whatever the final form of ownership and control is decided upon, the industry will need a Director of Education and Training.

The report of the committee set up in July, 1944, to examine "the effect of the hydrocarbon oil duties on the supply of raw materials to, and the development of, the chemical industry in this country" was published on Thursday, too late for detailed comment. The committee was impressed by the "magnitude of the prospects now before the synthetic organic chemical industry of the world." It holds the view that the influence of the hydrocarbon duties on the prospective expansion of the chemical industry is likely to be far greater than in the past and, hence, that it is "urgently necessary that the industry should be relieved of this encumbrance."

RYVITA

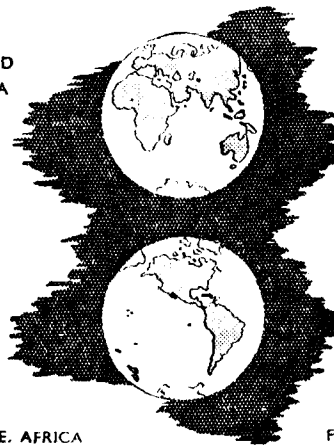
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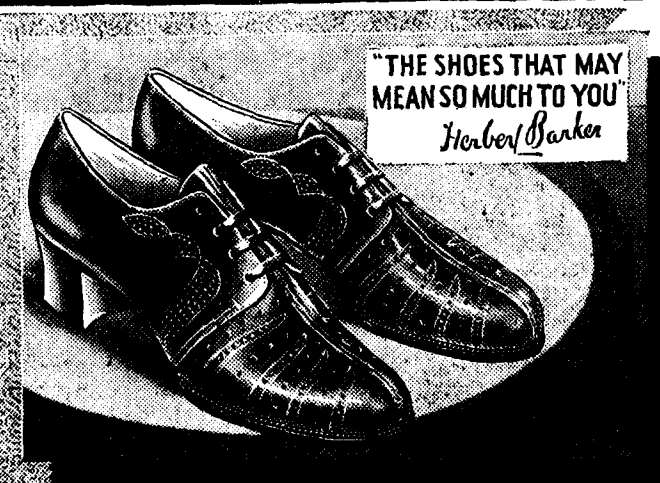
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THE PRUDENTIAL ASSURANCE COMPANY LIMITED

ANOTHER SUCCESSFUL YEAR

SIR GEORGE L. BARSTOW'S REVIEW

The ninety-sixth annual general meeting of the Prudential Assurance Company was held, on the 4th instant, at 142 Holborn Bars, London.

Sir George L. Barstow, K.C.B., chairman of the company, in the course of his remarks, said:—I begin by drawing your attention to the magnitude of the life sums assured and bonuses in force, which exceed £700,000,000 in the industrial branch and £300,000,000 in the ordinary branch, or over £1,000,000,000 in all. This figure is an impressive measure of the responsibility borne by your company.

ORDINARY BRANCH

In the ordinary branch the premiums were £16,963,752, an increase of £1,101,991 as compared with the preceding year. The net new sums assured, including group life and overseas business, but not group pension business, exceeded £25,800,000.

The home net new business sums assured amounted to over £13,700,000, the decrease of about £2,300,000 being due largely to the fact that, owing to the claims of National Service, no members of our staff in this country are now engaged solely in the procurement of new business. We have little doubt that when we are once more on a normal footing we shall be able to record substantial progress in this important section of our business.

The net new sums assured written overseas exceeded £12,000,000 and constitutes a record figure not only in total but also for most of the territories where we operate. This augurs well for the future of our overseas business and reflects great credit on our overseas staff, who also are not free from wartime problems.

The surplus in the ordinary branch, including £324,133 brought forward from last year, is £2,697,169. The allocation of this amount is set out in the directors' report.

The directors have declared a reversionary bonus at the rate of £1 per £100 sum assured in respect of participating policies in force on 31st December, 1940, which were also in force on March 1st, 1945. They have also declared a bonus in respect of those participating policies which become claims by death or maturity of endowment during 1945 at the rate of £1 per £100 sum assured for each 31st December on which such policies were in force subsequent to 31st December, 1940.

INDUSTRIAL BRANCH

In the industrial branch the premiums were £28,950,411 as compared with £27,737,864 for the previous year. The death claims were £9,101,346 and the claims by maturity of endowment were £8,498,238. The cash surrenders were £552,127, thus continuing at the relatively low level of recent years.

The expenses of this branch amounted to 23.87 per cent. of the premiums, a reduction of 1.04 per cent. The collection of the weekly and monthly premiums, the payment of claims and other transactions and incidental services are carried out at the homes of the people. The cost of all such service is included in the expenses.

The surplus in the industrial branch, including £433,818 brought forward from the previous year, is £5,626,895, an increase of £666,410 as compared with the preceding year. The allocation of this sum is set out in the directors' report.

The directors have declared a reversionary bonus at the rate of 16s. per £100 sum assured under participating policies issued by the Prudential before 1st January, 1941, which were also premium paying policies on 1st March, 1945. In

addition a bonus will be paid on claims by death or maturity during the year 1945 at the rate of 16s. per £100 sum assured for each 31st December on which the policy was in force subsequent to 31st December, 1940. This latter bonus will apply to such policies issued up to the end of 1944 provided one year's premiums have been paid.

Since the initiation of the profit sharing scheme a sum of £63,518,575 has been allotted for provision of bonuses to the industrial branch policyholders. The bonus paid on claims in this branch during the year 1944 amounted to £3,055,564 representing, on the average, an addition of about 20 per cent. to the amount that would otherwise have been payable.

BRANCH CONTINGENCY FUNDS

After full consideration the directors have decided to make no transfer this year to the Ordinary and Industrial Branch Contingency Funds, as they consider that these are ample for their purpose. On the other hand, the outlook is not yet such as to enable the directors to consider their total or partial release.

GENERAL BRANCH

In the general branch the premiums received were £3,038,885, about one-third of which was in respect of our overseas business. This total represents an increase of £159,159 to which every section, with the exception of the Marine, has contributed.

The considerable reduction in premium income in the marine account is mainly due to the reduced rates of premium charged for war risks.

With the exception of employers' liability, all sections of the general branch have contributed to the surplus. Underwriting results generally have been satisfactory.

The surplus in the general branch, including £190,186 brought forward from last year, is £453,680. Details of the disposal of this surplus are given in the directors' report.

In the interests of the future of this branch, the strength of the reserves has been increased by transferring £100,000 from the surplus to the additional reserve fund. £75,000 has also been transferred to the investment reserve fund, which sum has then been applied to writing down investments in this branch.

NATIONAL INSURANCE

Shareholders may wish me to comment on the Government's National Insurance Scheme which was published in the White Paper of September last. Let me say at once that we commend in principle the object which the scheme is designed to secure.

The principle employed is the provision of uniform benefits provided by compulsory and universal payments consisting partly of per capita contributions borne by insured persons and their employers and partly of taxation borne by all taxpayers. The compulsory contributions differ in essence very little from taxation, and the scheme can, therefore, be briefly described as a partial re-distribution of the national income for the benefit of those least able to protect themselves. The scheme is a development of the tendency to State assistance which has steadily grown in the past few decades.

Voluntary insurance as transacted by insurance offices is, on the other hand, founded on the principle of self help, individual benefits being assured by payment of individual premiums—each person insuring according to his choice, his needs and his means.

The two principles are not necessarily incompatible in the sense that the adoption of one implies the abandonment of the other. It would in my view be a real disaster to the industrial classes and to the community generally if any extension of a State scheme were ever to cripple the activities of the voluntary agencies for self-help. We are glad to note that no such extension is in mind for, in the words of the White Paper, "There still remains the individual's opportunity to achieve for himself in sickness, old age and other conditions of difficulty a standard of comfort and amenity which it is no part of a compulsory scheme of social insurance to provide."

The Government White Paper (Part 2) contained details of the plans for dealing with compensation for industrial injuries as part of the National Insurance Scheme, and it seems evident that Workmen's Compensation Insurance will cease to be transacted by the companies. Whilst this business has never produced more than a modest profit, it has contributed its quota towards the maintenance of our general organisation. Its prospective loss must, therefore, be a matter of some concern.

A development of the White Paper was the appointment of a committee to consider the whole question of common law rights in any case where a National Insurance payment for injury or sickness might be due. The report of this committee is awaited with much interest as it is realised that its recommendations may have an important bearing on all forms of third party insurance.

INVESTMENTS

The investment of our funds during the year 1944 followed a course very similar to that of recent war years, and resulted in a further large increase in our holding of British Government securities. The Government tap loans continue to absorb not only all our new money—that is to say the sum of nearly £16,000,000 by which our funds have grown during the year—but also a considerable portion of the money falling due for reinvestment on account of repayments and sales of securities. The consequence is that our holding of British Government securities and Government guaranteed securities now stands at £196,988,000, more than £22,000,000 in excess of last year's total, and represents nearly 47 per cent. of our assets. Since the outbreak of war we have subscribed no less than £132,000,000 to the War Loans issued in this country, and nearly £4,500,000 to War Loans issued elsewhere within the Empire.

The continued investment of so great a part of our resources in British Government securities as well as the conversion of other investments to lower nominal rates of interest must, of course, affect adversely the yields on our funds. This tendency towards lower yields has been to some extent obscured by the effect of the allocations which we have made in recent years to the Ordinary Branch and Industrial Branch Contingency Funds, the interest on which accrues to the benefit of the Life Funds, although the Branch Contingency Funds do not themselves form part of the Life Funds. This factor, together with a slight improvement in the return from certain classes of investments, has resulted in an increase in the net yield by 4d. per cent. to £3 12s. 1d. per cent. in the Ordinary Branch and by 1s. per cent. to £3 13s. 11d. per cent. in the Industrial Branch.

The year 1944 has been marked by a further increase in the market value of our Stock Exchange investments which, taken as a whole, stand in our books at a figure which is appreciably below their market value. In cases where there is no market quotation I am satisfied that a conservative basis of valuation has been adopted. We also have in our investment reserve funds, which now stand at £8,850,000, a further margin of security against possible future depreciation.

The report and accounts were unanimously adopted.

VICKERS, LIMITED

OUTSTANDING WAR SERVICE

MR A. A. JAMIESON'S REVIEW

The annual general meeting of Vickers Limited was held on the 4th instant, Mr A. A. Jamieson (chairman) presiding.

The Chairman stated in the course of his speech:—The issue of the White Paper on statistics relating to the war effort enables me to give further information than I have heretofore been permitted to do.

I think I can say that ours is a good record of a great British institution, and I underline "British institution" because the stock of your company is held by no less than 55,000 individual members of the public.

At the outbreak of war our group employed just over 95,000 persons. During the war we reached a peak of 170,000 in 1943, and at the end of last year the number was 145,500.

Nearly 20,000 of our former employees have joined H.M. Forces.

Our salary and wages bill for the period 1939—1944 was in excess of 214 million pounds.

In our shipyards we have built 188 ships, including the battleship "King George V" and the aircraft carriers "Illustrious," "Victorious" and "Indomitable."

THE IMMORTAL "SPITFIRE"

Our contribution to the aircraft industry, both before and during the war, is well known. Our "Wellington" bomber, and our "Spitfire" of immortal fame, need no words of praise from me, but I am proud to tell you to-day that we have constructed over 28,000 new aircraft and repaired over 9,000 in addition.

We have had the satisfaction of seeing the development work we put into our "Valentine" tank before the war fit it to play an important part in some of the war's most critical days. We have manufactured over 6,200 tanks and many other vehicles.

We are also proud of the part we played in the design and production of those great 12,000 lb. bombs, which have penetrated the U-boat pens, and sank the "Tirpitz," and of their big brethren the 22,000 pounders; and also of our part in the destruction of the Mohne and Eder dams.

We have produced over 14,000 guns of various types for the Navy and over 150,000 guns for the other Services, and our ammunition production has been on a great scale. We have supplied the primary armament for the battleships and cruisers completed for the British Navy during the war, and have manufactured and erected on site the heavy Coast Defence Artillery guarding the Straits of Dover.

But the fact in which we all of us may feel legitimate pride is that, so far as lay in our power, we were at our action stations on 3rd September, 1939, ready and prepared, and have been there ever since. During that time it has been our unceasing effort to "Give them the tools" and nobly have the Services used those tools.

EXPANSION OF MANUFACTURING CAPACITY

Stockholders are aware that during the years 1935 to 1939 the manufacturing companies in the group had undertaken great schemes of modernisation and extension of their plants. Such schemes undertaken with courageous foresight and carried through at a cost of over £6,000,000 enabled your companies to embark effectively upon the pre-war rearmament programme, and to carry a heavy burden during the early period of the war. It should be added that in addition to these extensions and improvements to the group's own manufacturing equipment, Vickers-Armstrongs in 1937 leased and arranged for the re-equipment of the extensive works at Scottwood, which were formerly owned by Sir W. G. Armstrong, Whitworth & Co. Limited.

To meet the greatly increased demands on your group by the Supply Departments following the outbreak of war, it was, as you will appreciate, necessary to effect a further large increase in manufacturing capacity. This was achieved in various ways, notably the following:—

(a) By extension to our own plants at our own expense.

(b) By carrying out extensions in our own works under Government schemes. These are of two classes:—

(i) Where we contribute towards the cost and retain ownership.

(ii) Where the Government bear the full cost and retain ownership.

(c) By undertaking the construction, equipping and management of Government owned shadow factories.

(d) By full scale employment of sub-contractors.

Dispersal of Manufacture.—During 1940 and 1941, when our factories were among the special targets for enemy bombing, dispersal of manufacture on an extensive scale was carried out. The extent of this dispersal may be gathered from the fact that at one period Vickers-Armstrongs alone, in addition to its own works, was carrying on operations in 350 premises of varying size and character scattered up and down the country.

OUTPUT

The products of your group are so numerous and varied that it will only be possible for me to-day to give you comments on certain of the activities of the group companies and statistics relating to the output of some of the more important items of production during the period from September, 1939, to December, 1944. I hope that when the war is over we may be able to put before you a more complete picture of our accomplishments, but I believe that the comments and figures I now give you will be an indication of the vitally important part which your group has taken in the war effort, and will also be a source of satisfaction to our employees whose skill and untiring energy have made this possible.

TECHNICAL ASSISTANCE, ETC.

Technical information and assistance to British and other Governments and other companies.—In my review in 1940 I told you that to assist in the Defence Programme expansion we were giving technical information and assistance to other companies which were entering the field of armament production. During the war we have continued to do so to an ever increasing extent, and sub-contracting on a large scale would have been ineffective without this assistance, but it imposed a great strain upon our staff.

We have gladly extended our efforts in this direction by supplying similar information to the Dominion Governments, notably Canada and Australia, and to a lesser extent to the United States of America, and many of our employees have temporarily proceeded overseas to give technical aid and advice.

Employees loaned to Government Departments.—Many requests have been received during the war period from Government Departments for the loan of specialist personnel of all grades. It has been the policy of your Board to render every possible assistance to the national effort, and accordingly such requests have been met without reserve. The temporary absence of these employees has in many cases added considerably to the burden of the managements, but the additional load has been cheerfully and successfully borne.

WELFARE OF EMPLOYEES

General Welfare.—Every endeavour has been made to cater for the welfare of our employees. In particular, medical services have been greatly developed, and in the large works full-time medical officers have been appointed; canteen facilities and equipment have been brought up to date, although in many cases the numbers of employees taking advantage of these facilities are disappointingly small.

Financial assistance to victims of air raids.—In September, 1940, having in mind the possibility of hardship arising amongst our employees from enemy action against this country, the Boards of the group companies set aside sums amounting in all to £132,500 as funds out of which assistance could be afforded in appropriate cases. Up to 31st December last grants out of such funds amounting to over £31,000 were made to employees who had suffered personal injury or loss. It is with sorrow that I have to report that the figure of casualties includes 230 employees who have lost their lives. It has been found that the immediate help which the local managements have thus been able to render to the victims has been most welcome and greatly appreciated.

POST-WAR PREPARATIONS AND PROSPECTS

Stockholders realise that two most important and urgent matters demand the attention of the managements of your companies as soon as possible after the war. These are, firstly, the rehabilitation and repair of buildings and plant, and secondly, the reorganisation of layouts to make them suitable and efficient for post-war manufacture.

As regards the first, it will be necessary, as I have already said, for the companies in the group to face large expenditure under this heading. During the war period every effort has been made to maintain buildings and plant in as satisfactory a condition as labour and available materials have permitted, but these limitations have been severe and much in the way of deferred repairs remains to be done before we will be satisfied that our pre-war standard of maintenance has been achieved.

As to the reorganisation of works and plant, this is a subject which is engaging the careful attention of your Board and managements, and authorisation has already been given for expenditure in certain directions where it is apparent that suitable work will be available very shortly after the cessation of hostilities. But there are a great many other directions where future prospects are still most uncertain, and at this stage it is impossible to go further than to say that the following are the general principles which we have decided to follow. Our equipment, skill and knowledge, besides being suitable for armament work, will be utilised in the future, as in the past, for many commercial purposes in shipbuilding, aviation, engineering, alloy steel, and carriage and wagon building. As a general rule, therefore, we propose to confine ourselves to those branches of industry in which our equipment and experience justifies us in assuming that we can take and maintain a leading place. We shall also develop energetically those other activities in which we have had an interest for many years, and we shall continue to consider new developments which might provide suitable and profitable products, but we do not intend to try to invade fields for which neither our equipment nor our knowledge qualify us.

This being our general policy, we are proceeding vigorously with the equipment of a new centralised research department for the engineering side of our business, and we have set up and are proceeding with the equipment of a similar department for aviation.

The report and accounts were unanimously adopted and a final dividend of 6 per cent. less tax, making 10 per cent. for the year, was declared on the Ordinary Stock.

HADFIELDS, LIMITED

PROBLEMS CONFRONTING THE STEEL TRADE

REPUTATION FOR QUALITY AND SERVICE

The fifty-seventh ordinary general meeting of Hadfields, Limited, was held, on the 30th instant, at Sheffield.

Sir Peter B. Brown, M.Inst.C.E., J.P. (Chairman and managing director), in the course of his speech, said: Throughout the year frequent changes in the type and amount of the Government requirements have been experienced. At one time the output of our electric and open hearth melting departments was reduced to less than 50 per cent. of the same period in 1942, but this only lasted for a few weeks, and the position has since improved materially.

CHANGING CONDITIONS

It is difficult to describe in a few words the disorganisation which takes place in a factory such as ours when the demand is suddenly cut off. The melting shops first feel the effect, then almost immediately subsequent processes such as rolling, forging and machining, where many more workers are employed than in the melting departments, are likewise disorganised and men are thrown out of work. As soon as this comes to the knowledge of the Man-Power Board and the Ministry of Labour they promptly transfer the surplus men to some branch of the Fighting Services or to other factories up and down the country. When further orders come to hand it is almost impossible to obtain additional workers, and generally those who enter our service have to be trained before they become competent.

Government controls are of course necessary during special emergencies, but the most irksome are those that prevent us from quickly adapting ourselves to changing conditions and making full use of our plant and facilities. Naturally the workers affected feel disturbed when their employment and home life are upset and many protests and even suggestions of victimisation have to be dealt with by the managers and foremen. Speaking generally, however, Sheffield is fortunate in this respect compared with many other districts.

It is a great satisfaction to us all to know that victory is now assured and that before long we may be able to direct our efforts to peaceful occupations free from the many controls and handicaps under which we have been working for nearly six years.

Referring to the balance-sheet, the current assets cover the current liabilities more than three times—actually there is the substantial margin of no less than £2,038,067. The net trading profit for the year is £200,443, slightly higher than last year, due to a large extent to the reduction of the war damage insurance payments.

GOVERNMENT ATTITUDE TOWARDS INDUSTRY

Since our last meeting the Chancellor of the Exchequer has encouraged British manufacturers by the various statements he has made assuring us of the Government's determination to foster industry in post-war years to a much greater extent than heretofore. We have been promised largely increased grants for education, research work, assistance towards the installation and renewal of plant and machinery, and the encouragement of improvement in manufacturing methods. You probably know that a Bill is at present before the House of Commons to supplement these promises. We fortunately now have a Cabinet that is convinced that these measures are necessary if our country is to hold a satisfactory position in the home and foreign markets.

The Government's scheme for the improvement of our social services following the lines of the Beveridge Report has met with general approval and in all probability will become law in the near future. When the question is raised as to how all these extra charges are to be met at a time when many millions of pounds will be required to repair the ravages of war, we are told that this can be done by improving the efficiency of our productive and sales organisations. Much more than that, however, will be required; we must awaken the sense of individual responsibility among all classes of the community, and I sincerely hope that we shall succeed in doing so without having the necessity forced upon us by a long period of depression such as we experienced after the last world war.

THE COAL SITUATION

The steel trade in which we are primarily interested starts with a heavy handicap brought about by the enormous increase in the price of coal that has taken place during the last few years. We are all aware that the condition of the coal industry is far from being a happy one. Several new and helpful suggestions have been made by Mr Foot in his Plan for Coal and are now being considered by that industry. Many iron and steel companies are deeply interested in coal mining as they control no less than 25 per cent. to 30 per cent. of the total output of coal in the country.

The first reaction of the National Union of Mineworkers expressed by their president, Mr Wm. Lawther, is that nothing short of complete nationalisation of the coal mines can be accepted by the miners. It will be very unfortunate if they persist in this attitude because such an important step is not likely to be taken until after a general election in which the matter can be put fully to the country and every voter given an opportunity of expressing his opinion. It is to be hoped that the miners will be prepared to defer their claims for nationalisation of the mines until after the war is over and the country has had time to get into its stride.

It is very satisfactory to note in the reports of the various international discussions now being held on post-war problems and means for maintaining world peace, that full recognition is being given to the necessity for the reduction of tariffs and the stabilising of exchanges. We are not likely to forget that practically all our overseas investments and export trade have had to be sacrificed during the war. To recover these, all the ability of our business experts, merchants, agents, bankers, manufacturers, scientists, artisans, will be required in a grand united effort equal in enthusiasm to the supreme effort made by them in the war years.

As to the future of our company, I think we are likely to be fully employed for a few years after the war in supplying the immediate needs of the home and overseas markets. We are in a better position than ever to undertake the manufacture of a great variety of work. We have an excellent reputation for quality and service. Our financial position is stronger than ever and I feel confident that we should be able more than to hold our own in the future.

The report and accounts were adopted, and the proposed final dividend on the ordinary stock at the rate of 1s. 6d. per unit (15 per cent.), less tax, making the total ordinary dividend for the year 1944 2s. 3d. per unit (22½ per cent.), less tax, was approved.

KEMSLEY NEWSPAPERS, LIMITED

CHAIRMAN'S REVIEW

The twenty-first ordinary general meeting of this Company was held, on the 5th instant, at Kemsley House, London, Lord Kemsley, chairman, presiding.

The Secretary, Mr J. H. Oldham, F.C.I.S., read the notice convening the meeting, and Mr A. E. Jones (Messrs Price, Waterhouse and Company, the auditors) read the report of his firm.

The Chairman, in the course of his speech, said:

PROFITS INCREASED

The accounts show that the profits on trading, including dividends, etc., at £1,126,192 are in excess of those of the previous year by an amount of £12,391. These profits have not been affected by the transfers to the contingency reserves which your directors have made to cover the estimated liability to income tax on profits earned to December 31st last, these being transferred out of undistributed profits.

This year your Board has decided to follow an accounting practice which is likely to become general, and to make provision for the liability to income tax which will be assessed upon profits earned to December 31, 1944.

The amount of sundry trade creditors and provision for taxation, accrued charges, contingencies, etc., has increased by £367,232. This relates entirely to the increases in the reserve for taxation and in the contingency reserve already mentioned.

On the other side of the balance sheet "Debtenture stock in an associated Company," which last year was £62,846, has been redeemed.

It will be noticed that the total of cash, British Government securities and tax reserve certificates is in excess of £1,600,000. In this connection it should be appreciated that in making comparisons with last year's figures the half-year's Debtenture interest and Preference dividend amounting approximately to £65,000 have this year been paid, and the amount of Four per cent. First Mortgage debtenture stock outstanding has been reduced by the amount of purchases during the year—namely, £158,753.

I may now interpose a reference to THE DAILY SKETCH War Relief Fund, under the chairmanship of Lady Kemsley, and the similar funds associated with our provincial newspapers. They have continued their activities throughout the year with the help of a band of devoted workers and many thousands of our readers. The value of the gifts distributed has now risen to more than a million and a half pounds.

"SUNDAY TIMES"

In the case of the SUNDAY TIMES I can tell you that while our present figure of over 450,000 copies per issue is the highest in the history of the paper, only the restriction on newsprint prevents this figure from being greatly exceeded, a tribute surely to the editorial qualities which maintain this journal in a position unique in Sunday journalism.

The success of our provincial papers is, I believe, the result of our policy of giving the readers their own local newspaper, alert to local interests and requirements, responsible in their judgments and observing the highest standards of decency in the evaluation of news. Augmenting these editorial qualities, we give a service of war news for which I am proud to pay tribute to our own reporters who to-day share all the risks and discomforts of the fighting man. Their dispatches from fighting zones have maintained the highest standards of journalism, and have given our papers a unique editorial influence and won for them a respect which augurs well for our future relationship with the public.

On the motion of the Chairman, seconded by the Hon. Lionel Berry, M.P., Deputy Chairman, the directors' report and accounts were adopted.

LONDON ASSOCIATED ELECTRICITY UNDERTAKINGS

LORD LYTTON'S REVIEW

The annual meeting of this Company was held, on the 12th instant, in London.

In moving the adoption of the report and accounts for the year, the Earl of Lytton, chairman of the company, said: The years 1941 to 1943 were most anxious and difficult. Sales of units fell from 432 millions in 1938 to 303 millions in 1943, a reduction of 129 millions, or 30 per cent. The number of consumers fell from 86,000 to 53,000, or 39 per cent. Consequent loss of revenue was met as far as possible by increases in tariffs in 1940 and again in 1943. Notwithstanding the strictest economies, the increased charges did not meet the loss of revenue. The cost per unit was greatly increased owing to the fixed charges (in the case of generating costs, 40 per cent. of the total) falling on a much smaller output and to progressive increases in the price of coal. In 1938 it was 21s. 2d. per ton; in 1944 it was 45s. 4d., an increase of 116 per cent.

The company was not compensated by an increase of load from war factories to offset the loss of commercial and domestic load. The pre-war load of 178,000 kws. fell to 111,000 kws., or 37½ per cent.

For 1942 and 1943 a readjustment of sinking fund contributions was granted by the Electricity Commissioners, subject to the funds being restored to normal at the earliest opportunity and payment of dividends being subject to the Commissioners' consent until this had been done.

Bulk supply stations were damaged on 55 occasions; 139 transformer chambers were damaged; 1,424 cables were put out of action. The amount of war damage is estimated at £500,000.

Supplies given by C.S.E. to consumers who needed them were never interrupted for more than short periods, and the London Power Company never failed to supply constituent companies and the Central Electricity Board.

THE YEAR 1944

1944 showed a recovery over the preceding year. Units sold increased to 348 millions, and the number of consumers to 76,684. Revenue increased by £487,000. This enabled full contributions to sinking funds to be made for that year, and the balance of revenue, together with carry-forward from the preceding year, was sufficient for the deductions made from the sinking funds in the two previous years to be repaid, thus restoring them to normal and recovering freedom of action in the future.

The balance sheet shows a very liquid position. Cash in hand and loan to subsidiaries at short notice total £1½ million. No. 2 reserve fund stands at £20,000. There has been no increase in capital issued. The dividend paid on ordinary capital was 3 per cent. for 1944. Balance carried forward is £1,790.

L.A.E.U.

Dividends received from Central London Electricity amount to £215,175, as compared with £226,824 last year. The reduction is due to the restoration of sinking funds to normal. The directors propose to transfer £24,000 from stockholders' reserve account, and recommend a dividend of 4 per cent. Stockholders' reserve account stands at £35,000.

As soon as circumstances permit, which the directors hope will not be long, prices to consumers will be reduced and statutory demands on ordinary stock restored.

The report and accounts for the year were adopted.

HALIFAX BUILDING SOCIETY

BRIG.-GEN. SIR EDWARD N. WHITLEY'S ADDRESS

The ninety-second annual general meeting of this society was held, on the 9th instant, in Halifax, Brig.-Gen. Sir Edward N. Whitley, K.C.B., C.M.G., D.S.O., D.L. (President of the society) presiding.

The chairman, in the course of his speech, said: The total assets of the society have increased this year by £3,583,743 and amount to £132,817,792; liquid funds have increased by £5,997,192 to £53,769,579, and mortgage assets have been reduced by £2,379,030 to the sum of £78,452,412.

Reserve funds stand at the same figure of £5,750,000. The amount carried forward is increased by £293,717 to £925,468, the total reserves and undivided profits amounting to £6,675,468.

EFFECT OF CONCESSIONS ON INTEREST FROM BORROWERS

Turning to the profit and loss account it will be seen that the amount of interest from borrowers has substantially declined. Partly this is due to the more rapid repayment of borrowed money. It is, however, to a considerable extent caused by the two important decisions to which I referred last year. You will remember that I then said that the Board had decided that in cases of loans on residential properties, where a value payment is to be made in pursuance of the War Damage Acts or where a cost of works payment is to be made and the property has been rendered uninhabitable for more than six months, the society would until further notice reduce the rate of interest on the amount payable under the mortgage to 2½ per cent. The gross cost to the society of this concession up to the end of the last financial year has been roughly £95,000. The other concession was a reduction to 4½ per cent. in the rate of interest charged to our then existing borrowers in respect of house properties. The cost has been substantial but we have evidence that the policy of the Board in these two matters has met with widespread approval.

We have had to maintain severe restrictions on the intake of new investments whilst at the same time giving as good an investment service as possible to our depositors and members.

We have lent on mortgage, chiefly of small properties, over £8½ million as compared with a little over £3 million in 1943 and a little over £2 million in 1942. The average amount per mortgage advance in the year under review was £618.

EXTRAVAGANT PRICES FOR HOUSES WITH VACANT POSSESSION

Your Directors are much concerned with regard to the extravagant prices which are being paid in most towns for houses with vacant possession, and have tried to avoid any action on their part which would tend to raise the price obtainable for a house beyond a sum which provides a fair and reasonable increase on its cost. With that end in view, instead of simply following the market price at the moment, we limit the advance on each house to a figure based on the pre-war value as well as on the present value.

Your directors are taking a great interest in alternative methods of construction of permanent houses.

Whilst the first houses to be built will no doubt be for letting and many of them erected by Local Authorities, it is important that in the provision of houses private enterprise should be encouraged from the earliest possible date because only those houses which are built by private enterprise will be available for purchase by those who want their own homes.

BRITISH INSULATED CABLES LIMITED

A GREAT WAR EFFORT

SIR ALEXANDER ROGER'S REVIEW

The annual general meeting of British Insulated Cables Limited will be held, on the 19th instant, in Liverpool.

The following is an extract from the statement of the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report:—

Mainly as a result of changes in war-time demands during 1944, there have been further alterations in the types of our turnover and a relatively small decrease in total. These features, coupled with higher costs, have left trading profit lower by £43,054. As interest and dividends from subsidiary and general investments have increased by £19,159, the total profit for the year is down, on balance, by £23,895. After providing for a final distribution on the Ordinary capital at the same rates as for some years, there is left available £19,383, which, added to the balance brought forward from 1943, leaves £409,867 to be carried forward.

WIDELY DIVERSIFIED DEMANDS FROM THE SERVICES

Modern warfare involves the use of electricity to an ever-increasing degree, and vast quantities of such main products of your company as cables, insulated conductors, wires and various electrical components are required. Our production of cables and insulated conductors has been enormous, and for such widely diversified uses as in tele-communications, ships, aircraft, tanks and all other mechanical vehicles; in the equipment of munition plants and airfields, and in the maintenance and extension of essential electricity supply services. In addition to our ordinary construction department, we have maintained in this country a service organisation for the repair of cables and transmission lines damaged by enemy action.

From time to time we have also been called upon to meet new and changing Government demands, as, for example, in the days of the magnetic mine, when it became evident that only a full-scale introduction of de-gaussing cables would serve to protect our vital shipping, and when with the same object in view large quantities of a special type of buoyant cable were urgently required. In both cases the company went into immediate production and all the demands made upon it were met. I can now also inform you that the company supplied, at short notice, cable installations for the now famous Mulberry Ports.

ENORMOUS PRODUCTION OF INSULATED WIRES, CONDENSERS, ETC.

Our production of insulated wires has been astronomical; in five years approximately 18,000,000 miles have been supplied to the Services for use in electrical apparatus, instruments, mines and even dam-busters. The company has achieved an equally impressive output of condensers and other components for radio, telephone and telegraph equipment, aircraft navigating instruments, anti-submarine devices and mines; of moulded plastic products for service equipment; and of electric welding machines and magnetic moulding machines for munition factories. We have also produced large quantities of shell and bomb cases and a variety of shell bands, fuses and primers.

We shall continue to devote our maximum energies to work essential to the successful prosecution of the war, but with the prospect of an early victory, particularly in Europe, we are giving an increasing amount of thought to the post-war era. Plans cannot be finalised until uncertainty is removed, in particular as to the degree of controls in the future.

THE CUNARD STEAM SHIP COMPANY, LIMITED

SHIPBUILDING POSITION IMPROVED

SIR PERCY E. BATES'S REVIEW

The eighth ordinary general meeting of the Cunard Steam Ship Company, Limited, will be held at Cunard Building, Liverpool, on the 25th instant.

Sir Percy E. Bates, Bart., G.B.E. has issued the following statement, which has been forwarded to stockholders along with the report and accounts:—

In the profit and loss account, receipts for the year show little change, the small improvement being due to the clearing-up of some outstanding matters of earlier date. It is on the expenditure side where the main points of difference occur. While the taxation position is still obscure, it has not been thought necessary to make further special provision for taxation. This item absorbed £100,000 in 1943.

PENSION FUND

The other principal point arises out of the pension fund. The directors for some time past have had under consideration the position of the superannuation fund which was established in 1901, with a view to the possibility of restoring to some extent the reduction in pension benefits which began to operate in 1932.

At that time, which was prior to the merger of Cunard and White Star Atlantic interests, the company was forced to discontinue the supplementary annual payments that had been made to the fund since 1919 consequent upon the deficiency which had been disclosed in the Actuary's report. The effect of this was substantially to reduce the benefits to future annuitants. It also became necessary for the members to increase their annual contributions to the fund. The board felt that, in association with the board of the Cunard White Star, the time had arrived to bring about a partial reinstatement of the pension benefits. This has been done at a cost of £235,000. Of this sum £135,000 has been provided by the Cunard Company in the transfer to the superannuation fund of the actuarial surplus remaining in the widows' and children's benefit fund which was closed to new business in June, 1935. The remaining £100,000 has been provided in cash jointly by the Cunard Company and Cunard White Star in the correct actuarial proportion of £35,460 and £64,540 respectively.

PROFIT AND LOSS ACCOUNT

The profit and loss account has been charged with the £35,460 paid to the pension fund, but has been relieved of the necessity to repeat last year's special taxation provision of £100,000 and these are the main reasons for the improved balance of profit at £383,881 as compared with £312,127 for 1943.

BALANCE SHEET ITEMS

In the balance sheet on the credit side, the valuation of shares in subsidiary companies remains unchanged at £13,925,225. I repeat I think it is a safe figure. Our own ships and properties have borne their usual depreciation. The increase in "Loan and Balances due from Subsidiary Companies" reflects current business. Shares in other companies remain at £114,346, though the return at 3.45 per cent. is temporarily somewhat lower. Debtors, etc., are slightly higher, owing to the increase in our shipping business.

On the debit side the figures are unchanged down to the item "Deposits with the Company." The deposit by the Superannuation Fund has again been reduced by £50,000. Widows' and Children's Fund figure shows the effect of the transfer of the actuarial surplus (£135,000) to the trustees of the Superannuation Fund. Employees'

Savings Fund has been reduced by withdrawals and the total of the deposits of these various funds has been brought down from £434,520 to £240,047.

Creditors, etc., are decidedly higher at £896,368, partly because shipping operations have increased during the year and partly because at the date of the accounts the figure temporarily included the £135,000 being transferred from the Widows' and Children's Fund to the Superannuation Fund. This sum has since been paid by the company to the Superannuation Fund's trustees in cash.

Loans due to subsidiary companies remain unchanged; the lenders are 100 per cent. subsidiaries.

THE DIVIDEND

The final dividend we propose will absorb £139,256 10s. 6d., and if this is approved by the general meeting the carry-forward will be £305,829 14s. 3d., comparing with £198,332 13s. 6d. last year.

The company is now in a position to make a start at repaying indebtedness to His Majesty's Government, and the board has given formal notice to repay £100,000 of the Second Mortgage Debenture Stock on May 5, 1945.

QUESTION OF COMBINED BALANCE SHEET

I ought to mention that during the year further thought was given by the board to the question of producing a combined balance sheet for the group. By way of experiment, for some months we "combined" some of our domestic board financial returns, but after a few months we returned to our older practice. We came to the conclusion that the "combined" figures in our domestic returns were either misleading or at best meaningless. We shall continue to consider the subject, but my present opinion is that to "combine" figures of a 62 per cent. subsidiary with those of 100 per cent. subsidiaries will produce in a balance sheet a result quite as meaningless as it did in the board's domestic returns.

SHIPBUILDING POSITION

Since last year the shipbuilding position has changed greatly for the better and there are prospects that our companies will have more freedom to build their own types of ships. Estimated prices, however, are high and it has not been easy to secure firm prices even within wide limits of variation. I hope these difficulties may be overcome, or met in one way or another, as if they are not the shipbuilding programme of our group is bound to be limited by their existence.

As regards the air, our associates the Cunard White Star have been in touch with the Minister of Civil Aviation and also with the chairman of the B.O.A.C. I hope that the result may be satisfactory to the B.O.A.C. and to themselves. The situation is too fluid to warrant further comment at present. Perhaps I might add that on the North Atlantic the air should be directly complementary rather than competitive with the sea, and I think it will create its own travel numbers.

NO RELAXATION UNTIL JAPAN IS FINISHED

At the time of writing, the European half of our war seems to be drawing to a close, but we are already engaged heavily in the Asiatic half. That we shall switch all our effort to this other half is of course certain, for any other policy would mean that we would be doing less than we ought to be doing. That a cessation of hostilities in

Europe will mark the end of a phase is certain, but the next phase, though different, will still require all our energy and in more practical terms will, I think, still require the continuance of the present system of controls, Government trading and Government traffic. I look for no relaxation of the present system until after we have finished with Japan. To talk of our prospects in the post-war future is still very premature. One thing is quite certain; far too many rosy expectations have been allowed to grow. There is no pleasant loafing Saturday afternoon waiting just round the corner. On the contrary, we shall have to think hard and work hard just at a time when everybody's feelings will cry out for rest and relief. It is not, however, a future to shrink from, but one to accept as a challenge, and I look forward with confidence to the day when we and our associates can again go all out to book passengers and cargo ourselves.

As regards our company and its associates, all I need say is that I believe they are in good shape and in good heart. That this is possible is due to the untiring efforts of our sea and shore staffs, which have endured yet another year of war, loyally and whole-heartedly doing their duty.

SAN FRANCISCO MINES OF MEXICO, LIMITED

The thirty-second ordinary general meeting of this company was held, on the 5th instant in London, Mr. Cyrus T. Pott, the chairman, presiding.

The following is an extract from the chairman's statement which was circulated with the report and accounts, and was taken as read:—

In my statement last year I included a note of warning regarding the wide and rapid fluctuations in profitability of our business; the year 1943-44 now under review is an example. Compared with last year, our operating profit has been reduced from £734,000 to £314,000, or by over 55 per cent., and our net profit from £237,000 to £86,000, or by nearly 65 per cent. This reduction was mainly due to three causes—suspension of operations during most of June and July as a result of a strike of workmen, extensive flooding in September, and an unfavourable change in Mexican income-tax legislation.

ORE RESERVES

Had it not been for these three adverse factors we should have been able to place before you another satisfactory year. Our underground development continues to be encouraging and our ore reserves at September 30th, calculated on a new but more conservative basis, again exceeding 3,000,000 tons. Our mining and metallurgical results have further improved, while our costs, in spite of rising supply prices and higher wages, would have compared favourably with the previous year but for the strike and the flood.

Taking all trends and factors into consideration, I am inclined to think that prospects for the post-war marketing of our production are favourable. We certainly need some encouragement to set off the many onerous conditions with which operators have to contend in Mexico, where taxation is as great as anywhere else in the world. We now have some £2,000,000 tied up in unliquidated concentrates, which is substantially in excess of normal, and we are faced with the possibility that further funds may be required to carry over our unliquidated production until the railroad difficulties are overcome. Since the end of the year, large amounts have been paid for taxes. It is accordingly essential that we should conserve our remaining cash resources.

It is for this reason that the directors recommend that the dividend for the year should be limited to 6d. per unit, involving a distribution of £25,710, after allowing for British income-tax. Out of the remaining profits the directors have placed the sum of £50,000 to reserve for exploration and development.

The report and accounts were unanimously adopted.

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

INCREASED PROFIT—STRONG POSITION

The forty-fifth annual general meeting of this company was held, on the 5th instant, in London, Lt.-Col. Sir John R. Chancellor, G.C.M.G., G.C.V.O., D.S.O., presiding.

The chairman, in the course of his speech, said: The proprietors will have noted with satisfaction the strength of the balance sheet, and particularly of the consolidated balance sheet.

The profit for the year was £703,400, that is after making full provision at current rates for all taxation payable in respect of the profits earned up to the 31st December, 1944. This compares with £695,266 for the previous year, an increase of £8,134. After charging £235,857, against £235,295, for depreciation of plant, etc., the net profit was £467,543, an increase of £7,248.

To the net profit of £467,543 has to be added £301,309, being the balance brought forward from the previous year, making a total amount to be dealt with of £768,852.

In regard to the provision for depreciation, as the proprietors will be aware, the accounts before you relate mainly to the Metropolitan-Vickers Electrical Company, and the provision of £235,857 for depreciation is in respect of that company. Depreciation provided by all the companies in the associated group (including the British Thomson-Houston Company's liberal provision) total £552,058.

Your directors felt that the special reserve account should be increased by a further appropriation from profits of £150,000, making this reserve account £650,000.

After providing for dividends on Preference stock £52,306, there remains £566,546. Your directors recommend a dividend on the Ordinary stock of 10 per cent. per annum, less tax, leaving a balance to be carried forward of £320,454, as compared with £301,309 brought in from the previous year.

RECORD OUTPUT

The output from the various factories of the group was greater than in any previous year, while the orders now in hand also constitute a record.

Practically the whole of our manufacturing facilities have been employed on Government work, either for various forms of war equipment by direct contracts or for electrical apparatus ordered under priorities sanctioned by the Government.

There are now over 65,000 persons employed by the A.E.I. group of companies, of whom approximately 42 per cent. are women.

We anticipate that for some time to come there will be no lack of orders and that we shall be fully employed on our normal products after the war comes to an end.

EQUIPMENT FOR THE FIGHTING SERVICES

So far back as 1936 the Metropolitan-Vickers Company began to assist the

Government in the development and manufacture of various forms of equipment for the fighting Services. Since then the scope and volume of that work has steadily grown. Full accounts of our contributions to the defence and war programme and of the achievements in this direction cannot yet be given, but it is now permissible to indicate the wide range that this work has covered.

The most notable of that company's contributions have been in connection with the development and manufacture of Radar equipment, automatic pilots, gun mountings and controls and aircraft. Some idea of the magnitude of this work can be gauged by the fact that during the period indicated it has been found necessary to increase our manufacturing floor space by more than 50 per cent.

The report and accounts were unanimously adopted.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

"GEORGE" AND OTHER AIRCRAFT EQUIPMENT

The 25th ordinary general meeting of the Automatic Telephone and Electric Company, Limited, will be held at Liverpool on the 19th instant.

The following is an extract from the statement of the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report:—The profit on trading is £279,206, compared with £255,437, and net profit is £226,678, compared with £212,312. The directors recommend a final dividend of 7 per cent. on the ordinary stock, making 10 per cent. for the year, plus a cash bonus of 2½ per cent., and a dividend of 10 per cent. on the deferred stock and shares plus a bonus of 2½ per cent., all subject to tax.

You will have noticed during February the release of details regarding the Distant Reading Compass which, by combining the advantages of the gyroscope with those of the magnetic compass needle, has provided a degree of reliability and adaptability under operational conditions which has proved a tremendous factor in the success of bombing. This amazing aid to air navigation was designed for mass production by your company. Among other items are the Automatic Pilot known affectionately as "George," aircraft radio, Piezo Crystals, aircraft wiring and many other forms of electrical equipment.

Due to E.P.T. the sum available for dividends and reserves has not increased to any great extent. This is symptomatic of British industry and illustrates the heavy financial burdens which have to be carried. I, with chairmen of other companies, have been expressing the urgency of a re-examination of our taxation structure if British industry is not to find itself at a financial disadvantage vis-à-vis its overseas competitors. Investors in industrial concerns, in addition to being themselves more heavily taxed, have not generally speaking drawn increased dividends commensurate with the rate by which wages have increased.

JAMES W. COOK AND COMPANY, LIMITED

Presiding, on the 5th instant, at the annual meeting of this Company, held in London, Mr W. J. Clarke, chairman and managing director, said he was glad to be able to present accounts showing another year of profitable trading. Their chief road haulage concerns were taken over under the Ministry of War Transport scheme for haulage, and the profit figure had not yet been finally settled. Subject to the limitations imposed by an acute shortage of labour, they had been very busy right through the year at their wharves in London with a constant flow of traffic inwards.

They had been busy also with their lighters on the Thames and Humber throughout the year, and while they were glad to know that some of their craft were converted for use on "D" day, yet they would be very glad to have the use of them back again under their own control.

The road transport industry had served and was serving the community more and more so splendidly that he could not understand the genuineness of the attacks appearing in the Press from time to time against it. It would be a sorry day for the country if unjust legislation ever treated the industry unfairly.

The report was unanimously adopted, and a final dividend of 7½ per cent., making 10 per cent. for the year, together with a bonus of 2½ per cent., was declared.

JOHN BARKER AND COMPANY, LIMITED

DEARTH OF SUPPLIES

The fifty-second ordinary general meeting of this company was held on the 11th instant at Kensington.

Mr Trevor A. Bowen, D.L.N.P. (chairman and joint managing director), said that trading conditions throughout the year under review had continued to be very trying, especially in regard to the acute shortage of staff. The imposition of fixed and ceiling prices had seriously affected the rate and the amount of gross profit and, but for the firm rein upon overheads and expenses in general, the net profit might have been considerably less.

With regard to the immediate future, it became increasingly evident that the main problem must centre largely not around the question of selling goods, but on the grave difficulty of replacing diminishing supplies. The authorities should expedite the release of raw materials and essential labour if the interests of the home market were to be met, and the hoped for recovery of export trade set going.

The final result of the year's trading was a profit, before charging taxation, of £589,835 as against £550,626, an increase of £39,209. The directors recommend a dividend of 10 per cent. on the ordinary shares, less tax.

The report was adopted.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 On-L. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
April 5.....	6,778	5,113	116.5	137.5	3.01	3.67
" 6.....	6,959	(a)	116.6	137.4	3.00	3.66
" 9.....	9,158	(b)	116.8	137.4	3.00	3.66
" 10.....	7,134	5,846	116.6	137.5	3.01	3.67
" 11.....	6,797	4,796	116.5	137.5	3.00	3.67

* July 1, 1935 100. † 1928 100. 30 Ordinary shares, 1945: highest, 116.8 (April 9); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.4 (April 9); lowest, 136.3 (Jan. 2). (a) Good Friday. (b) Easter Monday.

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS (1926=100)

1945	Average	Transactions	1945	Average	Transactions
Mar. 29.....	132.7	650,000	April 2.....	134.2	650,000
" 30.....	(a)	(a)	" 3.....	134.4	730,000
" 31.....	133.0	520,000*	" 4.....	134.1	520,000

1945: High, 140.4 (Mar. 7). Low, 129.2 (June 23)*. 2-hour Session. (a) Good Friday.

(WEEKLY INDICES) (1935-39=100)

1945	Low	High	Mar. 21, 1945	Mar. 28, 1945	April 4, 1945
354 Industrials.....	108.6	118.0	112.0	111.1	112.8
20 Rails.....	116.1	127.8 (a)	122.9	120.1	122.7
28 Utilities.....	93.2	97.8	95.6	94.6	95.9
402 Stocks.....	106.7	115.4	110.1	109.1	110.8
Av. yield %†.....	4.63	4.15	4.51	4.53	4.47

(a) Feb. 21. † 50 Industrial Com. Stocks.

Capital Issues

Week ending April 14, 1945	Nominal Capital	Con- versions	New Money
To Shareholders.....	1,000,000	...	1,000,000
By Permission to Deal.....	62,500	...	250,000
Particulars of Government issues appear on page 496.			
Year (to date)		Including Conversions	Excluding Conversions
1945.....	454,461,541		366,781,775
1944.....	408,340,094		397,647,438

Destination* Nature of Borrowing*

Year† (to date)	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1945.....	366,622,348	34,177	125,250	364,708,077	1,186,250	887,448
1944.....	397,316,717	330,721	Nil	394,519,478	1,701,749	1,426,211

* Conversions excluded. † Includes Government issues to April 4, 1945, only.

Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—After raising the market bid a penny in the previous week, discount houses reverted to £99 14s. 11d. in tendering for this week's £110 million of Treasury Bills. A higher rate of discount was secured only at the cost of seeing the market quota drop from 30 per cent. to 20 per cent., a result partly attributable to the rise of £10 million in total applications. The banks' obligations for TDR's were also down on the week with the new issue of £120 million involving about £35 million of "fresh" money. This proved rather more difficult to find than had been anticipated and, at the beginning of the week, credit was anything but easy. The Discount Market managed to scrape through, however, without any assistance from the Special Buyer, and by Wednesday, Bankers' Deposits as shown in the Bank Return, had recovered to within £3½ million of the level of the Wednesday before.

A rather larger demand for bills by the banks was encountered this week. A fair business in May maturities was reported and some early Junes also changed hands. The Bank Return also shows that the peak of note requirements for Easter has now been passed. There was a net return of £1.6 million of notes last week. This, however, is little more than half the amount returned in the week following Easter last year and, unless the withdrawal of the notes of the larger denominations at the end

of the month exerts a strong downward pressure, a further increase in the fiduciary issue cannot be long delayed.

MONEY RATES, LONDON.—The following rates remained unchanged between April 5th and April 12th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call 1½%: at notice, 2%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between April 5th and April 12th. (Figures in brackets are par of exchange).

United States. \$ (4/8½) 4/02½-03½; mail transfers 4/02½-03½. Canada. \$ (4/8½) 4/43-47; mail transfers 4/43-47½. Switzerland. Francs (25/22½) 17/30-40. French Empire. Francs 1939-200½. Syria. p. 8/81-85. Sweden. Krona (18/159) T.T. 16/85-95. Dutch West Indies. Florin (12/11) 7/58-62. Portugal. Escudos (110) 99/80-100/20; mail transfers 99/80-100/30. Panama. P. 4/02-04; mail transfers 4/02-04½. Brazil. 83/8456½ (buying). Uruguay. 7/6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44/00. Turkey. Piastres 520. Italy. 71/25 lire.

Marked Rates.—The following rates remained unchanged between April 5th and April 12th.

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½ d. Belgian Congo. Francs 176½-1. China. National \$3-3½. Iran. Rl. 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Apr. 4	Apr. 5	Apr. 6	Apr. 7	Apr. 9	Apr. 10	Apr. 11
Cables:—							
London.....	402½	402½	402½	402½	402½	402½	402½
Montreal.....	90/125	90/125	90/125	90/125	90/125	90/125	90/125
Zurich.....	23/40	23/40	23/40	23/40	23/40	23/40	23/40
Buenos Aires.....	24/85*	24/85*	24/85*	24/85*	24/85*	24/85*	24/85*
Rio de Janeiro.....	5/25	5/25	5/25	5/25	5/25	5/25	5/25
Lisbon.....	4/08	4/07	4/07	4/07	4/07	4/08	4/08
Barcelona.....	9/25	9/25	9/25	9/25	9/25	9/25	9/25
Stockholm.....	23/86	23/86	23/86	23/86	23/86	23/86	23/86

CLEARING BANK COMPARATIVE FIGURES (£ million)

	Mar. 1944	Nov. 1944	Dec. 1944	Jan. 1945	Feb. 1945	Mar. 1945
Capital and reserves.....	142.5	142.5	143.9	143.9	143.9	143.9
Acceptances, etc.....	97.8	101.2	105.0	102.6	104.6	100.4
Notes in circulation.....	1.4	1.3	1.4	1.3	1.3	1.3
Current, deposit and other accounts.....	3,988.2	4,397.8	4,544.9	4,462.2	4,404.9	4,459.4
Total liabilities.....	4,229.9	4,642.8	4,795.2	4,710.0	4,654.7	4,705.0
Cash.....	423.4	460.4	499.9	459.7	454.8	463.8
Cheques, balances, and items in transit.....	135.6	135.6	194.8	144.3	144.6	141.7
Money at call.....	154.8	205.0	198.6	197.7	187.7	180.1
Discounts.....	113.1	197.9	146.7	159.4	139.6	148.8
Treasury deposit receipts.....	1,331.0	1,547.5	1,666.5	1,662.5	1,638.5	1,681.0
Investments.....	1,136.2	1,192.0	1,164.6	1,165.3	1,159.9	1,153.0
Loans and Advances.....	772.2	737.6	753.5	752.9	759.4	770.7
Investments in affiliated banks.....	24.1	24.1	146.4	24.2	24.2	24.2
Cover for acceptances, premises, etc.....	139.5	142.7	24.2	144.0	146.0	141.7
Total assets.....	4,229.9	4,642.8	4,795.2	4,710.0	4,654.7	4,705.0

INDUSTRY AND TRADE

RETAIL FOOD PRICES

	Average price per lb. at			Per Cent. Increase since Sept. 1, 1939
	Sept. 1, 1939	Feb. 1, 1945	Mar. 1, 1945	
Beef, British—				
Ribs.....	s. d. 1 2½	s. d. 1 3½	s. d. 1 3½	11
Thin Flank.....	0 7½	0 9½	0 9½	27
Beef, chilled or frozen—				
Ribs.....	0 9½	1 1	1 1	85
Thin Flank.....	0 4½	0 6	0 6	23
Mutton, British—				
Legs.....	1 3½	1 5½	1 5½	18
Breast.....	0 7½	0 8	0 8	5
Mutton, frozen—				
Legs.....	0 10½	1 0	1 0	16
Breast.....	0 4	0 4	0 4	50
Bacon.....	1 3	1 10½	1 10½	80
Fish.....	0 11½	1 2½	1 3	37
Flour (per 6 lb.).....	2 8	0 9	0 9	20
Bread (per 4 lb.).....	2 4	2 10	2 10	52
Tea.....	0 3	0 4	0 4	33
Sugar (gran.).....	0 6½	0 9	0 9	32
Milk (per qt.).....	1 4½	1 8	1 8	21
Butter {fresh.....	1 3½	1 8	1 8	31
{salt.....	0 10	1 1	1 1	30
Cheese.....	0 6½	0 9	0 9	18
Margarine, special.....	0 6½	0 5	0 5	12
" standard.....	0 1½	0 2	0 2	1
Eggs, fresh (each).....	0 2	0 1½	0 1½	7
Potatoes (per 7 lbs.).....	0 6½	0 7	0 7	7
Index all foods weighted (July, 1914=100).....	138	168	168	22

Source: Ministry of Labour Gazette.

(Continued on page 498)

ROYAL BANK OF CANADA

DIVIDEND NO. 231

Notice is hereby given that a DIVIDEND of 1½ per cent., being at the rate of 6 per cent. per annum, upon the paid-up Capital Stock of the Bank has been declared for the three months ending 31st May, 1945, and will be PAYABLE at the Bank and its branches on and after 1st June, 1945, to shareholders of record 30th April, 1945.

By Order of the Board,

E. B. MCINERNEY, London Manager.
6 Lothbury, London, E.C. 2. 12th April, 1945.

MARKET-RESEARCH. Economist, early thirties, with experience in market-research and knowledge of continental languages (including German and some French) seeks appointment.—Box 64, The Economist, Brettenham House, Lancaster Place, London, W.C. 2.

EXPORT MARKETS. British Belting and Asbestos, Ltd., established 1822, manufacturers of asbestos textiles packing and jointing, friction fabrics for automotive and industrial applications, and machinery belting, with extensive and long-established connections throughout the world, invite applications from British manufacturers of allied but non-competitive products with a view to co-operation in the sale of their goods abroad. This invitation should be of particular interest to firms who wish to enter the Export market for the first time or to improve their existing selling organisation overseas. All replies will be treated confidentially. Replies to: Export Manager, British Belting and Asbestos, Ltd., Scandinavia Mills, Cleckheaton, Yorkshire.

EXPORT. British business man, accomplished linguist, with extensive experience introduction Engineering, Technical and Non-Technical products in 60 personally travelled markets and first-class credentials, offers consulting or executive service to concern or group requiring practical aid in developing Export arrangements and connections.—Write Box 63, The Economist, Brettenham House, Lancaster Place, London, W.C. 2.

GOVERNMENT RETURNS

For the week ended April 7, 1945, total ordinary revenue was £39,178,000, against ordinary expenditure of £98,164,000 and issues to sinking funds of £76,993. Thus, including sinking fund allocations £76,993, the deficit accrued since April 1st is £59,063,000 against £60,665,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to Mar. 31, 1944	April 1 to Mar. 31, 1945	April 1 to April 7, 1945	April 1 to April 7, 1945
ORDINARY REVENUE				
Income Tax	118,583	131,689	19,481	16,333
Sur-tax	76,042	73,535	1,450	1,600
Estate, etc.	99,466	110,888	2,955	2,889
Duties	17,740	17,010	150	150
Stamps	33,446	33,304	470	800
N.D.C.	466,668	477,134	11,198	7,182
R.P.T.	968	779	...	...
Other Inland Rev.	18,779	20,294	35,704	28,804
Total Inland Rev.	560,832	579,352	10,684	6,603
Customs	482,200	496,900	4,100	3,200
Excise	104,302	107,625	14,784	9,803
Motor Duties	27,294	28,965	441	499
Post Office (Net Receipts)	368	...	...	...
Wireless Licenses	4,750	4,820	...	...
Crown Lands	1,060	980	...	...
Receipts from Sundry Loans	6,455	7,520	...	...
Miscell. Receipts	77,676	90,037	579	72
Total Ord. Rev.	303,854	323,063	51,508	39,178
SELF-BALANCING P.O. & Broadcast	110,632	116,600	1,700	1,600
Total	314,918	335,463	53,208	40,778

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to Mar. 31, 1944	April 1 to Mar. 31, 1945	April 1 to April 7, 1945	April 1 to April 7, 1945
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	384,734	414,936	20,568	19,582
Payments to N. Ireland	8,988	10,010	...	...
Other Cons. Fund Services	7,176	7,278	33	33
Total	390,898	432,223	20,600	19,614
Supply Services	540,753	562,518	91,500	78,550
Total	578,421	605,741	112,100	98,164
SELF-BALANCING P.O. & Broadcast	110,632	116,600	1,700	1,600
Total	589,053	617,441	113,800	99,764

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £710,018 to £3,210,865, the other operations for the week (no longer shown separately) increased the gross National Debt by £61,093,727 to £22,477 million.

NET ISSUES (£ thousands)	
P.O. and Telegraph	150
Other Govt. 1934	1,160
Guarantee Trade Guarantees	10
	1,320

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1944						
April 7	1170-0		Not available			
1945						
Jan. 6	1470-0		Not available			
" 13	1470-0		Not available			
" 20	1460-0		Not available			
" 27	1450-0	2341-8	489-3	1799-5	6080-6	
Feb. 3	1440-0		Not available			
" 10	1430-0		Not available			
" 17	1430-0		Not available			
" 24	1430-0	2309-2	542-4	1801-0	6082-6	
Mar. 3	1430-0		Not available			
" 10	1430-0		Not available			
" 17	1430-0		Not available			
" 24	1430-0		Not available			
" 31	3680-7		575-7	1859-0	6116-1	
April 7	1430-0		Not available			

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate of Allotment	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
April 6	90-0	211-8	90-0	20 2-74	27
1945					
Jan. 5	110-0	224-2	110-0	20 1-81	36
" 12	110-0	211-1	110-0	20 1-50	37
" 19	110-0	216-1	110-0	20 1-19	32
" 26	110-0	207-8	110-0	20 0-31	39
Feb. 2	110-0	225-0	110-0	20 0-26	29
" 9	110-0	218-0	110-0	20 0-13	31
" 16	110-0	207-3	110-0	20 0-53	37
" 23	110-0	208-6	110-0	20 0-99	17
Mar. 2	110-0	237-6	110-0	19 11-37	21
" 9	110-0	239-2	110-0	19 11-50	21
" 16	110-0	236-1	110-0	19 11-77	27
" 23	110-0	225-3	110-0	19 11-85	25
" 29	110-0	225-6	110-0	19 10-06	30
April 6	110-0	235-1	110-0	20 1-86	20

On April 6, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of the following week, were accepted as to about 20 per cent. of the amount applied for, and applications as higher prices in full. £110 millions of Treasury Bills are being offered for April 13. For the week ended April 14 the banks will be asked for all Treasury deposits at a maximum amount of £120 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION

(£ thousands)

Week ended	N.S.C.				3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
	1945	1945	1945	1945			
Jan. 30	4,036	1,548	5,587	11,118			
Feb. 6	5,034	1,794	4,178	11,777			
" 13	5,344	1,941	7,052	11,573			
" 20	5,197	1,849	7,655	13,801			
" 27	4,841	1,767	5,857	16,201			
Mar. 6	4,394	1,923	10,312	18,160			
" 13	4,387	1,789	15,134	15,258			
" 20	4,107	1,816	6,142	19,285			
" 28	3,292	1,686	7,537	12,546			
Apr. 3	4,685	1,243	6,351	14,041			
" 10	...	...	7,241	13,370			
Totals to date	1,349,820*	801,386*	1,925,726†	226,291‡			

* 280 weeks. † 223 weeks. ‡ 23 weeks.
Including all Series.
Interest free loans received by the Treasury up to Apr. 10th amounted to a total value of £71,030,647. Up to Mar. 31st principal of Savings Certificates to the amount of £215,870 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

1945	Gold		Silver	
	Fine Tola	100 Fine Tolas	Fine Tola	100 Fine Tolas
Apr. 5	73 0	132 23	73 0	130 8
" 6	73 7	130 8	73 7	131 0
" 7	73 13	131 0	74 12	132 4
" 9	74 12	131 14	74 6	130 10

BANK OF ENGLAND RETURNS

APRIL 11, 1945

ISSUE DEPARTMENT

Notes Issued: £	Govt. Debt...	11,015,100
In Circulation	Other Govt. Securities	123,270,399
In Bank, Department	Other Secs.	702,845
	Silver Coin	11,657
	Amt. of Fid. Issue	1250,000,000
	Gold Coin and Bullion (at 168s. per oz. fine)	241,718
		1250,241,718

BANKING DEPARTMENT

Props' Capital	14,553,000	Govt. Secs.	217,692,764
Res.	3,116,530	Other Secs.	19,983,817
Public Depts.	10,196,160	Discounts & Advances	13,642,064
		Securities	33,625,571
Other Depts.	184,612,680	Notes	11,555,554
Bankers	51,736,528	Gold & Silver Coin	1,341,015
Other Accts.	236,349,214		264,214,904
			264,214,904

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ millions)

	1944		1945	
	April 12	Mar. 28	April 4	April 11
Issue Dept.:				
Notes in circulation	1123-5	1235-8	1240-3	1238-7
Notes in banking department	26-7	14-5	10-0	11-6
Government debt and securities	1149-3	1249-4	1249-3	1249-3
Other securities	0-7	0-6	0-7	0-7
Silver Coin	0-0	0-0	0-0	0-0
Gold, valued at s. per fine oz.	0-2	0-2	0-2	0-2
Deposits:				
Public	6-6	8-9	10-9	10-2
Bankers	168-2	218-9	187-9	184-6
Others	56-8	57-0	56-0	51-7
Total	231-6	284-8	254-8	246-5
Banking Dept. Secs.:				
Government	198-8	245-8	225-6	217-7
Discounts, etc.	8-6	18-6	20-7	13-6
Other	14-8	22-6	14-8	15-3
Total	222-2	287-0	261-1	251-3
Banking depart. res.	27-0	15-9	11-4	12-9
" Proportion "	11-6	5-5	4-4	5-2

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	April 8, 1944	April 7, 1945	April 8, 1944	April 7, 1945
Working days:	5	5	83	83
Birmingham	1,676	1,704	25,459	24,407
Bradford	1,062	1,375	25,625	25,905
Bristol	679	610	9,407	9,675
Hull	597	624	8,687	10,064
Leeds	911	939	17,401	18,302
Liverpool	4,133	5,633	71,165	13,054
Manchester	2,846	3,184	47,348	49,226
Newcastle	1,422	1,384	24,976	24,952
Nottingham	434	535	5,991	7,100
Sheffield	1,278	1,040	15,110	14,743
Southampton	119	143	2,175	2,979
12 Towns	16,005	17,911	265,746	275,927
Dublin*	9,161	8,798	111,246	109,438

* March 31, 1945, and April 1, 1944.

OVERSEAS BANK RETURNS

BANK OF FRANCE
Million Francs

	Mar. 1, 1945	Mar. 8, 1945	Mar. 15, 1945	Mar. 22, 1945
	75,151	75,151	75,151	75,151
ASSETS				
Private discounts and advances	37,219	35,749	34,089	33,076
Advances to State	492,412	492,012	492,108	494,808
Total	429,631	426,761	426,000	426,000
Innocentiation costs	11,900	11,500	11,600	14,300
Treasury advances	54,512	54,512	54,508	54,508
Fixed advances	54,512	54,512	54,508	54,508
LIABILITIES				
Notes in circ.	574,337	571,629	573,932	574,796
Deposit total	34,464	32,529	33,196	34,522
Govt. accs.	748	762	730	743
Other accounts	33,716	31,767	32,466	33,809

RESERVE BANK OF INDIA
Million rupees

	Mar. 31, 1944	Feb. 23, 1945	Mar. 9, 1945	Mar. 16, 1945	Mar. 23, 1945
	1944	1945	1945	1945	1945
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	126	132	166	163	167
Balances abroad	1,662	3,690	3,641	3,835	3,884
Sterling securities	7,798	9,543	9,713	9,753	9,753
Ind. Govt. r.p. sec.	583	578	578	578	578
Investments	87	2,210	1,734	1,454	1,682
LIABILITIES					
Notes in circulation	8,825	10,593	10,781	10,792	10,817
Deposits: Govt.	1,018	2,830	2,516	2,721	2,809
Bankers	499	753	980	956	891
Reserve ratio	92-1%	93-6%	93-4%	93-4%	93-4%

U.S. FEDERAL RESERVE
Million \$'s

12 U.S.F.R. BANKS RESOURCES	April 6, 1944	Mar. 22, 1945	Mar. 29, 1945	April 5, 1945
Gold certifs. on hand and due from Treasury	19,084	17,641	17,618	17,616
Total reserves	19,658	18,547	18,519	18,516
Total cash reserves	295	260	256	255
Total U.S. Govt. secs.	12,532	19,493	19,516	19,580
Total loans and secs.	12,388	19,689	19,737	19,804
Total resources	33,853	40,544	40,320	40,429
LIABILITIES				
F.R. notes in circ.	17,636	22,256	22,263	22,321
Excess mr. bank res.	900	1,100	900	900
Mr. bank res. dep.	12,277	14,579	14,305	14,353
Govt. deposits	426	96	310	335
Total deposits	14,504	16,121	15,992	16,108
Total liabilities	33,853	40,544	40,320	40,429
Reserve ratio	61.2%	48.3%	48.4%	48.2%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,540	20,451	20,419	20,417
Treasury & bank currency ..	4,093	4,120	4,118	4,118
LIABILITIES				
Money in circulation	21,191	25,836	25,834	25,865
Treasury cash and dep.	2,773	2,456	2,666	2,714

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TEXTILES—continued				MISCELLANEOUS			
Mar. 27, 1945		Apr. 10, 1945		Mar. 27, 1945		Apr. 10, 1945		Mar. 27, 1945		Apr. 10, 1945	
GRAIN, etc.				COTTON—continued				CEMENT, best Eng. Portland, d/d site, London area			
Wheat	s. d.	s. d.	s. d.	Cloth, Overall Cloth, 38½ in.	s. d.	s. d.	s. d.	in paper bags or jute sacks 20 to ton—(a)	s. d.	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	58 10½	58 10½	58 10½	52 x 50, 22's & 16's	65 6	65 6	65 6	6-ton loads and upwards per ton	51 0	57 0	57 0
Eng. Gaz. av. per cwt. (e)	14 10	14 11	14 11	Drill, 30 in., 80 x 46, 12's & 10's	94 3	94 3	94 3	CHEMICALS—			
Flour per 280 lb.				FLAX (per ton)—				Acid, Oxalic, net	60/0/0	60/0/0	60/0/0
Straights d/d London	40 0	40 0	40 0	Livonian ZK	£ s.	Nom.	Nom.		65/0/0	65/0/0	65/0/0
Barley Eng. Gaz., av. per cwt. (e)	24 8	24 3	24 3	Pernau HD	Nom.	Nom.	Nom.				
Oats (e)	18 1	17 1	17 1	HEMP (per ton)— Manila, spot							
Maize, Argentine, per ton	10/0/0	10/0/0	10/0/0	" J2 "	Nom.	Nom.	Nom.				
MEAT—Beef, per 8 lb.—				JUTE (per ton)—							
English long sides	5 4	5 4	5 4	Daisee 2/3 c. and f. Dundee	39/5/0	39/5/0	39/5/0				
Imported hinds	6 0	6 0	6 0	Common 8 lb. cops. (per spindle)	5 5	5 5	5 5				
Mutton, per 8 lb.—English	5 2	5 2	5 2	10/40 Hessians, per yd.	0 7-75	0 7-75	0 7-75				
Imported	5 2	5 2	5 2	8/40 Hessians, per yd.	0 5-96	0 5-96	0 5-96				
Pork, English, per 8 lb.	8 0	8 0	8 0	10/40 Calcutta Hessians, spot,							
BACON—(per cwt.)— Wilts, cut side	142 0	142 0	142 0	Dundee, 100 yds.	58 0	58 0	58 0				
HAMS—(per cwt.)— Green	147 0	147 0	147 0	7½/40 "	44 9	44 9	44 9				
OTHER FOODS				MINERALS				PETROLEUM PRODUCTS (per gal.)—			
BUTTER (per cwt.)— All Grades,				COAL (per ton)—				Motor Spirit, England & Wales	1 10	1 10	1 10
First hand	151 4	151 4	151 4	Welsh, best Admiralty	43 4	43 4	43 4	(b) Kerosene, Burning Oil	1 0½	1 0½	1 0½
CHEESE (per cwt.)—				Durham, best gas, f.o.b. Tyne	38 11	38 11	38 11	" Vapourising Oil	1 1	1 1	1 1
Home Produced	99 2	99 2	99 2	IRON AND STEEL (per ton)—				(b) Automotive gas oil, in bulk,	1 7½	1 7½	1 7½
Imported	99 2	99 2	99 2	Pig, Cleveland No. 3, d/d	128 0	143 0	143 0	ex road tank wagons			
EGGS (per 120)— English	14 9	14 9	14 9	Bars, Middlesbrough	360 0	360 0	360 0	in bulk, England and			
LARD (per cwt.)— Imported	64 0	64 0	64 0	Steel, rails, heavy	290 6	290 6	290 6	Wales—			
POTATOES (per cwt.)—				Tinplates (house i.c. 14 x 20)	29 9	29 9	29 9	Furnace	0 10½	0 10½	0 10½
English	5 0	5 0	5 0	NON-FERROUS METALS (per ton)—				Diesel	0 11½	0 11½	0 11½
SUGAR (per cwt.)—				Copper (c)—Electrolytic	62/0/0	62/0/0	62/0/0	ROBIN (per ton)— American	42/0/0	42/0/0	42/0/0
Centrifugals, 96° prpt. shpm.				Tin—Standard cash	300/0/0(f)	300/0/0(f)	300/0/0(f)		45/0/0	45/0/0	45/0/0
c.i.f. U.K./Cont.				Lead (d)—Soft, foreign, cash	25/0/0	25/0/0	25/0/0	RUBBER (per lb.)—			
REFINED LONDON—				Spelter (d)—G.O.B., spot	25/15/0	25/15/0	25/15/0	St. ribbed smoked sheet	1 6		
Granulated, 2 cwt. bags	49 10	49 10	49 10	Aluminium, ingots and bars	85/0/0	85/0/0	85/0/0	SHELLAO (per ton)— TN Orange	205/0/0	205/0/0	205/0/0
Granulated, 2 cwt. bags, domestic consumption	30 11	30 11	30 11	Nickel, home delivery	190/0/0	190/0/0	190/0/0	TALLOW (per ton)— London Town	43/10/0	43/10/0	43/10/0
West India Crystallised	47 6	47 6	47 6	Antimony, English, 99%	105/0/0	105/0/0	105/0/0	VEGETABLE OILS (per ton net)—			
TOMATOES (per lb.)—				Wolfram, Empire	2/15/0	2/15/0	2/15/0	Linseed, raw	62/0/0	62/0/0	62/0/0
Indian stemmed and unstemmed	1 0	1 0	1 0	Platinum, refined	5/0/0	5/0/0	5/0/0	Rape, crude	85/0/0	85/0/0	85/0/0
Rhodesian, stemmed and unstemmed	1 8	1 8	1 8	Quicksilver	68/10/0	68/10/0	68/10/0	Cotton-seed, crude	52/2/6	52/2/6	52/2/6
Stemmed	3 6	3 6	3 6	GOLD (per fine ounce)	63/15/0	63/15/0	63/15/0	Coconut, crude	49/0/0	49/0/0	49/0/0
TEXTILES				SILVER (per fine ounce)—				Palm	42/5/0	42/5/0	42/5/0
COTTON (per lb.)—				Cash	2 1½	2 1½	2 1½	Oil Cakes, Linseed, Indian, ex-mill	11/2/6	11/2/6	11/2/6
Raw, Mid-American	12-75	12-75	12-75					Oil Seeds, Linseed—			
Giza, F.G.F.	15-05	15-05	15-05					Bombay	32/5/0	32/5/0	32/5/0
Yarns, 36's Ring Beams	24-08	24-08	24-08					Calcutta	30/15/0	30/15/0	30/15/0
42's Cop Weft	23-06	23-06	23-06								
60's Twist (Egyptian)	33-00	33-00	33-00								
Cloth, per 100 yards—											
31 in. Printer, 64 x 64	43 3	43 3	43 3								
36's & 42's	43 3	43 3	43 3								
Cambric Shirting, 32½ in.	58 5	58 5	58 5								
72 x 60, 24's & 24's	58 5	58 5	58 5								
* Nominal.											
(a) & 7s. per ton net paper bags, jute sacks charged 1s. 9d., credited 1s. 6d. on return.											
(b) Higher Pool prices in some towns.											
(c) Including import duty and delivery charges.											
(d) Price at which Ministry of Supply supplies consumers delivered works.											

AMERICAN WHOLESALE PRICES

CEREALS (per bushel)—				MISCELLANEOUS (per lb.)—				MISCELLANEOUS (per lb.)—cont.			
Mar. 27, 1945		Apr. 10, 1945		Mar. 27, 1945		Apr. 10, 1945		Mar. 27, 1945		Apr. 10, 1945	
Wheat, Chicago, May	168½	173½	173½	Cocoa, N.Y., Accra	8-81	8-81	8-81	Rubber, N.Y., smk. sheet	↑	↑	↑
Winnipeg				Coffee, N.Y., cash—				Sugar, N.Y., Cuban Cents, 96	3-74½	3-74½	3-74½
Maize, Chicago	110½	113½	113½	Rio, N. Y.	9½	9½	9½	deg. spot	↑	↑	↑
Oats, Chicago, May	65½	65	65	Santos, No. 4	16½	16½	16½	Sugar, N.Y., 96 deg., No. 4, f.o.b.	↑	↑	↑
Barley, Chicago, May	116½-116½	130½-130½	130½-130½	Cotton, N.Y., Am. mid., spot	22-29	22-73	22-73	Cuba	↑	↑	↑
Rye, Chicago, May				" Am. mid., Apr.	21-85	22-29	22-29	Moody's Index of staple com-	285-0	255-9	255-9
Winnipeg				Cotton Oil, N.Y., Dec.	14-10	14-10	14-10	modities, Dec. 31, 1931	100		
METALS (per lb.)				Lard, Chicago	↑	↑	↑				
Copper, Connecticut	12-00	12-00	12-00	Petroleum, Mid-cont. crude, per							
Tin, N.Y., Straits, spot	52-00	52-00	52-00	barrel	117	117	117				
Lead, N.Y., spot	6-50	6-50	6-50								
Spelter, East St. Louis, spot	8-25	8-25	8-25								

↑ Trading suspended

: Nominal.

Trade Disputes.—The number of working days lost in February was 60,000, compared with 104,000 in January, and 273,000 in February, 1944. There were 153 stoppages compared with 178 in January and 250 the year before. The number of workpeople involved was 26,800 in February compared with 32,600 in January and 105,300 in February, 1944.

"The Economist" Sensitive Price Index.—A slight rise in the price of wheat on April 5th raised the index (1935 = 100) from 161.3 to 161.4. The crops index, however, remained unchanged at 140.3, and raw materials at 185.5. There was no other change in the week ended April 10th.

COST OF LIVING INDEX (July, 1914 = 100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	1	12½
Sept., 1939	138	162	208	182	179	155
1940	166	164	295	212	219	187
1941	166	164	380-385	228	230	199
1942	166	164	395-400	240	265	200
1943	166	164	346	244	291	198
Jan. 1944	168	164	340-345	244	291	199
"	168	164	340-346	252	291	200
"	168	164	340-345	251	291	200
Jan. 1945	168	164	345-350	265	291	202
"	168	164	345-350	267	291	202
"	168	164	345-350	266	291	202

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE

	Daily Average Sales Percentage Change			Stocks (at Cost) End of Feb.
	1944	1945		
	Dec.	Jan.	Feb.	
(a) By Commodities				
Non-food Merchandise :-				
Piece-goods.....	+ 18.0	- 1.5	+ 8.5	- 34.5
Women's Wear.....	+ 21.2	+ 4.1	+ 12.9	- 12.2
Men's and Boys' Wear.....	+ 27.1	+ 29.4	+ 21.2	- 28.5
Boots and Shoes.....	+ 8.6	+ 8.0	+ 4.9	- 19.2
Furnishing Departments.....	+ 12.5	+ 0.5	+ 9.8	- 20.7
Hardware.....	+ 2.8	- 10.1	+ 3.0	- 25.4
Fancy Departments.....	+ 8.2	+ 0.7	+ 11.5	- 0.7
Sports and Travel.....	+ 15.7	+ 0.9	+ 11.0	- 10.6
Miscellaneous.....	+ 5.0	+ 7.2	+ 5.0	- 24.1
Total :-				- 14.8
Non-food Merchandise.....	+ 13.8	+ 4.7	+ 10.9	- 12.7
Food and Perishables.....	+ 8.0	+ 3.7	+ 4.0	
Total :-				- 14.8
All Departments.....	+ 9.8	+ 4.1	+ 8.7	
(b) Districts				
Scotland.....	+ 11.5	+ 5.5	+ 6.1	- 19.6
North-East.....	+ 12.0	+ 4.1	+ 7.5	- 15.6
North-West.....	+ 10.5	+ 3.8	+ 6.0	- 19.1
Midland and S. Wales.....	+ 9.4	+ 5.9	+ 6.0	- 19.2
South England.....	+ 9.7	+ 6.8	+ 8.3	- 12.9
Central and West-End London.....	+ 5.8	+ 0.5	+ 9.2	- 24.0
Suburban London.....	+ 4.4	+ 0.6	+ 0.9	- 21.3
Unallocated.....	+ 5.0	+ 3.8	+ 9.7	

Source: Board of Trade Journal.

COMPANY RESULTS (March 21, 1945, to March 31, 1945)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Beck's (Thomas & James)	Jan. 31	14,895	—	11,895	23,942	4,375	7,500	10½	—	+ 20	15,048	12,048	10½
Coal, Iron and Steel													
Anglo-Siam (Sir William) & Co.	Dec. 31	246,613	—	30,549	83,411	15,050	14,835	25	—	+ 664	212,430	31,645	25
Bates (John) & Bessener	Dec. 31	82,260	—	24,117	50,997	7,820	12,398	10	—	+ 3,999	84,734	23,685	10
Bellows Limited	Dec. 31	419,667	175,000	239,190	329,215	51,179	124,737	10	—	+ 63,274	383,659	202,509	10
British Steel Corporation	Dec. 31	719,756	350,000	287,434	463,080	78,011	197,946	10½	—	+ 11,477	726,190	293,868	10½
Briton (Theos.) and Brown (John)	Dec. 31	568,115	175,000	338,101	562,518	42,000	155,000	10½	100,000	+ 41,101	578,853	340,870	10½
British Iron & Steel	Dec. 31	82,858	26,000	19,086	64,995	2,400	12,376	7½	5,000	— 690	88,525	25,393	7½
British Iron & Steel	Dec. 31	62,282	375,000	164,990	261,945	39,053	110,250	6	—	+ 15,687	684,141	155,964	6
British Iron & Steel	Dec. 31	242,881	—	200,443	998,310	6,750	121,299	22½	—	+ 72,394	239,205	192,679	22½
British Iron & Steel	Dec. 31	58,780	40,000	18,182	60,960	8,250	11,562	12½	—	+ 1,630	54,654	14,054	12½
British Iron & Steel	Dec. 31	19,263	—	17,087	24,926	1,089	7,500	20	5,000	— 3,498	18,398	16,137	20
British Iron & Steel	Dec. 31	55,497	10,000	31,436	39,490	—	20,520	6	10,000	— 916	57,560	30,498	6
British Iron & Steel	Dec. 31	1,051,732	—	982,748	1,840,374	312,052	307,888	10	250,000	+ 112,808	1,052,968	984,119	10
British Iron & Steel	Dec. 31	146,001	—	37,512	50,802	5,930	15,600	10	10,000	+ 5,982	46,778	6,171	5
Financial, Land, &c.													
Anglo-French Exploration	Dec. 31	73,894	—	41,700	65,464	—	39,375	5	—	+ 2,325	75,466	41,688	5
Greyhound Racing Association Trust	Dec. 31	248,745	—	185,760	268,183	78,000	89,000	20	25,000	+ 2,760	248,231	189,093	20
Leamings Real Property Co.	Dec. 31	25,071	—	11,210	12,968	9,000	1,875	5	—	+ 335	25,712	11,506	4½
Pataling Royalties	Dec. 31	445	—	40	3,073	—	4,500	40	Dr. 2,500	— 1,960	595	130	40
Stockville Estates	Dec. 31	23,217	—	6,626	20,574	—	5,250	3½	—	+ 1,376	23,570	6,532	3
Hotels, Restaurants, &c.													
Express Dairy Co.	Dec. 31	132,796	—	118,996	223,855	23,092	32,000	8½	60,000	+ 3,904	130,966	118,852	8½
Motor, Aviation, &c.													
Associated Motor Cycles	Aug. 31	128,388	—	15,533	29,536	—	13,190	12½	—	+ 2,343	128,441	14,723	12½
Fairey Aviation Co.	Sept. 30	453,078	26,453	185,930	244,191	—	82,220	8½	100,000	+ 3,670	435,826	201,034	8½
Rubber													
Batu Kawan Rubber	Sept. 30	205	—	Dr. 334	Dr. 9,615	—	—	—	—	— 534	78	Dr. 681	Nil
Cok Kawi Rubber	Dec. 31	50	—	Dr. 443	4,440	—	—	—	—	— 443	355	Dr. 591	Nil
Langpang (Java) Rubber	Dec. 31	440	—	Dr. 373	Dr. 48	—	—	—	—	— 373	422	Dr. 380	Nil
Pangong Rubber Estates	Dec. 31	934	—	Dr. 1,660	2,065	—	—	—	—	— 1,660	470	Dr. 3,069	Nil
Pangong Central Plantations	Aug. 31	126	—	Dr. 508	Dr. 1,046	—	—	—	—	— 508	67	Dr. 602	Nil
Pangong Krut Rubber	Dec. 31	555	—	Dr. 152	10,409	—	—	—	—	— 152	571	Dr. 14	Nil
Pangong (P.M.S.) Rubber	Oct. 31	87	—	Dr. 949	Dr. 3,245	—	—	—	—	— 949	130	Dr. 1,100	Nil
Pangong Rubber Estates	July 31	465	—	Dr. 930	4,064	—	—	—	—	— 930	423	Dr. 1,000	Nil
United Senggang (Sumatra) Rubber	Aug. 31	17,280	—	Dr. 1,468	19,438	—	—	—	—	— 1,468	14,801	Dr. 14,790	Nil
Shops and Stores													
Harper (John) & Co.	Jan. 31	1,537,752	22,125	179,843	402,616	23,088	55,316	10	100,000	+ 1,439	1,574,796	115,665	10
Hughes & Jones	Jan. 31	155,128	—	36,157	46,660	15,750	15,000	10	5,000	+ 407	54,760	39,472	10
Jackins & Jones	Jan. 31	106,956	—	15,180	25,607	13,750	—	—	—	+ 1,430	105,871	19,267	Nil
Marrows Limited	Jan. 31	2,056,724	110,273	384,410	150,000	83,607	8	25,000	—	+ 4,734	2,020,909	302,181	8
Maple & Co.	Jan. 31	518,624	—	159,297	245,945	60,000	90,000	5	—	+ 9,297	492,239	164,734	5
Oris & Jones	Jan. 31	27,084	—	27,098	53,050	10,500	6,300	7	10,000	+ 298	31,347	31,347	7
Oris Owen Limited	Jan. 31	120,001	4,364	8,336	12,231	6,500	2,502	11	—	+ 666	90,853	3,755	11
Pencer, Turner & Holders	Jan. 31	61,900	765	17,308	23,012	5,400	11,413	5	—	+ 495	51,457	17,016	5
Wan & Edgar	Jan. 31	68,703	5,631	49,270	136,718	—	50,000	4	—	+ 730	71,577	50,153	4
Textiles													
Swinger & Smith	Dec. 31	67,820	2,108	10,034	19,324	4,301	4,603	4	—	+ 1,130	48,284	9,105	3
Smith (G. H.) & Co.	Dec. 31	36,751	11,523	13,658	40,577	4,500	11,250	15	—	+ 2,092	41,566	13,869	15
Smith (G. H.) & Co.	Dec. 31	23,712	3,000	5,983	14,705	—	5,169	7½	—	+ 714	22,041	5,709	7½
Tramway and Omnibus													
Catchhead and District Tramways	Dec. 31	136,600	—	11,383	56,772	3,378	7,605	10	—	+ 400	188,803	11,810	10
Leamings United Transport	Dec. 31	184,689	40,000	35,169	35,169	8,250	13,811	10	13,158	+ 1,747	173,697	34,742	10
Leamings United Transport	Dec. 31	1,264,985	—	109,542	191,909	9,750	41,554	10	50,000	+ 8,238	1,226,628	95,488	10
Leamings United Transport	Dec. 31	136,527	—	7,274	20,372	762	2,320	10	3,000	+ 1,192	123,774	6,484	10
Trusts													
Colonian Trust Co.	Jan. 31	112,237	—	34,544	76,584	14,610	12,604	5½	5,000	+ 2,330	107,262	32,085	5½
City National Investment Trust	Feb. 28	12,434	—	7,416	15,804	—	5,454	6	1,500	+ 462	12,063	7,024	6
City Property Investment Trust	Jan. 31	19,721	—	5,732	11,882	3,355	1,792	7	413	+ 172	20,360	6,302	7
Colonial Investment Co.	Jan. 31	50,149	—	26,017	48,583	—	19,312	5	—	+ 6,705	48,916	22,711	5
Belmont and General Trust	Jan. 31	38,087	—	12,379	71,444	14,010	—	—	—	+ 1,631	37,426	11,002	Nil
Investors' Trust Association	Feb. 28	33,305	—	16,089	40,428	10,157	4,062	2	1,000	+ 870	31,708	15,353	2
London Scottish Investment Trust	Feb. 28	60,547	—	19,375	30,974	8,379	5,637	5	5,000	+ 359	57,591	17,518	5
Northern Securities Trust	Dec. 31	30,949	—	25,801	42,678	11,110	14,025	8½	—	+ 666	29,713	24,510	8½
Northern Securities Trust	Jan. 31	127,877	—	45,639	99,352	14,610	25,208	11	5,000	+ 2,221	126,076	44,371	11
Northern Securities Trust	Jan. 31	12,209	—	5,625	13,553	3,910	1,042	2	4,000	+ 3,327	11,736	5,445	Nil
Other Companies													
Angus (George) & Co.	Dec. 31	226,737	11,107	22,044	42,152	2,400	13,437	7½	5,000	+ 1,207	224,332	22,130	7½
Associated Electrical Industries	Dec. 31	703,400	235,857	467,543	768,852	52,306	246,092	10	150,000	+ 19,145	695,266	459,917	10
Bell and Portland Stone Furns.	Dec. 31	69,279	—	26,141	69,995	—	25,000	10	—	+ 1,141	63,123	25,609	10
Bell Industries	Nov. 30	41,285	—	38,102	60,785	2,750	18,750	37½	15,000	+ 1,602	41,107	37,074	37½
Bell Consolidated Limited	Sept. 30	678,997	—	149,213	410,245	40,000	48,750	7½	40,000	+ 20,463	679,760	118,783	7½
Bell Aluminum Co.	Dec. 31	1,049,257	75,000	326,007	600,691	45,000	150,000	10	125,000	+ 6,007	1,068,937	342,687	10
Bell Automatic Co.	Dec. 31	114,437	—	18,182	23,190	—	12,000	6	—	+ 6,182	96,039	12,233	6
Bell Rubber Co.	Dec. 31	604,474	116,227	208,390	424,263	44,164	62,980	12½	75,000	+ 26,246	527,588	150,741	12½
Bell Tyre and Rubber	Sept. 30	277,219	30,985	86,970	161,378	11,250	39,000	12½	25,000	+ 1,220	272,825	87,720	12½
Brown Brothers	Jan. 16	108,820	—	101,634	196,522	8,437	34,050	12½	50,000	+ 9,147	104,665	99,663	12½
Cannell Laird & Co.	Dec. 31	271,349	—	247,571	364,000	—	88,750	10	—	+ 8,825	272,398	249,292	10
City Safe Deposit	Dec. 31	10,064	—	2,290	7,708	650	625	5	1,000	+ 15	10,693	2,290	5
Clapton Stadium	Dec. 31	114,182	—	47,182	80,161	—	55,246	25	—	+ 8,064	102,614	45,272	25
Country Garage and Tool	Aug. 31	137,470	35,280	27,693	112,791	—	18,750	15½	—	+ 8,943	150,894	23,956	15½
Durkington (John) & Co.	Dec. 31	621,571	—	181,352	275,162	10,000	108,750	15	87,500	+ 24,898	573,802	174,270	15
Engineering Components	Dec. 31	30,518	—	20,472	36,973	2,250	16,625	25	—	+ 2,597	26,771	12,276	25
General Refractories Limited	Dec. 31	151,224	20,000	61,011	115,044	—	24,375	7½	35,000	+ 1,636	181,536	47,743	7½
Greengate and Irwell Rubber	Dec. 24	68,427	19,794	46,144	94,476	14,250	25,157	15-6 & 25	—	+ 6,737	63,609	40,155	15-6 & 25
Guinness (J. & Co.)													
Hartley (Wm. P.)	Dec. 31	32,588	298	11,742	26,532	2,749	4,125	15	3,000	+ 1,868	26,321	11,369	10
Hooper, Struve & Co.	Oct. 31	125,915	23,494	43,171	73,998	12,500	20,000	8	1,000	+ 10,671	111,434	33,730	8
Lea Boilers and Radiators	Dec. 31	13,764	—	5,671	8,120	4,000	—	10	—	+ 829	14,611	8,707	6
Lea Rubber Gutta Percha, &c.	Dec. 31	228,866	—	131,810	346,412	50,000	70,000	10	—	+ 11,810	380,671	69,280	24½
Lea Rubber Gutta Percha, &c.	Sept. 30	175,096	60,410	44,484	251,971	12,875	4,500	9	105,212	+ 78,103	169,333	41,904	9
Lea Newspaper	Dec. 31	1,126,841	—	480,843	743,024	255,000	125,000	10	100,000	+ 8,843	1,144,487	473,173	8
Lea Dynamite and Crypto	Dec. 31	148,079	11,098	131,313	25,669	—	11,000	20	2,500	+ 1,851	140,187	124,255	22½
Lea National Gas and Oil Engine	Dec. 31	38,543	—	45,569	78,113	12,000	30,000	5	1,000	+ 2,569	47,283	47,283	20
Lea, Freen, & Co.	Dec. 31	45,569	—	70,267	112,828	27,500	30,000	67½	—	+ 12,767	282,908	63,778	5
Lea (G. D.) & Co.	Dec. 31	291,897	—	18,704	51,723	—	13,289	17½	—	+ 5,415	63,575	23,575	17½
Lea & Co.													

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Chief Office: OXFORD STREET, MANCHESTER, 1

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ASSETS EXCEED £25,000,000

CLAIMS PAID EXCEED £164,000,000

(1944 Accounts)

ALEXANDRIA WATER COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that a Dividend of Ten Shillings
and Six Pence per £5 share on Coupon No. 113 will be paid with-
out deduction of British Income Tax but less Egyptian Govern-
ment and Alexandria Municipal Taxes amounting to 1s. 6.01d.,
making 9s. 0.90d. net, on and after the 16th April, 1945, at the
National Bank of Egypt in Alexandria, at Rue Toussoun, or in
London at 6, King William Street, E.C.4.

Dated, Alexandria, Egypt, the 5th April, 1945.

By Order of the Board,

T. D. KEY

ROBERT WALTON, Joint

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AGGREGATE ASSETS
at 31st March, 1944,
£71,038,513

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1 Queen Victoria St. LCA
John Forbes, Manager.

BIBIANI (1927), LIMITED

NOTICE IS HEREBY GIVEN that a Final Dividend (No. 15) of
15 per cent. less income-tax at 6s. in the £, has this day been
RECOMMENDED on the Capital of the Company in respect of
the year ended 30th September, 1944, and will be payable on and
after the 17th May, 1945, to all Stockholders on the Registers on
the 10th April, 1945.
THE TRANSFER BOOKS WILL BE CLOSED from the 11th to
the 18th April, 1945, both dates inclusive, for the preparation of
Dividend Lists.By Order of the Board,
H. E. ASHEY, Secretary.Temporary Registered Address:
St. Hilda's, Bushey, Herts.
10th April, 1945.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

NOTICE IS HEREBY GIVEN that a Final Dividend (No. 97) of
25 per cent. less Income-Tax at 6s. in the £, has this day been
RECOMMENDED on the Capital of the Corporation in
respect of the year ended 30th September, 1944, and will be pay-
able on and after the 17th May, 1945, to all Stockholders on the
Registers on the 10th April, 1945.
THE TRANSFER BOOKS WILL BE CLOSED from the 11th
to the 18th April, 1945, both dates inclusive, for the preparation
of Dividend Lists.By Order of the Board,
H. E. ASHEY, Manager and Secretary.Temporary Registered Address:
St. Hilda's, Bushey, Herts.
10th April, 1945.

THE CUNARD STEAM SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Sixty-eighth Ordinary
General Meeting of THE CUNARD STEAMSHIP COMPANY,
LIMITED, will be held at CUNARD BUILDING, in the CITY OF
LIVERPOOL, on Wednesday, the 25th April, 1945, at eleven
o'clock a.m.

1. To receive and consider the Statement of Accounts and
Balance-Sheet to the 31st December, 1944, with the
Reports of the Directors and Auditors.
2. To sanction the declaration of final dividend for the year
1944.
3. To elect Directors and Auditors in place of those retiring,
but who, being eligible, offer themselves for re-election.

By Order of the Board,
H. J. FLEWITT, Secretary.Offices: Cunard Building, Liverpool.
12th April, 1945.

THE ARGENTINE MARKET

A PARTNER of Berg and Co., one of the leading Advertising
Agents and Business Consultants in the Argentine, is at present
in England, and within the limits of his service duties would be
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THE ECONOMIST, BRET ENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3

Two Presidents

IT would be difficult to find hyperbole strong enough
to exaggerate the sense of loss felt all over the free
world at the sudden news of President Roosevelt's death.
Never before for a statesman of another country and
rarely for one of our own leaders have the outward
pomp of ceremonial mourning and also the inward and
personal lamentation of the public been more universal
and heartfelt. In part, this has been a tribute of gratitude
to one who was a very present help in trouble. No English-
man who lived through those twelve dreadful months
from June 1940 to June 1941 is ever likely to forget how
completely the nation's hope for ultimate victory rested on
that buoyant figure in the White House, and how, stage
by stage, the hopes found response in action.

But gratitude for past favours, even in so recent a
crisis, would not by itself explain a feeling of bewildered
loss in the present. As Strachey wrote of Queen Victoria's
death, "it appeared as if some monstrous reversal of the
course of nature" had taken place. Mr Roosevelt had not
been in the White House for 63 years, but it costs an effort
of memory to set the mind back to the time of President
Hoover. "An indissoluble part of the whole scheme of
things" has gone, and one is left wondering what is going
to happen now. We have learnt, in Mr Roosevelt's years
in office, to appreciate how much of our own safety and

welfare depend upon the American colossus. To the
average Englishman, it is a friendly monster, but an
erratic and unpredictable one. Mr Roosevelt had mastered
the art of managing the unmanageable. Through all the
shoals of American politics, with constant tacking in the
varying winds, blown sometimes a long way off course
—nevertheless, this master pilot had demonstrated his
ability to bring the vessel into port, sometimes only just
in time, it is true, often with much argument among the
crew, but never failing. With him at the head of affairs,
it was possible to feel sure that, in the end, sound policy
would prevail. Now that he is gone, one of the few
elements of assurance in an uncertain world has gone with
him.

After all that has been written of him in the past week,
it would be foolish to try to say anything new or different.
He had his defects; he was too good a politician to be a
skilful administrator, and too good a fighter to conciliate
the nation into complete unity behind his leadership. But
when everything that can be said against him is said to
the full, he remains a very great man and a very great
President. Bismarck once remarked (with some insulting
addenda) that a special providence seemed to watch over
the United States of America, and there is certainly some-
thing remarkable about the regularity with which the

great crises of the Republic not only produce the man but find him ready waiting in office. Washington in the crisis of the nation's birth, Lincoln in the agony of its civil war, Wilson in the first great adventure into world politics, Franklin Roosevelt in the double crisis of depression and war—it is a noble quartette, and the last name is not the least. Indeed, the most striking thing about Franklin Roosevelt was the sense of great purpose that hung about him. It was no accident that found him taking office on the very day the banks closed, or that found him steadily leading the nation to a firm view of its obligations in a world crisis. Friends of the Roosevelt family relate that in the early 1920s, when he had first been ignominiously defeated in his Vice-Presidential candidacy and then been stricken with infantile paralysis, when nothing seemed to be in front of him but the life of an invalid country gentleman, that even then, from his wheel-chair, he prophesied that another great crisis was coming for America and the world, a crisis that could be surmounted only by a strong President pursuing a firm liberal policy, and that he, Franklin Roosevelt the cripple, was to be the man. He died with his purpose unachieved; but the trumpets that sounded for him as he passed over were those of the victory that brings his purpose within reach.

The eyes of the world are now on President Truman. By one of those extraordinary accidents that can happen only in America, there succeeds to the world's best-known man one of the world's least-known men. Although, as has been said, only a single heart-beat separates every Vice-President from the greatest office in the world, his qualifications for holding that office rarely, if ever, enter into the reasons that the nominating convention has for its choice. Vice-Presidents are chosen as political make-weights to collect a few votes or (more often) to avoid losing them, and they are almost always obscure figures when they are suddenly thrust into the limelight. Only one of them has ever gone on to make a President of the front rank, but also only one of them has been a failure. Mr Truman's career provides even less evidence than usual on which a view can be taken of his probable course in the White House. Unlike Mr Roosevelt's first Vice-President, Mr Garner, he is not a politician of long experience. Unlike Mr Roosevelt's second Vice-President, Mr Wallace, he is not a man to whom definite opinions have attached themselves. His Senatorial record is "regular," but there is little to show whether his votes for Mr Roosevelt's policies were given out of loyalty or out of conviction. To judge by his friends, his views, on economic and social questions at least, are slightly to the Right of Mr Roosevelt's. He is, in short, a man of the dead centre.

President Truman starts with the maximum of goodwill. In part this is the natural sympathy with an unassuming man on whom gigantic responsibilities are suddenly thrust. But the same sympathy would not have been accorded, at least on Capitol Hill, had it been Mr Wallace and not Mr Truman who succeeded. Mr Truman has the advantages of a man who, until a few weeks ago, was a respected member of the Senate. He starts with the confidence of Congress. But this very advantage may be a handicap. A President who would pursue positive policies is bound, almost by constitutional definition, to come into conflict with the jealousies of Congress, which always (and never more than now) considers itself a co-equal in framing the policies of the Government. The continued goodwill of Congress can, indeed, be purchased, but at a heavy price, and the President who, in the effort to retain its favours, makes himself the passive object of Congressional pressures, rather than their author and master, runs the risk of finding himself entirely deprived of the initiative. This is likely to emerge most clearly in the realm of economic policy. Mr Roosevelt has already had to depart a long way from the earlier objectives of the New Deal as part of the price to be paid for a high degree of unity in foreign policy, and it was an open question whether he would be able, in the reconstruction period, to reinstate a deliberate policy of economic management against the opposition of half of his own

party and the whole of the Republicans. The prospects of a consistent economic policy must now inevitably be rated lower. In fact, the greatest danger of the next four years is not a departure from Mr Roosevelt's policies, the new President's reaffirmation of which has been emphatic and sincere, but their slow decline into ineffectiveness.

In determining whether this danger will be avoided, much will obviously depend on Mr Truman's choice of persons. Mr Roosevelt's Cabinet was the Cabinet of a strong-minded and very experienced President, and if a less self-assured and seasoned man sits in the White House, a very different team is required. Nowhere are the different requirements more obvious than at the State Department, where Mr Stettinius—it is not said to his discredit—executed a policy which the President himself supervised in detail. It is already known that Mr Truman's main reliance in foreign affairs will be on Mr James Byrnes, though it is not yet known whether he will succeed Mr Stettinius in formal office or be interposed between him and Mr Truman as an unofficial Assistant President.

Mr Byrnes has been an intimate collaborator of Mr Roosevelt, though his special province has been in economic stabilisation on the home front. Perhaps the main significance of his new responsibilities lies in the fact that he replaces Mr Harry Hopkins who, without any formal office, has in fact acted as Mr Roosevelt's most intimate adviser on foreign affairs. The services that Mr Hopkins has rendered to the cause of the United Nations will some day be seen in their true dimensions. He has been a particularly good friend of the British Government, not only as a ready channel to the seat of authority but as a sympathetic pleader of their cause.

Mr Byrnes is a man of judgment and experience; the sincerity of his attachment to Mr Roosevelt's policies is unquestioned, and his influence on the foreign policy of the United States will be liberal and far-sighted. But it is impossible not to fear that his substitution for Mr Hopkins in the intimate counsels of the President will be a reinforcement to the more nationalist trend of American policy that has already been in evidence in recent months. It is not without significance, for example, that the recent dispute over the distribution of meat supplies largely resolves itself, at the highest level, into a contest between Mr Hopkins, arguing for more meat for Europe, and Mr Byrnes, arguing for more meat for America. This tendency may well be reinforced by the greater independence that the Army may be expected to enjoy. The Army, in the American system, is responsible to its Commander-in-Chief, the President, but not—or at least not so much as the British Army—to the civilian government as a whole. With a less forceful control from the top, the Army is likely to feel more free to pursue its own policies within what it considers to be its own sphere, which impinges on foreign policy at innumerable points.

These are some of the apprehensions that the change of President awakens in this country. To voice them thus frankly may be thought an injustice to President Truman, an attempt to judge him before the evidence is presented. But to have no apprehensions would be an injustice to President Roosevelt, an attempt to pretend that after twelve years of a great Presidency, his passing makes no difference. The American system places heavy premium on opposition and dissension and large obstacles in the way of effective policy-making. The centrifugal force are so strong that it needs a very masterful hand to keep them in check and it is only natural that the removal of so strong a hand should lead, over the months, to certain diffusion of purpose—the more so since Mr Roosevelt's death coincided so closely with the disappearance in victory of the greatest reason for unity. It is no irony to Mr Truman to suppose that he is a good or any President. The gulf between the normal flow of affairs and the purposeful course into which they have been directed by inspired leadership is a measure of the loss that America and the wider world have sustained.

Subsidy Policy

ONE important matter to which the Chancellor of the Exchequer will certainly address himself in his Budget speech on Tuesday is the mounting volume of subsidies in aid of the price of food and other constituents of the cost of living. The annual burden of these subsidies has risen from £70 million in 1940 and £140 million in 1941, when the stabilisation of the cost of living was adopted as a deliberate policy, to £190 million in 1943 and to a present figure of about £225 million, or fully a quarter of the whole pre-war Budget. There can be no question of abandoning the policy at this moment; the Government is pledged to the contrary—on the significant condition that they have "the vital co-operation of all sections of the people"—and the pledge covers the period of transition as well as the war itself. But that does not mean that the policy raises no questions or doubts about the limits within which it can be pursued. Nor does it inhibit enquiry into the longer-term prospect. Will it ever be possible to get rid of these subsidies? And if not, how do they complicate the fiscal outlook?

The amount of information that has been made public about these subsidies is tantalisingly small. In 1943, when their cost was £190 million and the cost of living index stood at 29 per cent above pre-war, the Chancellor said that their removal would raise it to 45 per cent above 1939. The official index is now 30½ per cent above the pre-war figure, and a simple proportion sum would seem to indicate that, but for the subsidies, the cost of living would now be about 50 per cent above pre-war—that is, about 15 per cent above the present level. For forming a judgment on the policy the probable future trend of these figures is more important than their present level. Some rises in the unsubsidised constituents of the cost of living index are to be expected. There is some tendency for the cost of clothing to rise. Rents cannot for ever be kept down to the 1939 level when everything else has gone up, and the report of the Ridley Committee, which is expected almost at once, may be the signal for an increase. It might well be that, without any change in the subsidy policy, the index will by the end of this year have risen to the 35 per cent above the pre-war level that is the upper limit of the present permitted range.

As for the articles that are now subsidised, there are conflicting influences at work. On the one hand, the end of the war would mean a substantial reduction in freights on imported foodstuffs and the disappearance of war risks insurance. On the other hand, the latest increase in agricultural wages, reflected in the prices paid for home-grown food, will require an increase in subsidy payments. Moreover, the cost of American food, obtained on Lend-Lease terms, has been entered for accounting purposes at the prices of 1941, which are well below the present market level in America and an increased subsidy will be necessary when this food has once again to be paid for at market price. Again, it is reasonable to hope that larger supplies of the subsidised foodstuffs will soon be available, which will involve higher payments. Only those in possession of the full facts can put quantitative magnitudes on these various factors. The net result, however, may well be that, on the basis of factors already visible, apart from any others that have not yet materialised, the total cost of subsidies in 1945 will be as much above 1944 as 1944 itself was above 1943—that is, that there will be a further increase of about £35 million, or more if (as is not unlikely) there is a rise in world food prices, now kept down only by purchasing controls that may well be too rigorous to be maintained in peace-time. This would mean that, in the absence of subsidies, the cost of living would rise to nearly 60 per cent above 1939. Clearly, this rapid upward progression cannot be allowed to continue indefinitely, and some difficult decisions will have to be taken. Even if no pledge had been given, it would be very foolish to abandon the policy

of stabilisation now. To judge by the experience of the last war, as well as by ordinary observation, the danger of inflation will be greater in the first twelve months after the end of the German war than in any other period. This will be a time when purchasing power will be pressing against supplies with an impatient intensity. There will, in any case, be a movement for wage increases. The patriotic restraint on the trade unions will inevitably be weakened. Overtime and bonus payments will be falling, and the unions will think it natural to ask for such increases in basic rates of wages as will prevent any fall in what the Americans so graphically describe as "take-home pay." If at this time there were to be a removal of subsidies and a rise, from this cause alone, of about one-fifth in the cost of living, the impetus to the inflationary spiral of wages and prices might be disastrously large. The cost of the subsidies cannot be ignored; but an addition of £250 million to the deficit is likely, in this period, to be much less harmful than the addition of the same figure to consumers' costs.

This does not, however, mean that the Chancellor can afford to sign a blank cheque. Nobody can now say how powerful the other impulses to inflation will be; but they may obviously be strong. Sir John Anderson has made the limits of the policy very clear.

When wage costs . . . as far as not offset by increased output, . . . have raised the actual cost of vital commodities, and when it is known to the whole country that costs of production are being still further increased by increases of wages, the stabilisation policy would become an altogether artificial affair if we were to attempt to mask these developments by making arbitrary reductions in the prices of other articles in order to maintain the level of the cost-of-living index unchanged.

The path of wisdom may be to fix an upper limit to the total cost of the subsidies that will be provided—say at the present figure of £225 million or a little higher—and to allow any further increases in wages or other costs to have their normal effect on retail prices. This would be desirable, not merely from the financial point of view, but for wider reasons. The trade unions cannot be expected to exercise due responsibility if the idea gets about that higher wages will be paid out of the bottomless public purse instead of by the ordinary consumer. The effect of allowing any such notion to become prevalent can be very clearly seen in agriculture and it is essential that the normal sequence of economic cause and effect should be restored in that industry rather than that make-believe should be extended to others.

To argue that the subsidies should be retained during the transitional period is to bow to expediency. In the longer run, a more deliberate policy will have to be evolved. This, unfortunately, is not an easy task because of the complex of varying purposes that are served by the present subsidies. At least four distinct objects can be distinguished. First, there is the desire to keep prices to the British consumer below the level that would be dictated by conditions in the world market. The justification of an attempt to do so in wartime is that the heavy freights and insurance charges and the high prices of food in the countries of origin are temporary phenomena, which will disappear when the war is over. Any attempt to maintain a permanent disparity would introduce an unnecessary distortion into the economic structure. If the internal and external price levels are out of adjustment, the appropriate remedy is a movement of the rate of exchange.

The second object is to pay the British farmer higher prices than the British consumer is deemed to be able to afford. This undoubtedly accounts for the greater part of the total cost of subsidies. Approximately two-thirds of the total of £225 million is now probably required in

connection with domestic production. That does not necessarily imply that "farmers' subsidies" cost as much as £150 million. It is not easy in wartime, when there is no free market to serve as a standard, to define when a payment is a subsidy to the producer and when it is a subsidy to the consumer, but the cost of recouping the British farmer for the difference between his present prices and the prices at which foodstuffs will be available on the world market—when a world market exists once again—will probably continue to be very heavy. That there should be a policy of assistance to the British farmer is now generally agreed, and it is certainly preferable that the cost of the assistance should be borne by the general Budget than that it should be added to the retail cost of food. But it would need very serious consideration indeed before it could be decided, as a permanent policy, to provide subsidies for the industry amounting to anything like the present cost. And in any case, any sums provided for this purpose should appear on the Ministry of Agriculture's Vote, not as part of a general subsidy programme.

The third purpose of subsidies is to stimulate some forms of consumption at the expense of others. The clearest example of this is the milk scheme, which, in part, antedates the war and obviously is not pursued solely for cost-of-living reasons. Such a policy has many theoretical attractions. It could be argued that even the present inflated total of subsidies costs only about one-fifth of the yield of indirect taxation. Why should not these taxes, when the time for post-war reductions comes, be kept at a level slightly higher than would otherwise be determined, in order to pay for a nutrition policy, thus making luxuries pay for assistance to necessities? The difficulty about this argument is that, like so many, it assumes that there will be a lot of taxable capacity to spare in post-war Britain. The point of diminishing returns in the yield of indirect taxation is much lower in peacetime than in wartime, and if the Chancellor of the Exchequer has not only to find large sums for keeping

the prices paid to the British farmer above the market level but further large sums for keeping some of the prices paid by the consumer below the market level, his task may be impossible. Some nutrition policy there should be, but in the next few years it cannot be very large.

The last purpose of the subsidies is, pragmatically, the most important—to obviate a sudden and damaging rise in wage-rates. It is hardly possible that this could become a permanent policy. For one thing, it would be progressively more expensive, since it encourages employers and employees to combine against the Exchequer. And for another, it is unlikely that the unions would for long be content with such a very artificial definition as is involved in any policy based on the present official index of the cost of living. On the other hand, it will always be an awkward thing to abandon the policy. There is a double justification for waiting upon events. Nobody yet knows what will happen to prices in general, and it is always possible that they might fall back to the level of those that are now subsidised. And, though all times will be awkward, none could be worse than the present. But it will not be possible to wait indefinitely, at a cost of £225 million or more a year. Eventually the cost of living will have to be allowed gradually to find its own level in relation to wages and other prices.

The conclusion reached by this analysis is thus not very encouraging to the Chancellor of the Exchequer, even in his long-term calculations. It is probable that quite large sums will have to be spent on subsidies in respect of food. The permanent needs, however, do not arise from the necessities of price stabilisation which gave birth to the policy but rather from agricultural and nutrition policy. It would be a great gain to clear thinking if these two parts of the general expenditure now lumped together as "subsidies" could be separated out and shown under their proper heads. It would then at least be possible to form an accurate idea of the dimensions of the problem.

San Francisco

ON Wednesday next, April 25th, the representatives of forty-six nations will assemble at San Francisco to lay the foundations of a new World Organisation. The proposed statutes of the World Organisation are known. They were embodied in the Dumbarton Oaks scheme, and at Yalta the Big Three agreed on the voting procedure in the Security Council, on which no agreement had been reached at Dumbarton Oaks. Since it was published, the scheme for the new World Organisation has been submitted to a lively and world-wide discussion, in which the views of its defenders and of its critics have crystallized. The debates at San Francisco will crown the discussion; and, if all goes well, they will end in the foundation of the new World Organisation.

The striking thing about the Dumbarton Oaks scheme is how studiously it avoids all reference to its predecessor. Even its name has been abolished. The new body will be a World Organisation or a General International Organisation or, alternatively, the United Nations; but not—God forbid—a League of Nations. Its statutes are a Charter and not a Covenant. It is as if the memory of the old League and of its failures had haunted the authors of the Dumbarton Oaks scheme and as if they had been almost superstitiously anxious to avoid the repetition of fatal names lest it should bring misfortune upon their creation. Yet, whatever the terminological changes and the modifications of machinery the new Organisation is at best likely to be a reproduction of the old League with some of its good points and most of its weaknesses.

The League was a loose international organisation of sovereign states. The World Organisation will hardly differ from its predecessor in this respect. The Dumbarton Oaks scheme provides neither for a federation nor for a

confederation but merely for a League of its member states, none of which is asked to forgo any of the essential attributes of national sovereignty. This is the fundamental fact that is bound to determine the outlook of the Organisation and to limit its freedom of action. The old League pretended to be able to settle the quarrels of Great Powers, but it could not do so in fact; the new League does not even pretend—it is a greater difference in appearance than in fact. So long as the Great Powers do not quarrel, the new Organisation will be able to prevent minor wars, to smooth out conflicts between its members and to perform quite a lot of that useful work which the agencies of the old League used to perform. It is perhaps better that these limitations should be realised right from the beginning; and that those dangerous illusions of a millenium of peace that stood at the cradle of the old League should not greet the birth of the new League. Unfortunately, this is not universally recognised. Lord Templewood tabled a motion in the House of Lords on Tuesday in the following terms:

That the San Francisco Conference provides an unique opportunity for laying the foundations of a system of international peace, for re-establishing the moral and material standards of civilised life, and for safeguarding the individual liberties of the common man without which he will be unable to live his life free from fear and want.

Having set his sights sky-high, Lord Templewood went on bitterly to complain that the Dumbarton Oaks scheme did not meet his expectations. Lord Darnley drove even deeper into Dreamland when he called for nothing less than "a new kind of peace charter which would abolish the status quo created by the last war and by this war and all wars in the past" when he, in other words, prayed

for a miraculous obliteration of all the miseries of History by the San Francisco Conference. These are, of course, only some of the extreme essays in Utopia. But it is necessary to realise that even much less naive aspirations such as Mr Attlee's hope for "a universal, flexible and enduring organisation for peace," are in the long run more likely than not to be frustrated by an organisation based on the unrestrained sovereignty of its members. Unquestionably, there could be many much better schemes of international organisation than that drawn up at Dumbarton Oaks. But none of them would be practical in present circumstances, since none of them would be accepted by the major allies. Even if Great Britain were prepared to surrender its sovereignty, practical policy must allow for the attitudes of America and Russia, the one combining generalised idealism with insistence on unimpaired sovereignty, the other combining cynical realism with the same insistence. It is some close variant of Dumbarton Oaks or nothing.

The differences between the old League and the new do not arise from any change in the underlying principle, common to both of them, of respect for national sovereignty, but from the changing interpretation of sovereignty as applied to great and small states. There is an unresolved conflict between equality in law and inequality in fact, between equality in status and inequality in power. From this conflict flow most of the arguments about the proposed Charter, and the major embarrassments of the Conference will come from the same source. On the one hand, the new Charter, like the old Covenant, proclaims the "sovereign equality" of all nations. Nor is this simply lip-service; the principle does enshrine something that is basic to the democratic faith. But on the other hand, when it comes to the enforcement of peace by military means, it simply is not possible to proceed on a basis of equality. After the first world war, the extreme inequality of nations was still partly obscured; it was still possible to believe in that version of "collective security" which held that a number of small powers could be the collective masters of one great power. The world had not experienced anything like the wholesale slaughter of the sovereignties of small and medium nations by one conqueror that has been seen in the past few years.

It would be unrealistic in the extreme to write the clauses of the new Charter that deal with the use of force as if nothing had happened since 1919. But though sovereignty has been assaulted all over the world, it has never been willingly surrendered. The doctrine still holds, and the San Francisco Conference itself, assembled to ratify the new inequality of power, is perforce held on a basis of equality of status. It is, no doubt, illogical to say that sovereignty, which by definition is total and all-embracing, is equal when some matters are under consideration but unequal in other respects. But that is the

state the world is in to-day. The smaller powers who are so much up in arms against the inequalities of the scheme will find at San Francisco that the choice is between an illogical scheme or no scheme at all. In theory, the Conference is free to modify the Dumbarton Oaks proposals in any way it may decide. This may be the real attitude of the American and British Governments. But it is at least doubtful whether the Soviet Government is equally willing to accept amendments. The Russians have so far tended to treat the Dumbarton Oaks scheme and the Yalta decisions as something that the other nations must approach on a "take it or leave it" basis.

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Most of the discussion has turned on the provision in the Dumbarton Oaks scheme for a veto on sanctions. But, contrary to the prevalent belief, the authors of Dumbarton Oaks did not invent the veto. It is in the League Covenant, and in a far wider form since, under the Covenant, any state, great or small, could veto the application of sanctions. The only way in which the new scheme extends the veto right is that a Great Power is now to be able to veto sanctions against itself. In every other respect, the veto power is more restricted. Nobody would contend that an extension of the right of veto to the small nations, that is, a return to the Geneva practice, would be an improvement on the Dumbarton Oaks scheme. On the other hand, the abolition of all right of veto, even for the Great Powers and the submission of each Great Power to any verdicts directed against it would require a much greater willingness to renounce national sovereignty than any Power shows at present. It is not as if the conduct of a Great Power cannot be impeached before the world forum. The Security Council is free to recommend action short of sanctions, even against a Great Power which is a party to a dispute, by a majority of 7 votes out of 11; and the Great Power that is a party to the dispute cannot vote in its own case. The right of veto comes into play only when a dispute has reached the stage when sanctions are proposed. The preponderance of the Great Powers in the Security Council is therefore not quite so complete as the critics say. But the fact remains that it is strong enough to protect any Great Power against sanctions, while the small states must submit to all verdicts and sanctions agreed upon by a majority of the Security Council. This is the great grievance of the small nations. But the rigour of this provision may be mitigated by the fact that the majority which is entitled to decide on sanctions against a small nation must apparently include the votes of the permanent members of the Security Council. In other words, sanctions against a small nation cannot be adopted unless they have the approval of all the Great Powers plus two small or medium powers. For a small power to engage in aggression without the patronage of a Great Power is a very rare event—and an act of folly that deserves the sharpest rebuke.

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In the discussion on the Dumbarton Oaks scheme the whole limelight has been turned on the Security Council. The rôle and the functions of the General Assembly, of the International Court of Justice and of the Economic and Social Council have aroused much less passionate controversy. This is partly to be explained by the fact that all these agencies of the World Organisation will, in effect, exist in the shadow of the Security Council; and that their rôles will be secondary. The picture of the General Assembly is still rather shadowy, as befits the embodiment of the unreal principle of the "sovereign equality" of all nations, where each member (from Nicaragua and Siam to the Ukraine and White Russia?) has an equal vote. But equality in the Assembly looks very much like equality in impotence. The Assembly may discuss and consider a very wide range of subjects, more often than not only on the recommendation of the Security Council. "The General Assembly should not on its own initiative make recommendations on any matter relating to the maintenance of international peace and security which is being dealt with by the Security Council." The rare occasions on which the Assembly is to exercise some more real functions are the elections of non-permanent members to the Security Council and of the judges of the International Court of Justice. Another Cinderella of the Dumbarton Oaks scheme is the Economic and Social Council, whose functions are rather ill defined. In this body too, the principle of "sovereign equality" reigns supreme, which may well mean that the Council will have little scope for real action. It is not clear whether such international Agencies as the Monetary

Fund or the Bank for Reconstruction will in any way be linked up with the Council. These are some of the loose ends of the Dumbarton Oaks scheme which may perhaps be gradually tied up later on.

It is difficult not to yield to cynicism in contemplating the proposed new world organisation. The old League Covenant had a famous "gap" which the lawyers strove hard to close; but the new League is full of the most obvious gaps. Yet the cynicism is misplaced if it is directed against the scheme, when its proper object is the present state of international relations—the Russians have a saying: "Do not smash the mirror because it shows that your face is ugly." The Dumbarton Oaks scheme is a painstaking attempt to capture, and set down in formal procedures, just as much willingness to accept the rule of international law as in fact exists. It is pitifully small, but nothing larger would be likely to pass the scrutiny of the Kremlin and the Capitol. And it is surely better to have the attainable formally enregistered than that another gulf should be dug between what appears on paper and what exists in fact. There is something to be said for the suggestion that the Charter should have appended to it something in the nature of a Code of Conduct for the nations, which, without having any binding force, would stand as an indication of the goal to which formal procedures might gradually advance.

The San Francisco Conference will not be an easy one to steer to success. But there are real gains to be derived from success, limited though they may be. And failure would be a confession that there can be no mitigation of the international anarchy.

NOTES OF THE WEEK

The Concentration Camps

The Allied armies, as they advance into Germany, are uncovering the horrors of the concentration camps. The correspondents are doing their duty in reporting the grisly details, and the citizen, if he wishes to do his duty, will read them. The concentration camps should not be forgotten. They are a reminder that, great though Hitler's crimes against the nations may be, his most mortal sin was his offences against the dignity of mankind. They are a reminder that the Nazi pest is dangerous not only, or even mainly, because it leads to aggression and to war, but because it destroys among individual men and women the rights of freedom and justice and mutual respect which alone distinguish the human race from the higher animals. This is the unpardonable treason. This is why the Nazi spirit must be stamped out at its every appearance, like the plague-bearing rat it is.

It would be wrong to hold the whole German people fully to blame for the horrors of the concentration camp. But it would be even more wrong to hold them wholly blameless. There ~~is~~ ^{must} be a deep-rooted moral sickness in a people that could find enough members to do such dirty work, in a people that dictatorship or no, would tolerate such things, in a people whose senses were so indelicate that they can now profess ignorance of what for twelve years has been stinking to high heaven in their midst. It is reported that, in one place, the British medical officer conscribed the civil population to tend the survivors, to bury the butchered, and to scrub the camp clean. The German people will have to spend many years on their knees before the stains are scrubbed out.

Splitting the Strip

It is difficult to keep accurate count of the towns and districts captured and overrun by Allied armies in the west and east of Germany. One by one the carefully hidden secrets of the German interior are being revealed by the advancing armies. The oilfields around Hanover and at Osterdorf, near Vienna, have been captured. The heart of the chemical industry and brown coal mines around Halle-Merseburg and Leipzig has been laid open. It seems only a matter of time until the north and the south of the German strip will be separated by a junction of the British-American armies and the Russians, whose long-expected offensive across the Oder east of Berlin has been opened.

To mark the beginning of the new Russian offensive, Hitler addressed the soldiers of the Wehrmacht in an order of the day which again reveals the curious belief that by some magic the Wehrmacht will be able to hold its present positions in the east. The magical element, from which so much is expected, is no longer a secret weapon or the intuition of the Fuehrer, but an idea—the idea of *défense à outrance*, which now dominates the actions of the Nazi leaders. They have, indeed, been driven to this last fierce desperation by the lack of alternatives. They cannot surrender, nor can the nature of their regime tolerate any element of political opposition ready and able to surrender.

Preparations have obviously been made to continue some military resistance even after the German strip has been split in two. The north—that is, the Baltic coast, Denmark and Norway—will fall to the northern administration; and southern Germany, with remnants of Austria, Czechoslovakia, and northern Italy, will be under a separate military and civil command. The Nazi leaders apparently believe that the centralised control of the Nazi party can be maintained in each of these fragments. Small bands of soldiers and party members could keep the Nazi party alive and functioning in a number of redoubts for some time. It is hoped that the armies of occupation will be fully engaged in the administration of the disordered country, and that in the end the task will be beyond their powers. The idea of *défense à outrance* extends beyond the possibility of total, if temporary, military defeat, for which articles in the Nazi press have been preparing the people. The emphasis is on the political aspect of a Nazi party "in being," and if this threat to the future is to be crushed, it will require more than purely military activity from the victors.

The Vacuum

Meanwhile the extraordinary spectacle of sheer passive surrender, of surrender without any political purpose, continues wherever Allied armies overrun new areas. Sometimes the surrender comes about without fighting and sometimes after very heavy fighting. The Nazi leaders are trying desperately to prevent capitulation without orders from above. Individual soldiers are being hanged and shot for any signs of desertion. Mayors of towns and military commanders are being formally tried by special courts if they attempt to surrender. The case of Major-General Lasch, the military commander of Königsberg, who sur-

rendered the garrison to the Russians, is of particular significance. He is in Russian hands and had to be tried and condemned in his absence; but his whole *Sippe* or clan is to be held responsible. Even in simple cases of desertion from the army the same decision has been made by the special courts. Even in their last hours the Nazis relax nothing of their barbarism.

The problems of Germany's defeat are mounting. The material destruction in most parts of western Germany seems beyond description, and so far the attitude of the people seems to be a mystery to the average war correspondent. The whole range of human emotions, or no emotions at all, have been observed by different correspondents in different parts of Germany and sometimes at the same place; but the most important thing correspondents thought to find is lacking, and that is some political reaction. There is no precedent for the defeat and breakdown of a totalitarian regime, and the consequences will only gradually reveal themselves. Economic breakdown threatens to be complete, since there is no work in the factories and the imported labour force is abandoning the farms. For the moment, occupied Germany is a political, economic and social vacuum. What will rush in to fill it, God only knows.

Ilya Ehrenburg's "Deviation"

An odd journalistic controversy, not devoid of a wider political significance, recently developed in the Russian press. The head of the Party Propaganda Department, Mr Georgi Alexandrov, rebuked Mr Ilya Ehrenburg for what would in this country be described as a Vansittartite view on the treatment of defeated Germany. Mr Alexandrov quoted against Mr Ehrenburg Marshal Stalin's words of February, 1942:

It would be ludicrous to identify Hitler's clique with the German people and with the German State. The experience of history shows that Hitlers come and go, but the German people and the German State remain.

It is true that these words have not been frequently quoted in Russia in the last two years or so; and Mr Ehrenburg might have pleaded in his defence that until quite recently his identification of the whole German people with National Socialism seemed to have the stamp of official approval. But, in Russia, matters of high policy, such as this, are not usually left to the individual tastes and inclinations of free-lance writers. The polemical statement by the Chief of the Party Propaganda Department ought, therefore, to be read as a partial "correction" of official policy.

Russian policy towards Germany has been dominated by the conception of a Carthaginian peace; and the whole of Russian propaganda has been directed towards making that sort of peace popular. The notion that the whole German people has been responsible for the misdeeds of the Nazis has been part of the moral and political justification for that attitude. Is it conceivable that Russian views on the right policy for Germany are now being revised? A statement in *Pravda* may perhaps be too slender evidence for any definite deductions. The immediate motive for the ostentatious "correction" may have been military expediency. (It may have also been the desire to remove the unfavourable impression created abroad by Mr Ehrenburg's rather temperamental charges against the Western Allies for their alleged leniency towards Germany.) But there has been more than a grain of truth in Mr Ehrenburg's assertion that the relatively stiffer fight of the Wehrmacht in the East than in the West has been due to the fact that the Germans' fear of Russia has been stronger than their fear of the Western Allies; and that this has been caused by the memory of the Nazi atrocities in Eastern Europe unparalleled elsewhere. Yet the Russian day-to-day campaign for a "harsh peace" has also done something to fan the Germans' fear. The controversy between *Pravda* and *Red Star* shows that this is now being realised in Moscow.

That the campaign for an extremely hard peace has led Russian policy into something of an *impasse* has been clear for some time past. It has been reflected in the contradictions of Russian propaganda. To give only one illustration—the Soviet Government has called upon the Germans in East Prussia and in the other Russian-occupied provinces of the Reich to stay put and has promised just treatment to those who obey. But propaganda in Russian and Polish has never ceased to harp on the need for evicting the Germans from East Prussia. The difference between the two attitudes, the one for Russian and Polish and the other for German

consumption, is untenable in the long run; eventually, one or the other will have to be abandoned. The fact that Marshal Stalin's distinction between the German people and the Nazis has now been so emphatically recalled to the mind of the Russian public is certainly a straw in the wind. It suggests that Russian opinion may perhaps still be brought round towards a peace that would be built on foundations more stable than the passions of war and the memory of atrocities. If so, then the Allies may be better able than they have been hitherto to make a joint attempt to create a moderate but a workable peace settlement.

Political Winds

The first by-elections to be held on an up-to-date register have now been decided. By rights, they should be the first accurate indications of the great unknown, the views of the electorate. But simply to record that in each case a Government seat was lost would be grossly misleading. In the Scottish Universities, Sir John Boyd Orr owed his victory to his eminence and personality rather than to any deliberate rejection of the official candidate. In Motherwell, a Scottish Nationalist was returned over the Labour candidate (who had the official blessing) by a narrow majority. But Motherwell is an erratic constituency—it once returned a Communist—and somewhat susceptible to novelty. There is perhaps a warning to the Scottish Labour Party in the fact that a pronouncedly working-class district can prefer Scottish Nationalism to orthodox Labour, but its relevance to the main political situation is only marginal. Indeed, it is a little difficult to believe that Labour need be very frightened, as the spectacle of Communist voters lining up to support the impeccably capitalist projects of the aristocratic promoters of Prestwick Airport has too many elements of humour in it to be very long enduring.

There was an interesting sequel to the Motherwell election when Dr McIntyre, the victor, was unable to take his seat in the House of Commons because, being the only representative of his party, he refused to be presented by two sponsors. The rule of the House is clear and ancient; it could be waived only by vote of the House, and the House, advised by the Prime Minister, refused to waive it. It is also true that Dr McIntyre's action will strike most people, in Scotland as well as in England, as unnecessarily theatrical. Nevertheless, it is wrong that a man who has unquestionably been elected should be denied his seat on a technicality. This particular, not very creditable, incident was closed on Wednesday when Dr McIntyre allowed himself to be sponsored "under protest" by two Scottish Labour MPs. But the House would be well advised to reconsider its Standing Order to prevent the same thing happening in the future.

Another interesting minor political development has been the appointment as Joint Parliamentary Under-Secretary of State for Air of Mr Quintin Hogg. Mr Hogg was one of the founders and has been one of the chief spokesmen of

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the Tory Reform Committee. It is interesting to observe that the Prime Minister thinks it advisable to invite him into the Trappist silence of junior office. It is still more interesting to observe that a Tory Reformer can be attracted by such an invitation. If other such invitations were to be extended and accepted, that would be an end of the Tory Reform Committee.

All-Party Foreign Affairs

Mr Bevin's week-end speech of three weeks ago attracted so much attention because of its polemical passages that comparatively little attention was paid to the suggestion contained in it that foreign policy should henceforward be treated as an all-party matter. It has, however, subsequently been picked up by correspondence in *The Times*. When a party leader, who in the same speech repudiates the idea of a continued coalition, makes such a suggestion it should not be allowed to fall on barren ground. Unfortunately, as a general proposition, there would be many difficulties in the way. No doubt foreign affairs, like military affairs or economic policy or anything else, would be more expertly pursued if they could be removed from the pressure of party politics. But they cannot; and merely to insist on an all-party body to decide controversial matters may be to replace all policy by dilute compromise. Foreign policy, among other things, has suffered from this in the past. So long as international relations are prominently before the public, the Opposition cannot afford to neglect every opportunity of attacking the Government on such issues as they present.

But to this general statement there is an exception. It is legitimate to hope that, for the years of the peacemaking, foreign policy will not be controversial, or at least not controversial between the parties, and it is essential that every party should both make its contribution to the settlement and be committed to it. A single-party Peace Delegation would be as dangerous in this country as in the United States. Even though a permanent Foreign Affairs Committee of all parties, on the lines of the Committee of Imperial Defence, may be impossible, some arrangement of the sort is both possible and highly desirable for the lifetime of the next Parliament should there be, as seems probable, a reversion to one-party Government. It might be as well for the party leaders to consider whether this could not be done before they break up and mount the hustings.

Tito and D'Annunzio

It seems that Marshal Tito envies the laurels that once rested on the head of D'Annunzio, the filibustering conqueror of Fiume in 1919. The Yugoslav leader has now staked out a claim to Trieste and the Istrian Peninsula. The Istrian Peninsula is inhabited mainly by Slovenes, and its incorporation in Yugoslavia is commonly accepted. Trieste is a different matter, for the city is almost wholly Italian. When Mussolini was fostering Italian expansion in south-eastern Europe, Trieste provided a jumping-off ground for Italian penetration into Yugoslavia. That the Yugoslavs of all political shades now view with uneasiness the prospect of Trieste remaining in Italian hands is, therefore, quite natural. But handing the city to Yugoslavia would hardly solve the problem, for Trieste would then become a cause of grave friction between the two countries. The establishment of an autonomous Free City of Trieste might be better policy. It would enable the Italian population to preserve its national life and culture. Moreover, it would enable the port to be used for the trade of southern and central Europe, on which the prosperity of Trieste depended before the first world war.

Whatever the merits and demerits of the Yugoslav claims, it is very unfortunate that frontier demands should be put forward with so much vehemence and nationalist fervour now, instead of being postponed until the Peace Conference. A possible explanation for the haste with which the Provisional Yugoslav Government has put on record its demand for Trieste is the predominance in Yugoslav policy, at present, of the Croats and the Slovenes over the Serbs. The Serbs have traditionally been more closely concerned with Yugoslavia's eastern frontier, and especially with their access to Salonika, which Marshal Tito has this week declared, in Moscow, not to be an urgent question "at present." The Slovenes and the Croats have been much more anxious to secure favourable frontiers on the

Adriatic coast. But it is also probably more than a coincidence that Marshal Tito has asked for Trieste on the morrow of the conclusion in Moscow of the Russian-Yugoslav treaty of alliance. His claim probably has the backing of the Russian Government, which may regard Trieste as an Adriatic outpost of the future great Slav bloc that will look to Russia for leadership.

The campaign for the inclusion of Trieste in Yugoslavia has caused some special trouble to the Italian Communists. Their leader, Signor Togliatti, must find it very hard to resist a demand that comes from Marshal Tito and may possibly have Russian backing. But he must also find it very hard to accede to a demand that of necessity hurts Italian national sentiment. The conflict of allegiances has already resulted in some queer political evolutions. At first the Italian Communists seemed wholeheartedly to support Marshal Tito's demand in defiance of Italian nationalist feeling, which expressed itself in demonstrations for the retention of Trieste by Italy. Now, Signor Togliatti is advocating the cession of the city to the Yugoslavs, not as a virtue, but as a dire necessity to which defeated Italy should submit. It is doubtful whether Italian public opinion will readily accept his argument. Trieste may yet become a formidable stumbling-block for Signor Togliatti's party.

Mr Foot Amends his Plan

Mr Foot has gone some way to meet the criticisms of his Plan for Coal without deviating from his general principles. In a Supplement he proposes certain amendments which would have the effect of limiting the powers of the Central Board, which, it was originally intended, should be the sole and final arbiter in the industry's affairs. The Board, he now suggests, should be selected by an electoral body, representing every coalfield, and undertakings, instead of having to accept its decisions as irrevocable and binding, should have the right of appeal to an independent Arbitral Tribunal to be set up by Parliament. The Board's powers to raise capital would be limited initially, and could only be increased with the approval of the Tribunal.

The Tribunal would deal with complaints from consumers about the operation of selling schemes, from mine-workers about matters not covered by the conciliation machinery and from the Coal Commission if coal were not being mined with due regard to its conservation. It would, in fact, largely supersede the Coal Commission, and would become the final authority for sanctioning amalgamation or absorption schemes. Mr Foot proposes to extend the range of cases in which compulsory amalgamation could be effected to cover undertakings whose separate entity would impede the efficient development of a coal area. In his original scheme, amalgamations could only be enforced in cases where undertakings were unable or unwilling to comply with the Central Board's decisions.

The mine-owners, it seems, are in a great hurry to complete their scheme for reorganisation before the proposals of the Government or the miners' union have been published. The establishment of an independent Tribunal would admittedly provide a safeguard against exploitation by one side of the industry. But Mr Foot's amendments do not really alter the original criticisms of his plan. He rejects the suggestion that the Board should include non-owner representatives, on the ground that the inevitable conflict of interests would only lead to delay and indecision. But surely, if the industry is to be run in the national interest, it is essential that the range of responsibility should be widened. Mr Foot's argument that he is not envisaging any more monopolistic powers than were established under the 1930 Act, though literally true, is not convincing, for there is an increasing volume of opinion in favour of revising the restrictive system of fixing prices and output established under that Act.

More fundamentally, Mr Foot's plan, even with its amendments, does not provide any guarantee that the proposed reorganisation would, in fact, fulfil his principle that the industry should "be brought to and progressively maintained in the highest state of efficiency." The blunt truth is that no one, outside the ranks of the coalowners themselves, has the slightest confidence in their willingness or ability to do more than tinker with the problem. The Reid Report showed that

nothing less than a thorough organisational and financial reform, as well as a technical revolution, would suffice. Mr Foot has expressed himself in complete agreement with much of the Reid Report, but not, it would seem, with its solution.

Russo-Polish Anti-climax

On Tuesday morning, the Soviet Government announced that it continued to insist on the representation of Poland by the Lublin Government at the San Francisco Conference. This announcement has come as an anti-climax to the reports concerning negotiations with the "missing" Polish leaders about the formation of a new Provisional Government. It has also come as an anti-climax to the announcement on Sunday last that Mr Molotov, and not Mr Gromyko, would head the Soviet delegation to San Francisco. The renewed Soviet demand for the admission of the Lublin Government to the Conference suggests that a serious hitch may have occurred in the reported negotiations with the Poles, or that the negotiations may have broken down. Otherwise, the Russians would have certainly preferred to claim admission for a reconstituted Government which would have a chance of being recognised by the Big Three.

What is really happening in Poland? It is really time that the veil of secrecy was lifted and that Allied observers and journalists were free to enter Poland and report on the happenings there. In theory, the Russians may be quite right in their dealings with the Poles. It may even be admitted, for the sake of argument, that the mood of the people in Poland is such that it favours the setting up of a single party system and the transformation of Poland into a Soviet Republic. If this is the case, why should Allied correspondents not be allowed to witness the changes and to describe them from their personal experience? During the Bolshevik revolution in Russia foreign journalists were allowed more than a glimpse of the great upheaval; and some correspondents were sufficiently broad-minded and sober to bear unbiased witness to the events. The persistent refusal to admit foreign correspondents into Poland unavoidably lends colour to the suspicion that an unpopular régime is being forced upon Poland willy-nilly.

The Polish issue will again be discussed by the Allied Foreign Secretaries when they meet at San Francisco and in Washington. Pending their discussions, the Prime Minister has decided to postpone the statement on Poland that he had intended to make in the House of Commons on Thursday. It is to be hoped that in the forthcoming discussions the mistake made at Yalta will not be repeated; and that the Allied Foreign Secretaries will not again patch up real differences with unreal formulas which will start a new and interminable dispute over their interpretation. Even clear-cut disagreement may be preferable to the continuation of diplomatic manoeuvres over the Polish issue which look more and more like an undignified game of hide and seek.

Requisitioned Land

The process of piloting the Requisitioned Land and War Works Bill through its committee stage is taking much time and skill. The Government has wisely abandoned its intention that the Treasury should appoint the War Works Commission, whose tasks will include adjudication between private owners and the various departments; and has substituted appointment by the Crown, acting, of course, on the Prime Minister's advice. The function of the Commission is judicial in the sense that it must strike a balance between numerous private and public claims to land, and it is obviously important that it should be completely impartial.

One of the most disturbing features of the Bill is the number of cases in which the Commission can be ignored or overruled by Government departments acting separately; and for this reason there is much to be said for giving it stronger powers, while allowing the departments to be represented on it.

The chief opposition is directed against the Government's powers to acquire requisitioned commons and public open spaces, even though these powers have now been narrowed to land on which there are war works of a substantial nature. An amendment to compel acquisition to

take place by provisional orders, which require Parliamentary confirmation, received almost unanimous support. Such safeguards are clearly excessive when only a minor footpath or small area of common is at stake, and Sir John Anderson has promised that there will be few major cases in which acquisition is demanded. If this is so, there seems no reason for refusing a Parliamentary safeguard which could be confined to major cases. A large area of common land is in fact at stake, and the bare assurance given by the Government that 90 or 95 per cent of it will not be taken is insufficient guarantee.

What the Government does not realise is that the public, after bitter experience, simply does not trust any Government department in any matter relating to requisitioning or compensation. A particularly scandalous case—though not one that would be covered by the Bill—is revealed in a letter in the correspondence columns of Thursday's *Times*. The buildings of St. Paul's School, used by the War Office for an essential purpose until D-Day, have now been "sub-let" for other official purposes, although the evacuated school is at the end of its tether. This is typical—any official purpose is automatically preferred to any unofficial purpose—and it is monstrous.

Where is UNRRA?

The problem of Displaced Persons grows with every few miles of the Allied advance into Germany. Millions of Frenchmen, Belgians, Poles and Russians are breaking out from the labour camps into which they have been put by Nazi press gangs. Many of them, especially the eastern slave labourers, are in a deplorable condition—starved, ragged, verminous and ill. Frenchmen, Belgians and Dutch seize all available means of transport and crowd the roads leading home. The return of these does not present great difficulties, although they have to be put in quarantine before they can enter their countries. It is the eastern slave workers who are the real problem. Not only are they more exhausted and starved than the displaced of the western countries, but they are also still separated from their countries by the fighting lines. Moreover, their sudden exodus from the German farms on which they worked threatens German agriculture with disaster. Nevertheless, it would be psychologically wrong and practically impossible to compel them to remain at work in the places where they have been kept by German force. The work on German farmlands must now be done by German labour itself; and a compulsory call-up of the German population for agriculture will be necessary if famine is to be averted.

The eastern workers, who may not be able to return home for some months, should be organised into camps, placed under some sort of discipline, voluntary if possible, and given food and clothing. Otherwise, they will scatter over Germany, spreading disease and living on loot. Unfortunately, all reports from Germany state that the personnel of Allied Military Government is altogether inadequate to cope with this enormous task. Is it really impossible that AMG should immediately share with UNRRA the responsibility for looking after the displaced persons? UNRRA has so far been virtually unemployed in Western Europe,

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as well as elsewhere. The public has often been told that its chief job will be to take care of the displaced persons; yet at the most critical moment the displaced persons, as the human wrecks from the Nazi labour camps are named in the official jargon, are left to take care of themselves. Is it to be understood that, as has happened elsewhere, UNRRA will not move in for another six months or as long as the areas in question remain a theatre of war? If AMG and UNRRA are allowed to persist in their mutual jealousy and suspicion, bureaucracy could indeed be convicted of mocking at human misery. The desire of the military commanders to have complete and undivided control over the areas behind the fighting lines is quite legitimate and understandable. But chaos and confusion behind the lines are certain to become greater and more dangerous if the relief organisations do not move in to help the displaced persons than if they do.

Education for Agriculture

It is a main principle of the Education Act that children should receive training fitted to their needs. At the Secondary level the principle will be implemented, first, by guiding each child into the most appropriate of the three types of school—Grammar, Modern or Technical; and, secondly, by adapting school curricula so that maximum use can be made of regional and local educational opportunities. Thus it is recognised that for selected pupils' technical education in the country districts should include some pre-vocational training for agriculture. At present, over the country as a whole, rural children are without opportunities for technical education parallel to those afforded to children in urban areas, and any policy to improve agricultural efficiency is incomplete if it does not provide for the removal of this inequality.

The first report of the Joint Advisory Committee on Agricultural Education makes various suggestions for dealing with the matter. Wisely, it does not plump for vocational training as such, but supplements the "rural bias" which should colour education in all country schools with a "pre-agricultural" course of three years for selected students above the age of thirteen. Its curriculum would consist of subjects "taught in any school which claims to give a good general education"—though some of them would be governed in scope and approach by the vocational aim. In other words, there would be no attempt to push vocational subjects at the expense of subjects of educational value. It would, indeed, be the negation of equal educational opportunity to tie a child to the land by training him for nothing else. Such training would prove so unattractive to the more able and intelligent students that agriculture would almost certainly lose their services.

It is suggested that the subjects of the course fall into two groups:

subjects of more general cultural value the teaching of which is unaffected or at most only slightly coloured by the vocational aim of the curriculum, and subjects such as mathematics, science and practical work, in which the selection of material for study is largely governed by the vocational aim.

and that subjects in the first group, including English, history, geography, music and art, should be allowed time comparable with the allowance made for them in the grammar school. This pre-agricultural course should be open to girls, since women "play an important part in the economic side of country life."

The report will help local authorities to prepare their schemes under the new order, but its suggestions are wide enough to ensure enough variety in agricultural education to make the next ten years a period of experiment.

The Alternative Health Proposals

The "alternative proposals" for the administrative structure of the national health service are causing more controversy than the original White Paper itself. Dr Edith Summerskill has called them a complete capitulation to the medical "old corps" and a negation of the White Paper which she described as an ugly confidence trick. Yet there is nothing outrageous in the fact that modifications of the original proposals have been discussed. As the Minister of Health pointed out in a reply to Dr Summerskill in the House of Commons last week, the White Paper stated quite clearly that its proposals were not final but were put forward for discussion before legislation was drafted. If the White Paper proposals were to be regarded as inviolable,

it would indeed be a waste of time for the Minister to have all these discussions, not only with the doctors but with dentists, hospitals and local authorities as well. Mr Willink also made it quite clear that the Government is not committed to the alternative proposals put before the representatives of all these bodies. It has not even considered them.

Whether the alternative proposals put before the doctor would be a negation of the White Paper if they are accepted by the Government cannot be decided until they are fully revealed. Great play has been made of the report that the general establishment of health centres would be postponed until experiments with different types of health centres in different areas had been carried out. But health centres are not a fundamental part of a national health service. The principle underlying such a service is that full medical, hospital and rehabilitation services should be available to everyone irrespective of their means, and the criterion for judging the alternative proposals should be whether they would promote this objective more successfully than the administrative structure of the White Paper. It should also be remembered that the White Paper itself said that organisation should be regarded solely as the means and "never for one moment as the end."

Milk Production

A Note in *The Economist* last week (page 484) gave figures showing how successful the campaign to increase winter milk production has been. Last week's debate in the House of Lords, however, disclosed the need for a further very big increase in production after the war, both in winter and summer, if milk consumption in this country is to be raised from the pre-war level of under half a pint per person a day to one pint, or at least to three-quarters of a pint, with more for mothers and children. Present production is about 1,500 million gallons a year. To achieve an average consumption of 0.8 of a pint a day, compared with 0.58 at present, would, according to Lord Moran, need an increase of 75 per cent in winter production and 30 per cent in summer production. Of this increase, 60 per cent would have to come from an addition to dairy herds, but 40 per cent could come from improved yields if the necessary effort were made.

It is a lamentable fact, as was made clear in the debate, that British milk production is inefficient compared with that of other countries—even if allowance is made for differences in natural conditions. The average yield per cow before the war, according to figures cited by Lord Bledisloe, was 530 to 540 gallons a year, compared with 770 gallons in Holland. Only France among the Western European countries had a lower yield than Britain. Another illustrative figure is the lactation life of the cow, which should be seven years, but in this country is, on an average, under four. Moreover, large quantities of milk are lost by cattle disease. Mastitis, it was said, accounts for an annual loss of 40 million gallons a year; contagious abortion for another 40 million; and delayed infertility and sterility for about 120 million. The annual loss of 200 million gallons—an estimate only, but one which was not refuted—is about one-eighth of total production, and a great deal of it is avoidable.

It is quite true that steps have been taken to control these diseases. The Duke of Norfolk mentioned the voluntary scheme introduced in the summer of 1942 under which cows are placed on a veterinary surgeon's panel and examined four times a year. But only about 300,000 cows and heifers out of a total dairy herd of some 3,200,000 cows have come under the scheme. The reason may probably be, as the Duke claimed, the shortage of vets, but is there any evidence that the dairy farmers as a whole welcome the scheme and are clamouring for more vets?

Milk is the only branch of agriculture in which British farmers have a naturally protected home market. Such protection places an obligation on them—and on the Ministry of Agriculture—to raise the low standards of British dairy farming.

City Plan under Review

A memorandum published by the Chartered Surveyors' Institution this week brings once more to the public mind the suspended state of metropolitan planning. The institution is concerned with the principles and details of the

City of London Plan, published by a committee of the Corporation last July. The original plan was limited enough—limited by the implicit assumption that, with the cost of radical reconstruction beyond the City's means, there would be no other way out than by sticking to piecemeal improvement. Its latest critics are, if anything, even more firmly determined that the shape of the new City (at least a quarter will have to be rebuilt) shall be dictated primarily by its function, present and future, as a commercial centre. As such the cost of reconstruction rules out as impracticable "a City of boulevards and vistas." The main criterion is to be the replacement of at least as many workers in this congested space as before the wartime exodus.

Nevertheless, the memorandum does serve to emphasise the cumulative effect of letting things slide in matters of town planning. It is quite clear that the first delay was caused by the dilatory introduction of the Town and Country Planning Act. That, in itself, encouraged procrastination among the local authorities, and may have tempted them to put off decisions which should have been taken long ago.

In the case of the City, the "danger" of further commerce making its permanent home outside may not be so calamitous as the surveyors imagine. But other results of procrastination are just as much to be feared, and it must be hoped that some new development as regards the Plan is not far off. It is, perhaps, still not too late for the Government to consider how much responsibility it could assume for the cost of reconstructing a national asset and source of pride.

Shorter Notes

The date of the Canadian General Election has now been fixed for June 11th, a week after the provincial election in Ontario, where the Progressive Conservative Government, which took office with a minority after last year's election, is appealing to the electorate. The result of this trial run in the largest Province may affect the wider issue. An article by our Ottawa Correspondent on the prospects of the Canadian parties appears on page 514.

The following table, perhaps a complete version for the whole of the war, gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,981	3,475
Sept.-Dec., 1940.....	22,273	28,548	50,821
Total, 1941.....	20,881	21,841	42,722
Total, 1942.....	3,236	4,150	7,386
Total, 1943.....	2,372	3,450	5,822
Jan.-May, 1944.....	1,563	2,916	4,479
June-Aug., 1944.....	5,479	15,934	21,413
Sept.-Dec., 1944.....	1,425	3,134	4,559
January, 1945.....	585	1,629	2,214
February, 1945.....	483	1,152	1,635
March, 1945.....	792	1,426	2,218

Totals to date.... 60,583 86,161 146,744
Those killed in air-raids during March included 315 men, 386 women and 91 children under 16.

AMERICAN SURVEY

Housing Policy

(From a Correspondent in Massachusetts)

ON two planks in the post-war platform there is unanimous agreement, so long as they are stated in general terms. The first is to build a great many more houses than ever before, and at a steadier rate; even moderately full employment cannot be expected without a healthy building industry stabilised at a high production level. All kinds of proposals have been made, but the National Housing Agency's estimate of 1,260,000 new non-farm dwellings per year on the average for a decade is a conservative, well-documented and widely accepted figure. This is one-third more than were produced in the highest boom year, 1925, and more than double the number being built just before the war. Proportioned to population, it would equal 400,000 new homes per year for England and Wales.

The other objective is to get rid of slums and urban blight. The existence of an enormous volume of bad housing is now generally recognised, thanks to the nationwide surveys of the depression years and the Housing Census of 1940. All surveys tend to indicate that one-quarter to one-third of all homes are seriously sub-standard, with the proportion much higher in the south and somewhat lower in the north and west. Such analysis has been familiar to Britons for generations, but the distinction in the American mind between the terms "slum" and "blight" should be explained in order to clarify some current arguments over policy.

A "slum" is recognised here, as elsewhere, to be primarily a social problem. To attack this problem the US Housing Act was passed in 1937, belatedly following English precedents. Under this Act about 120,000 low-income families were rehoused and a considerable number of slums eliminated, but the die-hard property interests had not quite resigned themselves to it before the war.

The connotation of "blighted area," however, is economic. Such an area may or may not include outright slums. The important fact about it is that it is getting more and more unprofitable: to owners, to lending institutions, and to the city as a financial entity. Property values and assessments are declining, vacancies and tax delinquencies are mounting, and the whole district is dead to

improvement or new investment by traditional small-scale private means.

This situation, which affects to greater or less degree a good half of the corporate area of the larger American cities, is the natural result of two trends which, although universal in Western civilisation, have appeared in the United States in acute form. One is urban land speculation, with its exploitive congestion and irrational dwellings that become undesirable as soon as something newer and steeper is available. The other is the mass-migration to the suburbs which, facilitated by the automobile and galvanised by the dreariness at the centre, has been rapidly emptying the cities of practically everyone who could afford to get out.

The inevitable result of these trends—stagnation and eventual bankruptcy of the central city—was blurred as long as urban areas were growing. But between 1930 and 1940 many of the older cities lost population for the first time, even while their metropolitan areas were still for the time being increasing. Practically all central districts declined, even in such boom towns as Los Angeles. At long last the property owners and financial institutions and city fathers began to get frightened.

The result is the Urban Redevelopment Movement, whose prime purpose is to "save" the old city centres in a strictly economic or even financial sense. Various measures are sought, both State and Federal, to facilitate large-scale land acquisition and to subsidise, in one form or another, the difference between the frozen paper value of blighted property and its "use-value" for profitable new enterprise. In other words, a bailing-out process to permit a fresh start.

There are healthy and potentially fruitful elements in this movement, and such *bona fide* Liberals as Alvin Hansen and the late Alfred Bettmann have tried to steer it toward broader and more constructive goals. But most of its political force and leadership comes from the individuals and organisations, notably the National Association of Real Estate Boards, who are the most violent opponents of not only of low-rent public housing, but also of any positive improvement in the present wasteful speculative character of private building operations.

These forces are opposed to continuation of the war-born National Housing Agency, which has brought together the numerous national agencies in the field, including the Federal Housing Administration, which insures private mortgages, and the Federal Public Housing Authority, which administers the US Housing Act, and has turned out half a million units of emergency public housing for war workers. At the same time other similarly powerful groups insist that a comprehensive programme of housing and civic reconstruction requires a permanent and greatly strengthened NHA, with responsibilities broadened to include the whole civic picture.

In sum, therefore, the reasons for wanting to build a lot of houses to get rid of urban decay are sometimes conflicting. And the fact that most of the people actively interested are lined up in two armed camps tends to delay recognition of the very nature of some of these problems that each side wants to attack.

Thirteen million homes cannot be built in ten years unless they can be disposed of. And they cannot be disposed of without a mechanism that ensures a universally effective housing market. Nor can vast sections of the cities be reconstructed no matter how much the tax-payers are willing to hand out for land subsidies, nor complete communities built on new land unless new homes can be provided within reach of all kinds and classes of people. There is the greatest weakness in the housing mechanism as it exists to-day. Private enterprise, even with Federal mortgage insurance, has never reached much below the richest third of the population, and its effective market has often been even smaller. And public housing, as long as it is confined by law to the "lowest income group" and families from outright slums, cannot go above the bottom third. The middle group is entirely outside the market: they cannot afford the private product; they are ineligible for the public.

A good example of this group is the automobile workers. Their jobs are as stable as anybody's, and they get fairly good pay. They do not need a subsidy. But they do need efficiently produced homes, financed at 2 or 2½ per cent, on cheap land, without speculative profits. The United Automobile Workers of America, the active CIO union, is interesting itself in this problem, and is applying to it the experience gained in quarrels with Henry Ford and with the Government over housing in war-time. The eventual solution will probably come about through the demands and activities of such groups. But it will be a tough fight. For, whether it is done by public initiative, by co-operatives, or by some new form of private enterprise, it will be a serious threat to the wasteful practices of the shoe-string speculative builders and traditional real estate brokers and investors who dominate the National Association of Real Estate Boards and the Federal Housing Administration—much more of a threat than the most heavily subsidised slum rehousing.

Another point of weakness is the lack of any guiding concept of the form and function of a modern urban area. Obviously it is no use tackling slums without rehousing their inhabitants. This lesson has begun to be learned. But it is just as useless to tackle economic blight without dealing with the entire metropolitan region as a single organic entity. Indeed, guiding and controlling exterior development is probably far more important at this stage than any direct attack on the centre. There is in this country no live Garden City movement to state the alternative to "Urban Redevelopment" and thus clarify the conditions on which central reconstruction can be successful.

No strong overall leadership has yet emerged capable of transforming all this heterogeneous and often antagonistic concern for building and employment for houses and cities into a positive force and unified programme. Thus far the National Housing Agency, instead of making the bold effort to divide its enemies and inspire its friends, that is probably its only chance for survival, has mainly tried to keep its neck under cover. For some recent Senate hearings on post-war housing, NHA prepared admirable tables demonstrating exhaustively the nature and scope of the housing problem, but never stated the obvious conclusions. And the National Committee on Housing, the only private organisation that has tried to cover the whole field, is bogged down under the illusion that having a board of directors representing all the extremes is equivalent to having a comprehensive programme.

Meanwhile, private building and financial groups are still drawing much of their leadership from irresponsible and

anti-social elements, although many of them—materials producers and contractors, for instance, and investment bankers—should be open to broader ideas, solely in self-interest.

The chief constructive proposals at the moment are coming from the National Public Housing Conference, representing local housing authorities, the labour federations, and Liberals in general. Amendments to the US Housing Act sponsored by NPHC will shortly be introduced, designed (1) to provide annual subsidies for about 450,000 units of low-rent public housing; (2) to improve financial mechanisms so that long-term capital will be available from private sources at around 2 per cent; (3) to extend the programme to low-income families in rural areas, with suitable changes, including the right to eventual purchase of the house, and (4) to provide funds and powers to permit local authorities to acquire slums and blighted areas for redevelopment at "use-value" by private as well as public agencies.

This is all sound as far as it goes, and there are signs that the Senate, at least, may regard it with favour. It is not a comprehensive programme in that it does not tackle either the middle-income group or the broader and deeper questions of land-use and city form. But probably under all the circumstances it is about the best that could conceivably be got through Congress in this session. And even a partial victory for a partial programme would have a good effect on the morale of progressive forces.

American Notes

President Truman

Mr Truman has compared his political position with the geographical position of his native state of Missouri—in the centre of the country. Perhaps that is what makes it difficult to evaluate him. Nothing in his record or his character stands out as different from the average.

Until 1934, his political experience was entirely confined to Missouri, where he never achieved the prominence of the Governorship. He was attached to the cause of the notorious Boss Pendergast, of Kansas City, but no accusation of dishonesty has ever been brought against him personally. It was through Pendergast's patronage that he was elected to the Senate in 1934. In Washington, he did not emerge into any prominence until he was appointed as chairman of a committee set up by the Senate to investigate the war production programme and related matters. The Committee worked hard; it contrived to select subjects for investigation that were in the public eye without playing to the gallery, and it was on the basis of the esteem won by this work that Mr Truman received the Vice-Presidential nomination last summer.

His voting record in the Senate shows very few divergences from strict party loyalty. There are some signs of incomplete agreement with the more extreme New Dealers: thus, he voted against imposing a flat limitation of war-time incomes to \$25,000, and he wanted to incorporate a provision in a Tax Bill permitting corporations to set aside, tax free, a portion of war-time profits to offset conversion costs. But he is by no means a conservative on labour matters: he voted against the Smith-Connally anti-strike bill and in favour of the Wagner Labour Relations Act and the Wages and Hours Act. On foreign affairs, his record is perfect in support of Mr Roosevelt.

Since taking office, Mr Truman has given specific endorsement to the bills now before Congress to ratify the Bretton Woods Agreements and to extend the Reciprocal Trade Agreements programme. To get both of these passed unamended will be a test of his powers of persuasion over his former colleagues.

The Succession

The Vice-Presidency of the United States is a constitutional curiosity; no other constitution has created an office of such actual impotence and potential power. In the earlier years of the republic, the Vice-President was the man who got the second largest vote for President. This at least secured that he should be a man of eminence, and both John Adams and Thomas Jefferson served as Vice-President before being elected to the higher office. But even in those days the Vice-President had no duties assigned to him other than that of presiding over the

Senate. Since the system was changed to provide for the election of a single "ticket" for both offices, the Vice-Presidential nominee has almost always been a politician of quite minor status, chosen as a make-weight to the Presidential candidature.

The Vice-President has never been in any sense an Assistant President. Usually he has been excluded from the conduct of affairs and left to be the chief social lion of Washington dinner-parties. It was an innovation on President Harding's part to invite Vice-President Coolidge to attend Cabinet meetings, and Vice-President Wallace was the only one of the whole line who was ever given an administrative job to do.

One of the minor obscurities of the Constitution, is whether, on the Presidency becoming vacant, the Vice-President succeeds to the office as well as to its "powers and duties," which is all that the Constitution specifies. The first Vice-President to succeed was John Tyler in 1841, and for a day or two he apparently held that he was only Acting President. But he changed his mind, and ever since, a Vice-President, on succeeding, has taken the Presidential oath and been treated in every way as President.

No new Vice-President is appointed. For the first century of the Constitution, the further succession devolved upon the President of the Senate (that is, the Senator voted into the chair by his colleagues in the absence of a Vice-President) and on the Speaker of the House of Representatives, in that order. But this arrangement had many defects, especially the fact that the President of the Senate might be of the opposition party. In 1886, accordingly, the law was changed, and the succession was devolved on the members of the Cabinet in order of the seniority of their departments, the Secretaries of State, of the Treasury and of War being the first three.

Seven who Succeeded

Mr Roosevelt was the seventh President to die in office. Seven times, therefore, accident has propelled into the White House a man who was never selected to wield such great powers, and was qualified to do so, if at all, only by accident. Surprisingly, the record is not discreditable. One President of close to the highest rank, Theodore Roosevelt, reached the White House by that route. One, it is true, was impeached, which is a signal mark of political failure, but historians have been more inclined to blame the black passions of the Reconstruction Era than the faults of Andrew Johnson's policy. With this possible exception, none of the Vice-Presidents has been as disastrous as such duly elected Presidents as Buchanan, Grant or Harding.

One peculiarity of history is that, with a single exception, Vice-Presidents who have succeeded have done so very early in their term of office. John Tyler was the little-considered appendage of the ticket that was elected on the slogan of "Tippecanoe and Tyler too," but old General Harrison barely survived his inauguration. Millard Fillmore also succeeded in 1850 to an elderly general, Zachary Taylor, who did not long survive the unaccustomed ardours of politics. Both Tyler and Fillmore were Presidents of whom, if history records anything, no one remembers it.

Andrew Johnson was the tragic man whom John Wilkes

Booth's bullet made President. He had been chosen as a Southern loyalist to "balance the ticket," and it was hardly to be expected that he would be able to ride the stormy seas of bitterness left behind by the Civil War. Chester A. Arthur is the leading example of a machine politician who redeems himself in office. He was a protégé of the great New York sportsman Roscoe Conkling, and, as Collector of the Port of New York, had made himself notorious even in that corrupt age. Once in the White House, however, after the assassination of Garfield in 1881, he astonished the world by pushing through the first instalment of civil service reform.

Theodore Roosevelt, who succeeded the murdered McKinley, was the first Vice-President to secure re-election to a second term in the White House. Calvin Coolidge, who succeeded Harding, followed this precedent—perhaps the only point in which he resembled the first Roosevelt. Mr Truman will thus find good and recent precedent if he wishes to be the Democratic nominee in 1948. Indeed, it would be necessary to go back to 1884 to find a case of a President, serving his first term, being refused the nomination by his own party. Moreover, both Theodore Roosevelt and Coolidge held that their first term, being incomplete, did not disqualify them from a second re-election. Roosevelt tried, and failed, to secure the Republican nomination in 1912 and ran as a Progressive. Coolidge's careful formula, "I do not choose to run for President in 1928" is now generally assumed to have meant that he was willing to be drafted.

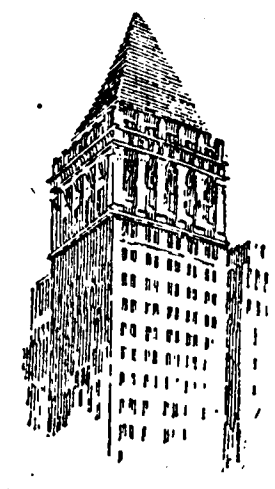
The New Deal

When Mr Roosevelt some months ago signed a Bill to abolish the Civilian Conservation Corps, there were many who pronounced the obituary of the New Deal. It is true that in the third of his Administrations, from 1940 onwards, very little new was added to the reforming achievements of the preceding eight years. But that the New Deal has profoundly and permanently changed the face of government in America can be seen by the briefest glance at the established institutions which did not exist when Mr Roosevelt took office.

It is something of a shock, for example, to remember that in Mr Hoover's day not only were there not the first beginnings of a system of national social insurance, but the Federal Government was still struggling to preserve the doctrine that unemployment relief was the concern of the states and cities alone. The structure of social security in the United States is still less complete than in this country, but it has gone a long way since 1933.

The achievements of the New Deal in building dams and in regional plans such as the TVA are well known, and by definition, permanent. Housing is another field that had not previously been explored by the Federal Government, but is now well covered. Labour relations, Stock Exchange control, agricultural assistance—all these, and many less important matters, if they are not entirely new, can never revert to their previous status.

If the New Deal seems to some eyes to be dead, it is only because such a very large part of it is now taken completely for granted.



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THE WORLD OVERSEAS

• The Canadian Parties

(From Our Ottawa Correspondent)

WHEN the Canadian voters go to the polls this summer they will have an exceptionally wide choice of parties. Unfortunately, the current pattern favours the election of regional groups rather than a clear-cut majority for one party, with truly national support, such as would be especially desirable for a strong post-war government. It is not unlikely that the election will result in a stalemate. The situation is, however, too obscure for confident prophecy.

The Liberals under Mr Mackenzie King were elected in 1935 and in 1940 with overwhelming support (170-180 seats out of a total of 245) and appeared for a time almost certain of coming back to power again with a comfortable majority. The Gallup poll has, however, recorded a serious slump in their popular support. Last June, the traditional Liberal stronghold of Saskatchewan deserted the party and elected a CCF (Co-operative Commonwealth Federation) provincial administration. The critical by-election in Grey North in February was lost by the Government when an obscure ex-Liberal insurance agent defeated the popular Minister of National Defence and former chief of the Canadian army, General A. G. L. McNaughton. Finally, the province of Quebec, which assured Mr Mackenzie King's election in 1921, saved him from disaster in 1925, re-elected him in 1926, and gave him 60 out of 65 seats in 1935 and again in 1940, appears likely to turn its back on Liberals, Conservatives and CCF alike, as a result of the reinforcement crisis last November and the enactment of compulsory overseas service.

If it were possible to divine the mood of the Quebec elector, the task of forecasting Canadian political trends would be much simpler. The Conservatives hope that the defeat of the Provincial Premier, Adélard Godbout, last year and the election of Maurice Duplessis, Union Nationale, is a favourable sign; and John Bracken, the Conservative leader, has been cultivating the rural ridings of Quebec assiduously. The CCF, too, has hopes that it can exploit the defection of the province from its ancient loyalties. Then there are separatists, isolationists and independents of various complexions, all bidding for support in that province.

Quebec and the Liberals

Quebec swung solidly Liberal in the conscription election of 1917, and, except for the split which placed the Right Hon. R. B. Bennett (now Lord Bennett) into power in 1930, the province has stayed loyal to Sir Wilfred Laurier and his political protégé, Mr Mackenzie King, ever since. By remaining at the head of a government which, against its solemn pledges, introduced compulsory overseas conscription in 1944, Mr Mackenzie King has unquestionably forfeited this solid loyalty. But a defection from him

does not mean that the Laurier Liberalism of Quebec will turn to Conservative or Socialist parties. It is far more likely that the French Canadians will nominate Independent Liberals and, in general, elect them in preference to any other choice. Allowing for the likelihood that the Conservatives will win most of the English-speaking Montreal ridings and the English-speaking part of the eastern townships; that the CCF will make some headway in the industrial areas; that the Labour-Progressives and the Social Credit members will win a seat or two, it would still appear that the majority of the Quebec seats in the forthcoming election will be won by Mackenzie King Liberals or by Independent "Laurier" Liberals, who would co-operate with Mr Mackenzie King in the House of Commons. This may be too optimistic an estimate from the Liberal viewpoint; if it does materialise, the Liberals have much the best chance of forming the next government, though they may lack a clear majority; if, however, Quebec does turn away from Liberalism, orthodox or independent, then the Liberal prospects are practically hopeless. Mr Mackenzie King, in short, cannot hope under current political moods to find enough members to form a government unless he can hold a substantial vote in Quebec.

Mr Bracken's Chances

Nor is the Conservative case any better. There has been absolutely nothing to indicate that Mr John Bracken and his Progressive Conservatives will pick up any worth-while support in the Maritime East or west of Ontario. In British Columbia the CCF and Liberals are strong, and the Conservatives are weak. In Alberta, the Social Credit machine is hitting "on all six" and should deliver most of the federal seats to its own party; the remainder, if any, are likely to be CCF or Liberal. Saskatchewan is a fight between the Liberals and the CCF with the Conservatives nowhere; Manitoba offers a slightly better prospect, and Mr Bracken will himself run there. As for the Maritimes, the most recent provincial election was a serious blow to Conservative hopes. If this summary is sound, Mr Bracken must find a government essentially from the 65 Quebec seats and the 82 in Ontario. But Quebec dissidents are hardly likely to throw over Mr Mackenzie King because of overseas conscription, only to vote for a party which itself hedged cautiously on the subject for years but in 1944 came all out for it.

If the general election is held while the reinforcement issue is still alive, as it was in Grey North in February, Mr Bracken might do well in Ontario. He might capture the majority of seats. But even if the most generous estimate of his gains in that province is made, it is difficult to find anything like a hundred Conservative seats in the whole of Canada. And a clear majority requires 123.

What of the Co-operative Commonwealth Confederation? It swept the province of Saskatchewan last June and built high hopes on the triumph. But it ran a bad third in the by-election of Grey North. Its socialistic creed is not likely to make much headway among the inhabitants of French Canada. Its fortunes depend considerably on the basic issues of the coming election. Its trump card to date is a promise to take steps to prevent mass unemployment, such as that of the recent depression, which it blames on the capitalistic system. If "pie in the sky" or the promise of a "brave new world" of public ownership constitutes the real issue, the CCF may do very well in Ontario and the West. But the task of winning 123 seats west of Montreal is truly formidable, for if Alberta, which has its own special brand of radicalism, is omitted, there are only 137 such seats to bid for. Thus, without an utterly unexpected invasion in force of Quebec and the Maritimes by the CCF,

its chances of forming a majority in the new House are virtually nil.

The Smaller Parties

These three parties are the main contenders. There will be the Social Credit party, contesting all the 17 Alberta seats and a few others on the prairie; the Labour-Progressive (Communist) party, which has already announced its intention of running 70 or 75 candidates; the *Bloc Populaire* in Quebec; and several brands of Quebec Independents. None of these can hope to do more than elect a small block of members. To the extent that they are successful, they make the task of forming a government by one of the three major parties all the more difficult.

This realisation that, to use the slogan of 1935, the Canadian elector faces the choice of "King or Chaos" (or its variant forms, "Bracken or Chaos" or "Coldwell or Chaos") may in the end play a powerful part in deciding the issue. The resurgents in Quebec may come to see that desertion of Mr Mackenzie King might sentence Canada to a unstable government, or threaten to place in power imperialist or socialist parties with which they have little sympathy. It is not inconceivable that such considerations may draw a large number of wandering Quebec Liberals back to the fold.

Banking Trends in Eire

[FROM OUR DUBLIN CORRESPONDENT]

THE monetary circulation in Eire continues to increase. In December, 1944, it amounted to £39,593,839, compared with £36,059,640 in December, 1943, and with £32,011,659 in December, 1942. Of the total circulation £33,063,303 consists of legal tender notes, which are fully covered by the gold and sterling assets. The income-earning assets in the legal tender note fund have grown to £28,010,396 from £9,079,209 in 1940. This increase is the result partly of the general expansion of the circulation, and partly of the substitution of legal tender notes for bank notes which are being gradually withdrawn. The increase in the circulation reflects the increase in the agricultural price level, and in the cost of living, and black market and smuggling activities. There is no evidence that currency is being hoarded.

The deposits of the commercial banks have continued their upward trend, reaching to a new high level of £263,125,413 in December, 1944. Of this total £189,348,962 was in Eire, the balance being in Northern Ireland and Great Britain. This increase in deposits is the result of the lack of investment opportunities owing to the shortage of raw materials. The balance of payments has become very favourable since the outbreak of war, and the accumulation of sterling has shown itself in the expanded deposits in the banks and in the Post Office Savings Bank. The increase in deposits reflects the idleness of money in Eire, and is entirely unlike the increase in Great Britain, which reflects the enormous expansion of public expenditure based largely on borrowing from the banks. There is nothing "inflationary" about the increase in the Irish monetary circulation and bank deposits.

The banks' profits have not risen at the same rate as their deposits. The net profits of all the Irish banks in 1944 amounted to £1,159,587, an increase of £22,512 over 1943, but a decrease of £25,579 compared with 1939. Expenses of administration have risen during the war years. Many of the smaller branches must find it hard to pay their way. In recent times there has been a movement towards a reduction in the number of branches in country towns, many of which are unquestionably "over-banked." Staff salaries have been increased after considerable friction and bad feeling between the directors and staffs. The proportion of deposits on which interest is paid is much higher in Ireland than in England. No official figure is published, but it can be safely estimated at upwards of 75 per cent. The Irish banks are to a large extent savings banks whose customers expect to be paid interest on their deposits.

A Comparison of Assets

As against the influences that have tended to keep down profits, there are certain favourable factors on the assets side of the banks' balance-sheets. Owing to the relatively low degree of liquidity which is justified by the nature of their business, they carry a much larger proportion of high-

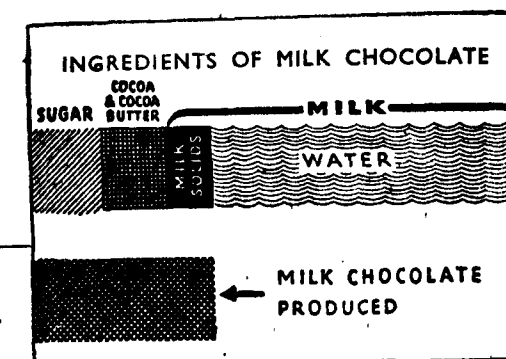
yielding assets than the English banks. The following comparison between the distribution of bank assets in Ireland and England is illuminating on this point:—

PERCENTAGE RATIO OF ASSETS TO DEPOSITS (INCLUDING IN IRELAND, NOTES)

	IRELAND	ENGLAND Composite Figures of the "Big Five," Dec. 31, 1944
	September Quarter, 1944	
Cash	17.0	11.0
Money at call and short notice	7.6	3.8
Bills	1.2	3.3
T.D.Rs.	...	38.2
Investments	56.4	24.3
Advances	23.8	17.1

The only really liquid assets in the Irish banks are cash and money at call. The bills are practically all in respect of private transactions, only a very small proportion being Treasury bills. One feature of the Irish balance-sheets that deserves mention is the small extent to which the Irish Government is indebted to the banks. There is no Irish floating debt, and the total Irish Government securities amount only to £8,372,593. This is in striking contrast with conditions in England where the Government has become by far the largest borrower from the banks. Another interesting contrast is to be found in the relation between the capital and the deposits of the banks. The capital and reserves of the "Big Five" amount to £120,386,000, and their deposits to £3,930,000, a ratio of 1 to 32. In Ireland the corresponding figures (including notes) are £17,822,622 and £268,272,478, a ratio of 1 to 15. The paid-up capital of the Irish banks amounts to £8,262,248, and their reserves to £9,560,374. Except in the case of the Bank of Ireland, there are large uncalled liabilities on the shares. In many respects Irish banking to-day is more in line with what used to be regarded as the sound traditions of British banking than are the British banks themselves, which have tended to become more and more the agents for financing Government deficits.

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THE BUSINESS WORLD

The Demand for Electricity

THE annual report of the Central Electricity Board for 1944, published this week, rounds off the story of its wartime experience begun in the reports for 1940-43, which were released in a batch two months ago and discussed in *The Economist* of February 17th. In the main, it confirms the impression that the conception of the electricity grid was not only good economics, but also good strategy. It made possible the dispersal of war factories, and it guaranteed a continuity of supply, despite local breakdowns. The loss of output capacity through enemy action was less than had been feared; it never exceeded 400,000 kilowatts at any one time—equivalent to about 4 per cent of installed capacity at "selected" generating stations. With a touch of humour, the report points out that during the four months from August to November, 1940, no fewer than 456 faults in transmission lines were caused by escaped barrage balloons, against 126 faults caused by bombs. Encouraging though the wartime record of the grid has been, the feature of the report, perhaps, is the light it sheds upon the future.

In peace-time, the success of the CEB depends mainly on its ability to forecast the demand for electricity from public supply stations with some accuracy four years ahead—this is the time taken to translate extension schemes into practice. If it over-estimates demand, the resulting surplus generating capacity will raise costs; if it under-estimates the rate of expansion, the resulting shortage of capacity would give rise to no little public wrath. In practice, of course, the Board can allow itself a margin of error in estimation, for, within limits, it can adjust the dates of retirement of old plant. In the past its estimates have been fairly accurate; by the end of 1938 the capital saved through a reduction in reserve generating capacity already amounted to £22 million—equivalent to nearly three-quarters of the capital spent on the grid, on its extensions and reinforcements.

In its latest estimates of the probable expansion in demand during the next four years—that is, up to the winter of 1948-49—the Board takes an optimistic view of demand. In the early part of 1944, it budgeted for 3,394,200 kilowatts of new generating capacity; if all this is additional to the 11,254,000 kilowatts installed at the end of 1944, it would mean an addition of 30 per cent, equal, proportionately, to the increase during 1940-44. The period for which the Board has had to prepare its estimates is a peculiarly difficult one, for it broadly coincides with the period of transition from a war to a peace economy. The assumptions on which the Board's programme has been based are, therefore, of special interest. The assumptions made were:

- (i) That the war in Europe would terminate in the autumn of 1944 and the war in the Far East in the autumn of 1946; in that two-year interval partial demobilisation would occur with gradually accelerating cuts in the production of war material;
- (ii) That "blackout" restrictions would be removed immediately on the termination of the war in Europe, and that the continuance of "summer time" throughout the winter would cease in 1947;
- (iii) That civilian rationing, control of raw materials and the direction of labour would continue on a gradually reducing

scale until 1948, thus permitting of a gradual expansion of production for civilian purposes as war production declined and demobilisation proceeded;

(iv) That about three-quarters of the new industrial capacity created for war purposes would be converted to peace-time use and new housing would be provided for the consequent employed population;

(v) That financial control would be maintained sufficiently to prevent any post-war boom, inflation and consequential subsequent depression;

(vi) That from 1948 onwards, the declared Government policy of full employment would be successfully achieved, and major variations in trade conditions from year to year consequently avoided;

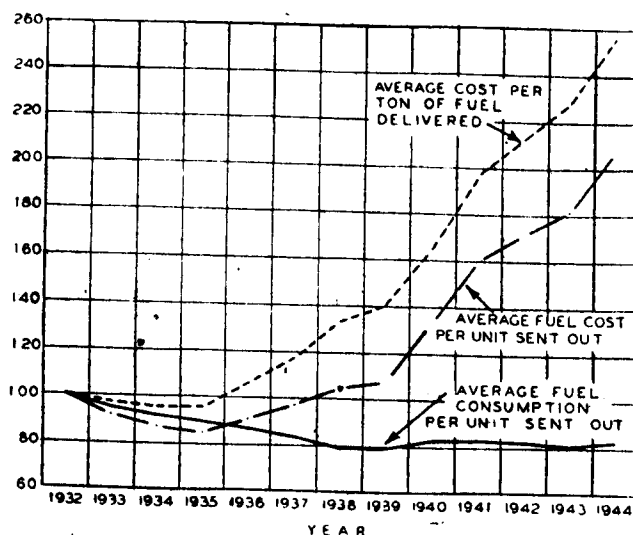
(vii) That the international trade position of the country would be stabilised;

(viii) That a gradual improvement of the internal standard of living would be achieved;

(ix) That no artificial restriction would be placed upon the development of the public electricity supply industry in any of the markets which it served; and

(x) That the large scale re-housing programme announced by the Government would be realised with a consequent rapid increase in the number of electricity consumers connected.

COST AND CONSUMPTION OF COAL AT STEAM-RAISING STATIONS.



If the first part of the CEB's first assumption has gone awry, the Board has erred in good company. The assumption that about three-quarters of the new industrial capacity created for war purposes is likely to be converted to peace-time use seems somewhat high, though not necessarily erroneous. But the last six assumptions (with the exception of assumption (ix)) are large ones—they illustrate the kind of difficulties many business men are up against in planning for the future. (Incidentally, it is difficult to interpret assumption (vii); what does a stabilised trade position mean?)

In the form in which these are stated, many of these assumptions seem to be too optimistic, perhaps even naive, and since the CEB has refrained from publishing the relative values attached to each of them, they cannot be criticised in detail. But they should probably be regarded as determining the maximum demand that the Board is likely to have to meet rather than as cold-blooded prophecies. Moreover, the Board's global estimate of additional needs of generating capacity is not necessarily wide of the mark, even if some of the assumptions should prove to be fallacious. There are a number of powerful factors that will make for a continued expansion in the demand for electricity during the next four years. One of these is the enormous rise in the price of coal in recent years, shown by the accompanying chart. Since coal forms a relatively small proportion in the total cost of electricity because of the high cost of plant and transmission, the steep rise in its price will have the effect of bringing down the cost of electricity in relation to more direct methods of consuming coal. (During the year ended March, 1940, fuel represented 18 per cent of the revenue obtained from the sale of electricity to consumers; the present proportion appears to be some 25-30 per cent.) If the price of electricity were to remain virtually unchanged, with coal costs twice as much as before the war, this would be a potent force in speeding up the process of electrification in the home as well as in industry. True, new electrical

equipment will also be more expensive than before the war; but during the next four years—and, indeed, longer—average overheads will be kept down by the weight of the plant and gear already in existence. But there are other factors probably included in assumption (ix), such as a continued transfer of consumers from private to public supplies, and—though this may not be a decisive influence in the near future—an increase in the capital equipment of British industry which is the chief consumer of electricity. (During the year ended March, 1938, 54.1 per cent of total sales of electricity was used as power by industry, 6 per cent in traction, 39.9 per cent in lighting, heating and cooking.) On a longer view, the prospect for electricity is un-

Insurance in France

SINCE the liberation of France a delegation representing British insurers has visited Paris, and a French Mission has also been in London. During these very cordial exchanges, a good deal of information has been accumulated here concerning the problems confronting French companies during the occupation years and the methods adopted for dealing with them, with the result that the rather vague outline of events previously visible can now be sketched in in considerable, although as yet incomplete, detail. The picture is in general a sombre one, the colour being chiefly provided by the remarkably successful efforts of the French industry to prevent German penetration in the domestic insurance structure. Very serious difficulties arose first through heavy increases in many departments in the cost of settling claims, secondly through a marked rise in working expenses, and thirdly through the disequilibrium produced by the sudden, enforced withdrawal of British participation in the direct and reinsurance markets. The purpose of the present article is to describe as fully as space permits the measures taken to deal with each of these problems and to sum up the situation as it exists to-day.

Of the four main departments of insurance—fire, accident, marine and life—that most severely affected by higher claims costs is undoubtedly fire. To some extent, the influences working in this direction have been similar to those experienced in Great Britain and the United States: concentration of hazards owing to accumulation of stocks at central locations, abnormal pressure on employees and machinery, and increases in values not adequately offset by corresponding adjustments of sums assured and premiums. These influences have been reinforced by other considerations arising directly from the occupation, such as carelessness on the part of troops occupying billets, acts of incendiarism against the property of collaborationists and black-market operators, and—especially from 1942 onwards—sabotage by the resistance movement of property of military importance. French companies were unable, because of price legislation, to introduce rate increases to meet these additional hazards, but rates were in fact steadily improved by a regime of "market discipline" and the application of uniform tariffs. As regards sabotage losses, a law was passed creating a common fund by means of a 15 per cent surcharge on all fire insurance policies, the insurer being indemnified from this fund to the extent of 50 per cent of sabotage losses arising prior to July 1, 1942, and 95 per cent of subsequent losses. These measures have been in the nature of partial palliatives only, and the general indications are that underwriting losses throughout the occupation years were exceptionally heavy.

In accident insurance, companies were able to benefit from rate increases introduced by a decree of December 16, 1942, these including a 50 per cent rise in motor insurance charges. Only in burglary insurance, where rate adjustments were not permitted, were losses high, due to shortage of supplies and acts of robbery by the occupying troops. The fall in income from motor insurance was offset by higher workmen's compensation premiums, and it seems unlikely that the losses of accident insurers, taking the business as a whole, have been severe. In the marine department, the volume of transactions was reduced by the blockade to very small proportions, but such business as there was seems to have been profitable. Life companies have maintained a high level of activity, due to an abundance of cash in the hands of the public and the lack of normal avenues for spending; rates on new policies have tended to rise, owing to the downward movement in interest income. War risks under life policies have been covered at a single additional charge of 1 per cent of the sum assured and compulsorily reinsured in a Pool created by legislation; the

doubtedly one of steady and, probably, fairly rapid expansion, a prospect, incidentally, from which electricity shares stand to benefit. The grid, after having passed its final economic and strategic tests, has become an indispensable part of the British electricity supply system. Within a few years, the CEB can begin to convert its capital—most of which has been borrowed at 4½ and 5 per cent—to a lower rate of interest. The resulting saving in interest will be useful; but, apart from the technical functions of the grid, the main pre-occupation of the CEB must be to ensure a fine balance between the demand for electricity and generating capacity, and the highest possible technical efficiency of generation and transmission.

additional charge is of a provisional nature and will be adjusted on final assessment of the liabilities of the Pool.

All departments of insurance were affected by the rise in operating expenses. An important factor was the necessity to engage new and unskilled employees to replace those who were prisoners of war, yet to whom the companies continued to pay allowances during captivity; this difficulty was accentuated when deportations of French workpeople to Germany began. The division of France into occupied and unoccupied zones also made for additional expense by necessitating the creation of two head offices for each company. Apart from these two special influences, there was also, of course, the general rise in salaries and prices. Measures to combat the upward trend consisted of the elimination of competitive practices, simplification of procedure for handling business and reduction of commission to intermediaries, but in the circumstances of the time these could not be more than partial correctives.

The third important problem with which French insurers had to deal was the loss of stability brought about in fire and marine insurance by the suspension of direct-writing and reinsurance activities of British companies and underwriters at Lloyd's, whose participation in the French market was before the war substantial. This question is intimately



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linked with the largely successful efforts made to protect both French and British interests against the incursions of the German offices. As regards fire insurance, steps were immediately taken for the formation of an association of automatic obligatory co-insurers for the handling of large risks, but this was vetoed by the Germans, who naturally saw in it a threat to their own intentions; nevertheless, the French companies were able by co-ordination of their efforts to utilise to the maximum their own resources, and thus minimise their dependence on German reinsurance support. In the case of marine insurance, reinsurance facilities against both ordinary marine perils and war risks were provided by the state, but this reinsurance was superseded, as regards ordinary risks by the formation in August, 1941, of a compulsory Pool of non-marine insurers; here, again, German penetration was kept at a minimum. German companies entering France for direct operations had, moreover, to comply with deposit legislation. It is thought that the security thus afforded will suffice to cover all the liabilities of German companies at the time of liberation in respect of both direct and reinsurance operations; in this respect the situation left by the German expulsion is very much better than that in Belgium or Holland.

What was the fate of British pre-war interests in the French insurance market? Covers placed in London, which included both direct insurances and reinsurances, were, of course, regarded as cancelled. Many policyholders also replaced insurances negotiated through the branch and agency organisations of British insurers in France, but others continued to keep these policies going. The French authorities immediately appointed provisional administrators of these businesses; the administrators were heads of firms accustomed to supply trustees in bankruptcy, and as they were in general without technical insurance knowledge the ordinary day-to-day work continued to be performed by the British insurers' representatives under their direction. This step was taken by the French before the Germans actively intervened in the French economy, and the Germans found it expedient to recognise the appointments, later nominating their own *Verwalter* to exercise a power of supervision only over the acts of the French administrators. Under a law of September 12, 1940, British insurers could contract no new engagements, but policies issued by "controlled" insurers—that is to say, insurers who had made the deposits required to transact life, workmen's compensation and motor business—could be maintained in force; other classes of policy could also be continued, but the policyholder had the right of suspension. A later law of August 27, 1941, withdrew the right of suspension if sufficient guarantees could be furnished for the fulfilment of current contracts. In practice, virtually the whole of British insurers' business was at that time reinsured in full with German and Italian companies, the British policies, however, remaining in force. The German companies hoped in course of time to replace the 100 per cent guarantee of British contracts by their own direct policies, but in this they failed. The volume of business which British insurers' representatives thus continued to handle was small—probably not more than a tenth of pre-war commitments—but the measures taken did enable them to keep their goodwill and organisation largely intact.

In the immediate future, the support and understanding of British insurers will be essential to the maintenance of a strong and healthy market in France. French companies have shown every desire to assist their British *confères* to re-establish their former portfolios. British insurers, for their part, have been almost unanimous in their willingness to step in and meet the needs of the French situation, although it must be admitted that the immediate outlook is far from promising. Reinsurance treaties have already been negotiated and direct operations are being started again as the necessary legal formalities are fulfilled. British insurers have also promised their support of the French rating structure, and it is recognised that, for some years at least, a rather strict discipline must be enforced in order that the financial position of French companies shall not be jeopardised.

It cannot be denied that there are elements in the present French situation which British insurers find distasteful. The trend towards increasing control of insurance undertakings is, perhaps, to some extent a continuation of tendencies already in evidence before the war; but British insurers feel that control and regimentation should be kept within limits. It had, for example, been hoped that the Pool providing for compulsory reinsurance of marine risks with non-marine companies—to which reference has earlier been made—would have been wound-up as soon as the circumstances which brought it into being had ceased to exist, but it seems that the present intention is to continue the Pool, an intention dictated by the desire to develop a larger French marine market and influenced, there can be little doubt, by the purely fortuitous circumstance that the results have so far been profitable. A continuance of such results can hardly be expected, and it is undoubtedly bad policy to compel non-marine companies to participate in a sphere of operations for which they are not equipped and the results of which might conceivably impair the security of their ordinary policyholders. There should be other and sounder ways of retaining for French companies a larger share of premiums on French hulls and cargoes while enjoying the benefits, at times of heavy experience, of the international distribution of risks.

Another measure which British insurers find uncongenial is the Algiers Ordinance of March, 1944. This involves a degree of state penetration beyond anything introduced in Metropolitan France. It creates an *Office des Assurances Privées* having the responsibility for supervision of private insurance while also engaging in business for its own account, and to which private insurers may be compelled to cede 5 per cent of their acceptances. The potential evils of a situation of this kind need not be elaborated. Another feature is the requirement that each insurer must control all its French Colonial affairs from a single office located in one of the Colonies—a rule with which British insurers have found it impossible to comply. It must be hoped that in the near future state supervision will be either transferred to the individual territories concerned or centralised in Paris and that state insurance will be confined to those fields for which it is best suited. The friendly relations already established give grounds for the belief that these and other matters will be adjusted in a spirit of understanding so that the co-operation already initiated may be maintained and extended.

Business Notes

Hydrocarbon Oil Duties

The Hydrocarbon Oil Duties Committee has taken a broad and enlightened view in its report (Cmd. 6615), published last week, despite its restricted terms of reference. It was asked to report upon the effect of the hydrocarbon oil duties on the development of the chemical industry in this country, and upon the extent to which any change in these duties would affect industries engaged in the production of similar products from coal. Hydrocarbons are essential industrial raw materials which, paradoxically, are heavily taxed. The *ad valorem* incidence of the light hydrocarbon oil duty at the pre-1938 level of 8d per gallon was of the order of 200 per cent.

The Committee is fully alive to the fact that the synthetic organic chemical industry of the world stands at the opening of a period of great expansion. Chemicals are forming increasingly basic raw materials of many major industries, such as synthetic rubber, synthetic textiles and plastics. The Committee also recognises that coal and oil are largely

complementary as a basis of the growing organic chemical industry. In its view it is, therefore, imperative that basic and intermediate raw materials should be made abundantly available, and that the industry should be free to choose the best material for each particular process or synthesis, guided only by scientific and technical considerations. It emphasises the danger that, if the present position is maintained, fiscal, rather than technical, considerations will dictate the future course of development, even possibly to the extent of stifling entirely certain lines of progress.

The Committee, therefore, recommends that the chemical industry should be able to obtain its imported raw materials free of duty and its home-produced materials at the price of imported ones. Although the use of hydrocarbon oils as solvents is outside its terms of reference, the Committee thought fit to draw attention to the growing use of solvents as raw materials in industry. Finally, the Committee made it clear that the reduction in the price of the raw materials of the chemical industry may not be enough. The most im-

portant raw materials of the oil-based section of the chemical industry consist of gaseous hydrocarbons, some of which are virtually untransportable, while others can be imported only at a cost exceeding the cost of their production in this country from imported oil. This raises the whole issue of whether it would be advantageous for this country to establish a petroleum refining industry which would furnish gaseous hydrocarbons as by-products. This, again, is a matter beyond the Committee's terms of reference. But if Britain is to take an active part in the development of the oil-based chemical industry, it is hardly one that can be left in abeyance.

Cablemakers' Merger

For many years it has been a matter of doubt how far competition was fully effective among the members of the cablemakers' group in this country. There was certainly a large measure of co-operation in all matters relating to research and some co-ordination of price policy. Recently there have been reports of a merger of interests, and these are now confirmed by the news that British Insulated Cables and Callender's Cable and Construction Company are to amalgamate. The step is taken as being likely to improve the group's position in the export trade and to assist in ensuring stability of employment. The products are largely similar and some economies of production ought to emerge, although this point is not specifically mentioned. The firms are two of the largest in the cable industry, but there remain others of comparable size.

The basis of the merger has been determined by four distinguished chartered accountants, and it is relatively simple, although not quite in accord with market valuations over a period of years. Each company has two classes of cumulative preference capital, of which the senior will be exchanged into a 6 per cent first cumulative preference in the new concern and the junior into a 5½ per cent second cumulative preference. The basis of exchange is such that the income from each shareholding will be maintained, but there is no mention in the preliminary statement as to what allowance, if any, is to be made for the fact that this will mean an appreciable increase in the capital of preference holders in Callender's. It will be noted that, although both old companies are to be liquidated, no advantage is taken of this opportunity to reduce the high rate of interest paid on the preference capital or to make the new capital redeemable.

If any question is to arise, it will be over the terms offered for the equity. Ten-year averages show the following picture for the two concerns:

	Paid on Ordy.	Earned on Ordy.	Mean yearly price. s. d.	Current quota- tion. s.
British Insulated*	20	29.8	95 6	114
Callender's	17	35.3	78 9	117

*There was a capital bonus of 20 per cent. in 1937 for which no adjustment has been made.

This would seem to suggest better terms for the former, but British Insulated receive £30 ordinary in the new concern for every £10 now held, while Callender's receive £27 and retain the full interest in Callenders Trust. That company is to receive in exchange for certain of its investments the equivalent of almost a further £2 for every £10 in the ordinary capital of Callender's, so that, if the remaining assets of the trust are substantial, there is little difference in the terms for the ordinaries of the amalgamating companies.

Coal Charges Account

The Government has now published in White Paper form (Cmd 6617) a historical and factual review of the operation of the Coal Charges Account since its establishment in June, 1942. The whole question of coal finances was examined in an article in *The Economist* of December 23, 1944, and the White Paper completes the statistical picture and brings it up to date.

The Account is fed by a levy on all coal mined and payments are made out of it to individual undertakings to meet the cost of various measures taken during the war. The levy has been progressively raised from the initial amount of 7d. per ton in June, 1942, to 12s. in August, 1944. The payments out of the Account have exceeded its receipts; the deficiency at the end of 1944 amounted to £25,722,157, or 1s. 1.5d. per ton. The great bulk of the Account has, of course, been devoted to meeting increases in wages. The

White Paper shows that, while the total costs of coal production increased by 108 per cent over 1939, wages alone rose by 126 per cent and other costs by 73 per cent. Between June, 1942, and December, 1944, the cost of wage additions borne by the Account amounted to 3s. 9d. per ton, compared with 2s. 9d. per ton for price allowances, 3½d. per ton for assistance to necessitous undertakings, 1½d. for guaranteed "Bevin" wage, and 4½d. for other items, including transport services, improvements in miners' housing and the cost of running hostels, workmen's compensation payments and administrative expenses.

The report gives some indication of the extent to which the more prosperous districts have been subsidising the poorer districts. Thus Leicestershire, Warwickshire and South Derbyshire in 1944 contributed 3s. 7d., 2s. 7d., and 2s. 4d. respectively to the Account, whereas South Wales recovered 7s. 11d., Durham 3s. 9d., and Lancashire and Cheshire 3s. 4d. This national pooling of district costs has, undoubtedly, been one of the most important features of the scheme, and some measures to cope with the situation it reflects will have to be incorporated in any permanent reorganisation of the industry.

Another interesting fact which is disclosed is that up to the end of 1944, a sum of £2,522,000 was expended in capital assistance to colliery undertakings. Of this, £1,509,000 is represented by mining machinery for the American method of working; the machinery is owned by the Government, but leased to the undertakings on the basis of 15 per cent per annum for underground and 12½ per cent for surface plant. The future disposal of these machines has not been decided, but they clearly represent the beginnings of State investment in the industry.

The Coal Charges Account is to continue until April, 1948, when the mining wages agreement concluded last year is due to expire, unless of course a decision on the ownership and financial structure of the industry is taken in the interim. The Account has been an indispensable wartime arrangement, but whether it ought to continue without modification in peacetime is open to doubt. Though some form of national pooling such as it provides may be essential, the Account as at present organised tends to preserve the inefficient undertakings, which would normally be expected to disappear. Presumably the scheme will be modified if the technical and financial reorganisation, area by area, contemplated by the Reid committee, is carried through.

Stability of Building Employment

The National Joint Council for the Building Industry has just concluded a national agreement on the payment of wages, which should have an important effect on the stabilisation of employment in the industry after the war. Before the Essential Work Orders were introduced, building operatives had little security of employment, and frequently suffered loss of wages through bad weather conditions, irregularity in delivery of materials and similar circumstances, while the employers lost the advantages of continuous operation and maximum output. The Council has now agreed to introduce a system of payment, whereby any operative whose work has been interrupted as a result of bad weather shall be paid at his current hourly rate for half the time lost during the period when work was stopped, and shall receive payment, however many hours he actually worked, for a guaranteed minimum of 32 hours in any one week.

This means in effect that the principle of the guaranteed weekly minimum wage laid down in the Essential Work Order is to be carried into the post-war period. Though there has been a great deal of discussion about the application of this principle after the war, the building industry is actually the first to put it into practice, and has thus provided a valuable precedent for other industries where casual conditions of employment obtain. The successful operation of this agreement, which has been incorporated in the industry's working rules, depends largely on the extent to which continuity in the delivery of supplies can be maintained, and on the provision of protection against bad weather. It also clearly calls for the maximum co-operation of all concerned in the industry.

The wartime record of industrial relations in building has been exceptionally good, and largely owing to the smooth working of the industry's conciliation machinery, the amount of time lost through disputes has been negligible. But building, more than any other single industry perhaps, will enter into a critical phase at the end of hostilities, with the return of men from the Services and the influx

of new entrants. For some time, demand for labour will exceed the supply, and thus place building operatives in a strong bargaining position. It is all to the good that the Joint Industrial Council should have taken measures well in advance to promote stability. It should be recognised, however, that the maintenance of the guaranteed week will add to costs. This is no argument against it, but it reinforces the need for greater efficiency in building.

Gilt-Edged and TDR's

In commenting on the monthly return of the eleven clearing banks last week, attention was drawn to the fall of nearly £40 million in the aggregate of investments from the peak level reached last November. It appears that there have been further substantial sales by the banks this week. On Monday the gilt-edged market suddenly lost its resilience and prices were marked down by anything up to three-sixteenths, a fall that may be attributed, in the main, to relatively heavy selling by the banks. On Tuesday falls up to one-eighth were recorded, but on Wednesday and Thursday prices were fairly stable at the lower level.

While the general factors discussed last week—a desire to lighten books while the market for “longs” remained strong; the probability of a Victory savings campaign in which the banks would be expected to invest heavily; the rise in advances—were still operating, the proximate cause of the selling this week lay elsewhere. The banks this week had obligations for £150 million of new Treasury Deposit Receipts, against nominal maturities of £120 million. As a result of prior encashments to meet subscriptions to Government issues, the actual amount of “fresh” money which this entailed amounted to between £55 million and £60 million. The extent of this call came as a shock to the money market. Indeed, certain banks are understood even to have made representations to the authorities that the amount was too high.

The Treasury, however, stuck to the original figure and the banks had to look around for the requisite balances. As one of the large banks was undertaking its monthly making up operations on Tuesday, while credit had been little more than adequate at the end of last week, discount houses rather expected that this would entail such a shortage of credit that the bank's agent would have to intervene with special buying of bills. Even though it was realised that the banks would have much less in the way of tax payments now that the financial year has turned, the call was still considered unusually heavy. Up to the time of going to press, however, credit has remained comfortable, and it seems that the banks have circumvented their difficulty in meeting the TDR call by selling some of their investments rather than by running down further their bill holdings. A further factor, which may help to account for the lightness of money is the demand of the market for the maturing Australian stocks. In this connection, it is to be noted that the Commonwealth Bank has called substantial sums.

British Exports to America

In a letter published in *The Economist* of April 14th, Mr John W. Waterer pointed to the hindrance in the way of British exports to the United States arising from the fact that Purchase Tax is taken into account by the American customs authorities in computing their value for import duty. The basis of assessment has been a matter of some controversy in the United States. To begin with, the American customs authorities, indeed, added British Purchase tax on customs authorities, in deed, added British Purchase Tax in computing the value of goods as a basis for the assessment of duties.

As long ago as January 14, 1944, the United States Customs Court decided, however, that the Purchase Tax should be disregarded in the assessment of duties. But this decision was not final. In fact, the American Government decided to appeal against the judgment to the Appellate Division of the Customs Court. This Court has now upheld the original judgment. Unless the American Government takes further action—it has 60 days in which to appeal—one of the obstacles in the way of British exports to America will thus have been finally removed.

War Damage to Patentees

The Departmental Committee, appointed a year ago to report on various aspects of the Patents and Designs

Acts, was particularly requested to give early consideration to questions of legal proceedings arising out of them. This may explain why the Committee's first interim report deals with an aspect of the matter which seems of little importance, although, if its importance is granted, the need for early action is self-evident. The point in question is the easing of legal process in those cases where a patentee, who, as such, has suffered loss or damage owing to the war, seeks an extension of the life of the patent under the Rules of the Supreme Court. All ten members of the Committee agree in finding the present procedure—application to the court by originating summons—unnecessarily cumbersome and, one may infer, wasteful of time and money.

The Committee is therefore unanimous in recommending a modification, and in suggesting that the Rules Committee of the Supreme Court be invited to modify the Rules relating to advertisement. With two dissentients, Messrs James Mould and John Venning, they further recommend giving the Comptroller jurisdiction so that the patentee may have the option of applying either to him or to the court, but with the right of appeal from his decision. The dissident members feel that this recommendation violates the principle that judicial functions should be conferred on executive officers only in cases of overriding necessity or expediency. This seems to suggest that these members have some doubts about the importance of action. It is, indeed, a little difficult to see why, from all the many injustices which have arisen from the war—many of them harmful to the national effort—this one should be singled out for special attention. That it has been tends to strengthen the view that monopoly is held in great regard in high places.

Stock Exchange Reform in South Africa

The full text of the Bill regulating stockbroking in the Union of South Africa is not yet available in this country, but a very full summary suggests that the measure is calculated to effect a very marked reform. Its three main provisions are the licensing of both stock exchanges and individual brokers who are members of no exchange, the fixing of margins and insistence upon the auditing of brokers' accounts. Most of the other provisions are ancillary to these, including limitation of the right to lend against securities.

So far as the general licensing provisions are concerned, they will mean, in effect, that there will be no immediate challenge to the quasi-monopoly of the Johannesburg Stock Exchange, but this is only because there is, with one possible exception, no effective demand for another exchange. They also mean that the “outside broker,” as the term is understood here, will cease to exist. Since all licences are granted for one year only, the Minister will be able to maintain a very tight control. The control is, however, limited to seeing that the requirements of the bill are fulfilled and the opportunities for arbitrary action appear to be reduced to a minimum. In the case of the stock exchange licence, the rules of the exchange have to be approved by the Minister and may not be altered without his consent.

In the matter of audit, a panel of auditors will be compiled by the Minister, and it is to be hoped that admission to the panel will be made reasonably easy for small concerns of good reputation. Forms of accounts are prescribed and a detailed auditors' certificate, but not the accounts themselves, must be sent, to the Minister in the case of brokers not members of an exchange, and to the committee of their exchange for other brokers. In the past it has been usual in the Union, as throughout North America, for large sections of the population to gamble on the stock exchange on very narrow margins. The new bill lays down that the minimum margin in future shall be 40 per cent in cash or, in effect, two-thirds cover in securities. As already mentioned, the right to lend against security will be limited to those holding a licence.

The general effect of the regulations, if they become law in their original form, will be to create by Government action in the Union a state of affairs very similar to that which has been painfully evolved by agreement among brokers in this country. The new bill evidently owes a great deal to the recommendations of Mr H. B. Turle, who was specially asked to advise the Government on this matter and on the control of unit trusts. Mr Turle has for some fifteen years been a member of the London exchange

and has also long experience of conditions in Bombay, where speculation is even more rabid than in South Africa.

A Raw Cotton Cartel?

The meetings of the International Cotton Advisory Committee, which opened at Washington on April 2nd, and, after an adjournment to await the arrival of the Brazilian delegation, were resumed last week, have ended in a half-hearted compromise. The Committee was formed by the raw cotton producing countries in September, 1939, on the initiative of the U.S. Government,

to observe and keep in close touch with developments in the world cotton situation and to suggest to the various Governments concerned as and when advisable any measures it considers suitable and practicable for the achievement of ultimate international collaboration in the solution of the world cotton problems.

After three meetings in April and October, 1940, and in April, 1941, the Committee had not met until this month and, for all practical purposes, it had been regarded as dead. Its revival by the US Government, following the adoption last autumn of its cotton export subsidy programme, was presumably due to the desire of the United States to explore the prospect for the formation of an international raw cotton cartel. The Committee itself, being a purely consultative body, could not have made any binding decisions, but if its discussions had shown a fair measure of agreement it could have recommended the convocation of a world conference to adopt its draft plan. Difficulties appear to have arisen, for the Washington conference merely decided to recommend that a special study group should be formed to formulate proposals for international collaboration in the disposal of the world cotton surpluses, which the conference regarded “as preferable to any form of unilateral action on the part of the individual exporting nations.”

The absence of definite recommendation appears to have its basis in two facts. First, the cotton-importing countries were not represented at Washington; without their collaboration no rational world scheme is possible. Secondly, the interests of the various cotton producing countries in any possible “cartel” are not necessarily similar. The United States, by sponsoring international collaboration, which in practice can only be workable on the basis of an export quota scheme, intends to regain part of its lost markets, and the cartel project, prepared last year by its Department of Agriculture, consequently suggested that the export quotas of the various surplus countries should be based on the position as it existed in the thirties. Producers in other countries would sacrifice much by accepting a scheme which is not founded on the present position. They have made much headway—at the expense of the United States—during the past ten years and they hold to-day the greater part of the world's raw cotton stocks. Before an international agreement can be arranged, the various producing areas must be able to come to terms about the basic period for their quotas, and it is revealing that the Washington conference has not led to an agreement.

Meanwhile, the deliberations of the conference have made it clear to all cotton producing areas that they are facing serious difficulties. A report, adopted by the meeting on April 12th, made it clear that raw cotton supplies this season exceed 51 million bales, while prospective world consumption in 1944-45 will only be about 24 million bales. The exportable surpluses of the producing countries on August 1st next will be 19,500,000 bales, which compares with “normal exports” of about 13 million per season. During the current season, however, world exports are expected to total no more than 3,500,000 to 4,000,000 bales, and the conference anticipated that, despite an improvement, shipments in 1945-46 will remain far below normal. As surpluses are still tending to increase, it was only natural that the conference decided that the possibility of international collaboration in the disposal of world surpluses should be further explored by the proposed study group.

World Cotton Textiles

Brazil is making an important contribution to the world supply of cotton textiles. Altogether, Brazil expects to export 500 million yards during the next twelve months. The Combined Production and Resources Board have just announced that arrangements have been made for liberated areas, chiefly

in the Far East, to receive from Brazil 80 million yards of cotton fabrics. UNRRA is to receive 90 million yards for distribution, French North Africa 60 million, and another 60 million is to go to other export markets. The remaining 200 million yards will cover commercial commitments made before the CPRB Textile Committee went to Rio de Janeiro.

Production for export of such a quantity of textiles will strain the capacity of Brazilian mills, much of whose equip-

COTTON PIECE GOODS: PRODUCTION AND EXPORTS
Million Sq. Yards

	1937		1942	
	Production	Export	Production	Export
United Kingdom	3,806	1,921	1,850	485
United States	9,321	236	12,000	450
India	5,548	120	5,800	940
Brazil	900	7	1,400	250

ment is out of date. Negotiations for modernising and increasing their looms have been proceeding for some time with American manufacturers of cotton spinning machinery. Brazil probably has the world's largest stocks of good quality cotton; manufacturing capacity is the bottle-neck in the supply of needy areas.

Brazil has become an important cotton manufacturing centre. Its growth, in relation to the leading cotton industries, is illustrated in the accompanying table. Even before the war Brazil was able to supply home demand, and the increased production has been almost entirely exported. It is estimated that Brazil's production of cotton piece-goods in 1943 roughly equalled Lancashire's.

French-Swedish Financial Agreement?

In the course of a broadcast on April 7th, the French Minister of Finance and National Economy, M. René Pleven, announced the forthcoming visit of a French Commercial Mission to Sweden. The object of this Mission is



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to negotiate a financial agreement with Sweden in line with the agreements already concluded with Belgium and Switzerland.

The initiative taken by the French Government is a reflection of its desire to re-establish commercial and financial relations with other countries as quickly as possible. Even more than those of Great Britain, French exports to Sweden are likely to be severely limited, at any rate in the near future. France, on the other hand, is anxious to purchase in Sweden timber and timber products, machinery and other commodities. Britain has only recently concluded a financial agreement with Sweden; it will be interesting to see the terms on which France and Sweden will agree to resume economic relations.

Consolidated Accounts

It is usual to look to Sir Percy Bates for some striking views on the shipping position. This year, in his statement to shareholders of the Cunard Steam Ship Company, he limits his remarks to a statement that the right to build what one wishes is largely restored, but that prices are so high and so uncertain that building programmes must be limited. He has, however, raised a considerable storm in another matter: that of the consolidated balance-sheet.

This is a matter of very substantial importance, far transcending the interests of the Cunard group. He says:

For some months we "combined" some of our domestic board financial returns, but after a few months we returned to our older practice. We came to the conclusion that the "combined" figures in our domestic returns were either misleading or at best meaningless. We shall continue to consider the subject, but my present opinion is that to "combine" figures of a 62 per cent subsidiary with those of 100 per cent subsidiaries will produce in a balance sheet a result quite as meaningless as it did in the board's domestic returns.

There is no information about the nature of the domestic returns, and it can readily be conceded that, if the old procedure was to have a detailed statement of the position of the parent and each of the subsidiaries, that would yield a more exact result than a consolidation. But that would not justify the expressions used. Further, if it did, Sir Percy would have advanced an argument for publication of the full accounts of all subsidiaries, and their subsidiaries *ad infinitum*.

That is, on a strictly accounting or mathematical basis, possibly, the only real solution. But it may be doubted whether it is really necessary. If the public has any direct holding whatever in the loan or share capital of a subsidiary, its accounts should be published. If it has not, it is a matter of interest to know how any important subsidiary is doing, but it is not of vital importance to the shareholders of the holding company. Furthermore, the decisions of those responsible for policy will—or should be—the same whether they hold 100 per cent or 72 per cent. So far as the accounts are concerned, the gross figure in a consolidated profit and loss account will be the same in either case, and fluctuations in the fortunes of the partially held subsidiaries will be reflected in variations in the amount going to outside holders.

A number of witnesses before the Cohen Committee, including the Stock Exchange and the Institute of Chartered Accountants, recommended the adoption of consolidated accounts, and the former body accepts them as a basis for granting permission to deal. Neither of these bodies believes that they are more than a workable compromise, but neither would advocate them if it did not believe that their intelligent use is helpful. It is common for directors to state that anything less than fully detailed accounts is misleading. That is true enough, but, provided the limitations of any given accounts are realised—and they are usually evident enough—the more information they contain the less completely misleading

they are likely to prove. In particular, the accounts of a holding company with no figures for operating subsidiaries are usually quite uninformative and may be grossly misleading. Consolidation, reasonably applied, offers a fair compromise solution.

ICI Earnings

The preliminary statement of Imperial Chemical Industries for 1944 shows a rise in profits, after tax, obsolescence and depreciation, from £6,685,345 to £6,972,988. This is the highest figure since 1939 and, if the balance is struck before obsolescence and depreciation, which has taken £2,500,000 in each of the past two years, a new high level of earnings is revealed. Doubtless this fact reflects an increase in the capital employed and, it would seem, a substantial one. The improvement brings no immediate benefit to shareholders, whose dividend is maintained at the usual figure of 8 per cent by a final of 5 per cent. On this occasion the bulk of the money not required to meet dividends is absorbed in providing an additional £1,000,000 for obsolescence and depreciation, whereas a year ago £774,210 was placed to war contingencies reserve and £100,000 carried to war personnel reserve. It is doubtful how far any of these provisions can be regarded as free reserves or how far they are essentially expenses of the business. All that is reasonably certain is that there is little chance that they, or other reserves, will be used to increase the dividend. At the present price of 39s. 9d., ex dividend, the £1 units of ordinary stock yield some £4 os. 6d. per cent, a return which suggests certainty of income rather than the expectation of increased dividends or capital appreciation.

Peace and Prosperity

At the annual general meeting of the Federation of British Industries on April 11th, Sir George Nelson, the retiring president, made his farewell speech. He took as his theme "Peace and Prosperity." Although he confined himself largely to an expression of aims, Sir George Nelson emphasised a number of points which have had little room in previous speeches of this kind.

Sir George Nelson emphasised that in an industrial community for greater efficiency; and he recognised the fact that other countries will develop new industries which may be in competition with existing British industries. Encouragingly, he expressed the view that in the long run "the more our customers develop their own economy, the more will they be able and willing to buy from us." He recognises that the nature of British exports will change and that this will hurt certain established interests, but he accepts this trend as inescapable if Britain is to increase the volume of its exports as a whole.

Sir George Nelson emphasised that in an industrial community both workers and managers have duties as well as rights. It is the responsibility of employers to ensure that their equipment is the best possible, that research is not neglected, and that initiative is displayed and risks are taken to maintain British industry in the forefront. But enterprise and initiative must be encouraged by an adequate reward for success. Addressing himself to labour, he emphasised the need for accepting new methods and processes of production as a means to an increase in efficiency. As a reward, workers in their turn will derive higher earnings from an increased output per head.

Sir George Nelson, in fact, expressed the right aims. It remains for the industrial community to translate them into practice.

Royal Insurance Capital

The directors of the Royal Insurance Company, Limited, announced that it had been decided to recommend to the annual general meeting to be held on May 30th that the sum of £2,099,973 15s. be applied out of the undivided profits of the company in discharge of the amount uncalled on all issued shares, thereby extinguishing the whole of the outstanding liability; the 5,599,930 £1 shares would then be converted into stock in £1 units. In order to finance this operation, which involves finding 7s. 6d. for each £1 share, the directors will presumably utilise part of the funds standing at credit of profit and loss account, which at the end of 1943 amounted to £2,700,127. The financial position of the Royal is strong, with free reserves—apart from the profit and loss balance—totalling £10,100,000, and the present recommendation clearly reflects the conviction

of the directors that the risk of a call on the shareholders is so remote that it can be ignored. Other insurance companies, notably the London and Lancashire and General Accident, have in recent years used undivided profits for the purpose of paying up a larger proportion of their capital. The Royal has, however, been something of a pioneer in this matter. In 1882 the shares were of £20, of which £3 was paid up, including £1 from profits. In 1919 they were £10 shares with £2 paid, but whether the additional 10s. a share had been called or provided from reserves is not clear. Since then the process of splitting and paying up out of profits has continued until now the whole of the callable capital has been paid up out of reserves.

War Risks at Sea

A change of some importance has just been made in the insurance of war risks at sea. A fresh scale of rates has been issued by Lloyd's underwriters and companies, and for the first time their rates on cargo to and from the United Kingdom are gross, the same as those of the Government. As these new rates are subject to discount, the change means that it is now cheaper to insure war risks at Lloyd's or with a company than to insure them with the Government. Except on rare occasions, the market rates for cross voyages (voyages to and from places other than the United Kingdom) have always been cheaper than the Government's; but the United Kingdom rates in the market have been maintained at a higher level, and in practice the Government has had all this business. Henceforth, it would naturally go to the market, but for one fact. The Government office may give cover against war risks between the warehouse and the ship in the United Kingdom, but underwriters and companies are prevented from giving this cover by Section 10 of the War Risks Insurance Act, Part 2, which makes it illegal for any one but the Government to insure against war damage any persons carrying on business in the United Kingdom as sellers of goods. This Act, combined with two market agreements, has made it impossible for underwriters to cover the risk in transit between warehouse and dock—and the impossibility remains. Merchants therefore have to choose between losing the advantage of the cheaper market war rate at sea and losing cover for their goods on land. It is rather a futile dilemma; and the Government would be doing a useful and sensible thing if they agreed to accept the transit risk on land as a separate insurance, and allow the merchant to cover the sea war risk in the market.

Ice-Cream

Not long ago the House of Commons was talking about "putting a ceiling on carpets"; now there are hints of another strange phenomenon—a black market in ice-cream. The summery weather and the good news have combined to put many Londoners into something like festive mood, and the demand for ice-cream, a traditional expression of the holiday spirit, has been brisk. In this sellers' market some vendors are charging exorbitantly for sub-standard wares and are taking profits, it is alleged, as high as 700 per cent.

Reputable manufacturers and various Food Control Committees are anxious that the racket should be eliminated by the control of maximum prices and the imposition of a standard fat content. Austerity ice-cream should contain about 14 per cent of fats, and sugar, margarine, milk powder, dried eggs or egg yolk, gelatine and flavouring. Sub-standard ices contain twice as much hydrogen as oxygen, but little else.

If prices are not controlled, or unless ingredients are released in larger quantities, the April prices of 6d. or 1s. per tub, cornet or wafer will soar throughout the summer and will mar many a holiday. The Ministry of Food should handle this popular concoction as it handled that composite item, the common sausage—by defining its contents and controlling its price.

Shorter Notes

The statement in a note of page 484 of last week's issue that the payment to the proprietors of the Stock Exchange during the last war was 13½ per cent, tax free, should have read £13½ per share, tax free. The shares were then well under the present figure of £36 paid. If the percentage return seems high, it must be remembered that the shares carry an unlimited liability. As a result, in part, of the new policy now publicly announced, the shares have fallen some 20 points in recent weeks to just over £100.

The British Federation of Commodity and Allied Trade Associations has submitted to the Chancellor of the Exchequer a memorandum on the ill-effects of surtax in relation to partnerships, sole traders and certain controlled private limited companies. Relief from surtax is sought on certain sums placed to reserve. The arguments in favour of such relief are essentially the same as those to which reference was recently made in *The Economist* in the case of Stock Exchange firms. But in this wider context they have added weight, because a continuance of existing arrangements is already causing a substantial loss of foreign exchange. While the exact extent of relief may be a matter of argument, there is no doubt that, if relief is not granted, sections of enterprise will be driven to adopt the public company organisation, with great loss of flexibility and, probably, income from overseas and no gain to the revenue, as against granting relief to the existing partnerships.

Company Results

Cunard Steam Ship Company.

	1942	1943	1944
Profits.....	1,064,196	1,021,924	1,043,797
Managerial expenses.....	61,880	53,805	78,924
Depreciation.....	19,469	19,274	19,364
Income tax.....	497,605*	512,958*	431,477
Fees.....	8,556	8,000	7,800
Debiture and loan interest.....	132,963	121,750	121,750
Preference dividends.....	701,250†	67,500	67,500
Ordinary stock:—			
Earned.....	276,225‡	244,687	316,382
Paid.....	Nil	167,108	208,885
Earned %.....	9.9†	8.8	11.4
Paid %.....	Nil	6	7½
Reserves.....	220,813	198,333	305,430
Carry forward.....			
Net fixed assets.....	467,527	448,352	428,457
Net inter-company items.....	10,398,684	10,365,533	10,377,453
Net liquid assets.....	Dr. 289,188	Dr. 210,771	Dr. 289,779
Gross liquid assets.....	380,052	571,783	779,603
Cash.....	205,721	462,905	661,327

* Including, in 1942 and 1943, £100,000 special provision for taxation.
† Representing 9½ years' dividends on 5% Preference Stock and 11½ years' on 6% Preference Stock.
‡ After allowing only 1 year's dividends on Pref. Stocks.

The £1 units of ordinary stock, standing at 24s. 6d., yield £6 2s. 5d. per cent.

UNION CORPORATION LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1944.

The Accounts are drawn up in Union of South Africa currency. United Kingdom currency being taken at par.

The profit is £701,344 5s. 6d., plus £115,002 13s. 3d. brought forward, making a total of £817,306 18s. 9d. The Directors have placed £75,000 0s. 0d. to the credit of Exploration Reserve Account. A final dividend of 5s. 6d. U.K. currency per share was declared absorbing at par £423,500 0s. 0d., making, with the interim dividend of 2s. 6d. per share a total distribution of 8s. 0d., or £816,000 0s. 0d. for the year, and leaving £128,506 18s. 9d. to be carried forward.

Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st last, or, where no market price exists, above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

GOLD INTERESTS.

A summary of the operating results for the past year of the companies in the Witwatersrand in which the Corporation is largely concerned is given in the Report.

OTHER INTERESTS.

BAY HALL TRUST.—The dividend for 1944 was 7½ per cent., against 7 per cent.

BRITISH ENKA.—Progress and profits were again well maintained. CONSOLIDATED AFRICAN SELECTION TRUST.—Diamond sales have continued on a substantial scale and the Company paid 1s. per Ordinary Stock unit free of tax.

RHODESIA.—Roan Antelope again passed its dividend. Mufulira paid 1s. 6d. per share and Rhodesian Selection Trust paid 5d. per share. SAN FRANCISCO MINES OF MEXICO.—The year's results were adversely affected by a workmen's strike and by exceptional rainfall. In addition a serious shortage of railway trucks led to large stocks of concentrates being accumulated at the mine. The net profit for the year to 30th September, 1944, after charging taxation and reserve for Exploration, amounted to £36,404, against £186,561. In view of the need to conserve the Company's cash resources, the dividend was limited to 6d. per stock unit.

SELECTION TRUST.—For the year ended March 31st, 1944, this Company paid a dividend of 1s. 0d. per Ordinary Stock unit, against 10½d. SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—After providing for taxation and depreciation the net profit amounted to £100,862 and a dividend of 9d. per share has been declared.

ULTRAMAR COMPANY.—163,168 shares were offered to shareholders at 2s. 6d. per share in August last under the guarantee of a group which included the Corporation. As a result, the Corporation has increased its interest in this company by way of its subscription rights and guarantee.

COPIES OF THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED ON APPLICATION AT THE LONDON OFFICE, PRINCES HOUSE, 96 GRESHAM STREET, E.C.2.

— 35/- per cent per annum —

is the present Interim Bonus rate on Whole Life policies. The rate on Endowment Assurances ranges from 25/- per annum for maturity age 50, to 35/- per annum for maturity age 70

NATIONAL PROVIDENT INSTITUTION FOR MUTUAL LIFE ASSURANCE

Established 1835

48 Gracechurch Street, London, E.C.3

Next Valuation - 31st December 1945

THE STANDARD LIFE ASSURANCE COMPANY

INCREASED PREMIUM INCOME

LARGE SUPPORT FOR GOVERNMENT LOANS

The one hundred and nineteenth annual general meeting of the Standard Life Assurance Company was held in Edinburgh on the 17th instant, with Mr James C. Campbell in the chair.

In the course of his speech the Chairman said:—

Our new business, whilst rather lower than last year, exceeds £3,000,000 and represents a satisfactory figure for wartime when, it must be remembered, we have practically no outside staff available to place the benefits of life assurance before the public. This year the premium income has increased again; it is now for the first time considerably over £3,000,000, and this is a matter for satisfaction. The ratio of expenses and commission to premium income shows a reduction again this year at 9.5 per cent., and we may, I think, feel satisfied with our net rate of interest at £3 19s. 4d. per cent. All our new money available for investment in this country and a substantial proportion of the money resulting from the maturity of existing investments is invested in new British Government Securities, and we now have over £16,000,000 of British Government Securities standing in our balance sheet. Since the commencement of the war we have invested over £12,000,000 in this type of security. Once again our Canadian branch has also invested substantially during the year in the New War Loans issued by the Canadian Government. This policy of supporting the war effort by investment in Government Securities is obviously the only one for our company to adopt in the present emergency because our whole organisation must do all it can to support the war effort.

Our total assets now stand in the balance sheet at £41,300,000 as compared with £39,200,000 a year ago. Whilst this substantial increase in our assets must, in the present circumstances, have the effect of reducing gradually the net rate of interest earned over our whole funds, it must be remembered that the premiums which we are receiving under our new contracts are consistent with the present lower standard of rates of interest. The directors have investigated the values of the company's assets very thoroughly and are able to state that the actual value is in excess of the figure at which they stand in the balance sheet.

IMPORTANCE OF SAVING

At this time, and in the situation in which we now find ourselves, it is natural to look forward, and I think we may do so hopefully. With the cessation of organised fighting in Europe a large part of the country's enormous daily expenditure on weapons of war will also cease. This does not mean that the need for saving by our people will have passed; we will still have a great part to play in the destruction of Japan as a war potential and, in any case, it is obvious that for many years the nation will be faced with vast outlays in connection with resettlement, reconstruction, social services and the maintenance of the considerable armed forces which we shall require in many parts of the world. Further, goods which have been so scarce during the war cannot immediately become plentiful, so that a large proportion of the increased national income must be diverted to savings if financial dangers are to be averted.

If saving is to be necessary on this scale in the post-war world there will be an

ever-widening and developing sphere of usefulness for our company. So far the stress upon the individual has been to place his savings in the hands of the Government largely by way of direct investment or through such thrift institutions as the Post Office Savings Bank or the great Trustee Savings Banks. Whilst even during the war a large amount of the savings of the public has been invested in Government Securities through the medium of the Life Assurance Companies, in the future I trust that it will be possible to leave to the individual a greater degree of selection and discrimination so that he may carry out his savings programme to a greater extent through the medium of life assurance, so gaining the double advantage of assisting the National effort in war and peace and of providing protection for his dependants and for himself in his old age. Your Directors are now actively engaged in making postwar plans so that we may be ready for the great extension to which we look forward. It will be our endeavour to show that although the Standard is old in years it has retained a full measure of the vigour and enterprise which has distinguished its administration in the past and we shall seek to extend, improve and adapt to prevailing conditions, the services which we render, and to bring home to the people the duty and privilege of providing for their own future and the future of those who are entitled to look to them for protection. The Standard provides upon the mutual principle the means of making this provision in such variety as to meet the peculiar needs of each individual case.

PENSION SCHEMES

It is the declared intention of the Government to institute a State Scheme for pensions and other services and we, who from the nature of our business appreciate the value of such an arrangement, welcome it as a step in the right direction and as a measure which must help the public generally to realise the wisdom of extending and supplementing the State Scheme by their own efforts. In a matter of this kind it is only reasonable and sensible to expect the Government to provide the benefits on a subsistence level and it is upon the individual, if he values his dignity and freedom, that the duty lies to supplement these so far as may be in his power by the exercise of the homely but highly necessary virtues of prudence and thrift. That these virtues have by no means become unfashionable is happily demonstrated by the large number of our members and by the fact that some 700 companies have seen fit to arrange with us schemes of Pension and Life Assurance, providing benefits and security for their thousands of employees.

I feel that I should like to draw your attention at this time to the service which we render in connection with Pension and Life Assurance Schemes. There can be no doubt that employers are realising to an ever-increasing extent the value of these schemes for the welfare of their employees. Such arrangements do much to promote feelings of loyalty and satisfaction amongst employees and tend to make the more reliable type of employee remain with his company. The advantage of this from the point of view of the employer is obvious; contented employees, who feel that their employer is treating them well and is assisting them to make provision for their future,

are an asset which any employer must appreciate highly. The fact that these schemes have been instituted jointly by the employer and employee to meet their particular circumstances—not devised for them by a Government department—undoubtedly provides elasticity and creates an atmosphere which would not be present were the schemes a compulsory part of their national life. They are, of course, supplementary to the Government scheme which is in existence just now and to any expansion of that scheme which may be introduced in the future. It is possible that adjustments to our schemes may have to be made under the new conditions which may prevail later on but all of them are so constructed as to be easily adjustable and in any case it is very doubtful whether many changes will in fact be required.

I am proud to say that with one or two other offices in this country we have been pioneers in this matter of Pension and Life Assurance Schemes and you will be glad to know that we are continually receiving from employers and trustees, who have entrusted their schemes to us, assurances of their satisfaction with the manner in which their schemes are being administered and with the service which they are receiving even from our depleted staff in wartime. There can be no doubt that there is every prospect of a great expansion of our business in this direction and we shall do everything in our power to improve the nature of these schemes and to adjust their benefits as may be required. We are providing life assurance and pension benefits at an extremely low rate of expense to many thousands of persons in this country and I very much hope that in the near future many more employers will seek our assistance in this matter.

I now move the formal adoption of the Report, Revenue Accounts and Balance Sheet submitted.

BONUS DECLARATION

Mr Harry Bell, O.B.E., in seconding this motion, said:—

"The members of the Standard are accustomed to hearing good news from their chairman at the annual meeting. Last year we were told the result of an actuarial investigation covering the five years from 1938 to 1943, and we learnt with pleasure that, after making the fullest and most stringent provisions for all liabilities, it had been found possible to declare a bonus for the whole period at the rate of 30/- per cent. per annum compound. That the Standard should have emerged so successfully from the test of five years of war was a matter of great satisfaction, though not of surprise to all its policyholders. The complete confidence in the future of the company held by the directors was shown by their decision to declare an interim bonus at the same rate; and this decision still stands to-day and encourages us to look forward to the next declaration with equal confidence. Comparatively speaking, the results which we have heard to-day may not appear exciting but on closer examination it becomes evident that all the factors of success are still present. Increasing funds, a steadily expanding premium income, a reduced expense ratio and a high net rate of interest, all these encourage us to hope that the present quinquennium will be no less successful than the last.

We have heard with the greatest interest what has been said regarding plans for the post-war period. Salaried workers in particular in view of the high rate of Income-Tax, are realising more and more the benefits of insurance and I am sure that we all welcome the spirit of initiative and of well-founded optimism which these plans display. We share with the directors their firm belief that in the days of peace there will be much valuable work to be done by mutual companies like the Standard for the benefit of its members in all parts of the world.

The Report was unanimously adopted.

CADBURY BROTHERS LIMITED

USE OF MILK IN CHOCOLATE MAKING

A STABILISING FACTOR

MR L. J. CADBURY'S VIEWS

The forty-sixth annual general meeting of Cadbury Brothers, Limited, was held, on the 9th instant, at Bournville, Birmingham.

Mr L. J. Cadbury, the chairman, having referred to a number of topics affecting the cocoa and chocolate industry, said: "The industry, like many others producing consumer goods, has continued to be subject to restrictions on raw materials and output, and to schemes of rationing, concentration and zoning. They have been operated under the control of the Ministry of Food acting in collaboration with the industry through the War Time Association which has been set up during the war for the purpose.

The cocoa plant of the country has been used to the full in meeting the increased demands of the civilian population and the large supplies required by the British and American Forces. Civilian chocolate consumption has been limited by the 3-oz. ration, which is 40 per cent. of the pre-war figure. In addition, however, the industry has produced special rations for the British and American Forces and supplies for N.A.A.F.I., and has also just completed a very large supply of vitaminised chocolate for liberated Europe.

LABOUR AND CONCENTRATION

Although the total production of the industry is only about one-third less than it was before the war, its labour force has been reduced by two-thirds. The labour thus released has been transferred to the Services and to other industries and has been made available either voluntarily or under two "concentration schemes." It was a provision of these schemes that the labour force of every firm should be restricted to a maximum of five persons per ton per week, but lower figures were fixed for individual firms; in fact, Bournville's figure is less than three per ton per week.

A concentration scheme designed to produce the maximum production efficiency in the industry would clearly have concentrated production in those factories with the lowest labour per ton factor. Owing to the fact that some of the largest and most efficient factories were situated in the most important munitions areas, this course was not followed, and the Ministry of Labour asked that production should be transferred from them to easier labour areas.

The somewhat ironically called "concentration schemes" resulted not in concentration at all, but actually in dispersal, and consequently they did not produce the maximum labour saving. The Bournville factory, the largest production unit in the country, was affected more than any other. We accepted these arrangements in the critical years of the war to help the labour position in Birmingham's munitions industries. The position, however, is not the same to-day; there is, in fact, evidence that some workers transferred to war production are being used by the companies to which they have been directed for peacetime production.

At the time of the concentration schemes the Government promised that, as soon as the position permitted, transferred workers would be returned to their former occupations. I hope that, in justice to the transferred workers and in fairness to the firms concerned, as well as for the sake of industrial efficiency, the Government will implement their promise and that very

soon we shall at any rate be able to manufacture our share of the industry's total production in our own factory.

MANUFACTURE OF MUNITIONS

Besides releasing workers for service in other munitions factories we have, through our associated company, Bournville Utilities, Limited, carried out a variety of munitions contracts at Bournville and at our Battersea depot in London. These contracts have included gas mask assembly, machine tool construction, aeroplane tanks and parts, jerricans, and A.A. ammunition. At one time Bournville Utilities employed over 2,000 workers on these products.

Large parts of the Bournville factory have also been used by other firms for munitions production, and our Blackpole factory has been entirely taken over by the Government.

WEST AFRICAN COCOA CONTROL

The Secretary of State has recently announced his decision not to proceed during the season 1945-46 with the scheme for the marketing of West African cocoa. We believe that this decision is largely due to the strong opposition which the Government's White Paper has aroused from merchants and intermediaries both here and in America.

Bournville is the largest single consumer of raw cocoa in this country, and we also have a very large trading interest in West Africa. In common with other British manufacturers, we have expressed our willingness to accept the scheme outlined in the White Paper provided it is accompanied by safeguards designed to ensure that there shall be a free supply of cocoa to this country at prices fair to the producer and the consumer. We welcomed the statement contained in the White Paper that it would not be in the interest of producers or consumers to revert after the war to pre-war marketing conditions. We know from a long and close connection with West Africa that there are many things connected with the marketing of raw cocoa which should be corrected. We also know how difficult it is to make a change, and that, whatever new scheme is suggested, there are bound to be objectors not only in the cocoa consumer countries but also in West Africa.

CONDITIONS ON GOLD COAST

It is not the first time that attempts have been made to improve marketing conditions in the Gold Coast. The buyers of cocoa, merchant firms and merchant manufacturer firms made an attempt to remove abuses by means of the buying agreement of 1937; that agreement failed as, in the opinion of many, it deserved to fail. The Nowell Commission made certain recommendations after their examination of the situation in 1938, but they did not find a clear way out. We think it would be little short of a calamity if advantage were not taken of the present unique opportunity of improving marketing conditions.

We are glad to note that the Secretary of State has confirmed his intention to make a grant for the purposes of research out of the profits made during the war from the sales of raw cocoa. We have ourselves been able to render some practical assistance to the investigations which are being made into the causes of the Swollen Shoot and Sahlbergella diseases which are

affecting the growing of cocoa on the Gold Coast.

USE OF MILK

Milk chocolate was in pre-war days our major product. In 1939 we produced over 1,000 tons per week, and in that year handled nearly 27,000,000 gallons of milk at our milk factories in Shropshire, Gloucestershire, Herefordshire and Denbighshire. Our development of the milk chocolate industry resulted in a considerable addition to the total liquid milk production of the country.

At the present time the use of full cream milk for milk chocolate is prohibited except in respect of the small quantities of surplus milk in the summer flush season. Our milk factories are now being used in connection with liquid milk supplies and in one case for butter making.

We agree that the first use of the limited milk supplies should be for liquid consumption, but in normal times there is a summer excess which our process of manufacture enables us to take off the market at the flush season and convert it into semi-manufactured chocolate for use throughout the year. That factor is, we believe, a help to the farmers. We realise that milk and milk products are bound to be grievously short in the first years after the war, and we must make our manufacturing plans accordingly. We feel, however, that the use of milk in our products must be in accord with any reasonable agricultural outlook in this country.

The need of the farming community is to have stability of outlook not only for the disposal of their goods, but more particularly for the prices they expect to receive.

This industry can give stability of outlook both with regard to price and progressive manufacturer use of milk. We doubt if any other industry could give the same assurance. We realise how difficult it is in the present state of uncertainty for the Ministry of Food or the Ministry of Agriculture to give any assurance for the future, but we look forward with confidence to the time when we shall be able to claim a share of milk for manufacturing purposes in proportion to our pre-war consumption. There must come a time—we hope very soon—when once again the Dominions will send to this country their surplus production of milk products; when they do, the milk situation will be altered.

LOCATION OF INDUSTRY

The City of Birmingham is possibly one of those places which will be affected by the "Distribution of Industry Bill." I agree that we must not see a return of chronic unemployment in what used to be known as the "distressed areas," and that it is necessary to put new production there.

But it is one thing to encourage new enterprise to these areas, quite another to force industries to transfer from their existing location by embargoes on their natural development. It would be a mistake, for instance, if factories in the Birmingham area, with the intention of driving them elsewhere, were deliberately handicapped in the post-war period from carrying out their normal programmes of rebuilding and re-equipment. The loss of industrial efficiency in the Midlands would far outweigh any possible gain in other parts of the country.

PUBLICATION OF "INDUSTRIAL RECORD"

We have recently published a book "Industrial Record, 1919-39." Its object is to give a factual account of this firm's experience between the wars. We hope it will prove a useful contribution to the discussions now taking place in post-war industrial problems. It has had a very favourable reception and has already drawn considerable comment from a number of readers.

The report and accounts were adopted.

MINING ASSOCIATION OF GREAT BRITAIN

ADDRESS BY MR ROBERT FOOT

The ninety-first annual general meeting of the Mining Association of Great Britain was held in London on the 12th instant.

In the course of his speech to the meeting, Mr Robert Foot, the chairman of the Association, referred to the recently published report of the Technical Committee under the chairmanship of Mr Charles Carlrow Reid, and said:

I am not competent to deal with the purely technical aspects of this most able document, which must prove to be of the greatest value to the industry in the work of technical reconstruction, but I am encouraged to note that in their broad approach to the problem there is such a large measure of agreement between their conclusions and my own.

Both my report and that of the Reid Committee are based on the continuance of private ownership. At a Press conference preparatory to the publication of the Technical Committee's report, Mr Charles Reid, the chairman, said the Committee did not believe that public ownership would solve the problems of the industry.

The Reid Committee conclude that the technical changes they regarded as essential "cannot be satisfactorily carried through by the industry organised as it is to-day." In my own report I refer to the drastic kind of reorganisation which I feel the difficulties and seriousness of the present situation make imperative.

Both reports stress the importance of stability for the workers. The Reid Committee state that the wages of underground workers should be at least as high as in other industries demanding an equal degree of skill and effort. I had included among my twenty principles that "the earnings of those underground should be maintained at a level in each district that will give them the pride of place amongst industrial workers." And they say, as I say, that this pride of place can only be maintained if the miners will give a full and fair day's work.

I laid it down as one of my principles that the industry should, through the initiative of the Central and District Boards, "give every support and encouragement to the closer integration of the industry into a smaller number of units by voluntary agreements, and to compulsory amalgamations and absorptions" in special circumstances.

A CENTRAL AUTHORITY

Finally, both recommend the establishment of a Central Authority to ensure that their recommendations are carried into effect. But here the methods of the two reports diverge.

The Reid Committee insist that it is "a cardinal necessity" that the Authority which they propose should be "endowed by Parliament with really effective powers" to ensure that "the industry is merged into units of such sizes as would provide the maximum advantages of planned production," etc.

It has been somewhat hastily assumed in certain quarters—the hope being perhaps the parent of the assumption—that the Authority envisaged by the Reid Committee is of the nature of a Public Utility Corporation. There is, however, nothing in their report itself to justify this. The Committee express no views as to the constitution of the Authority, but only that it must be established by Statute and empowered by Parliament with certain powers. Like the Reid Committee, I envisage a comprehensive treatment of the production process in each area. While, however, I am in favour of the application of compulsion to the amalgamation in certain types of cases, I do not believe in the universal

programme of compulsory amalgamations by areas which they propose.

The second divergence of method is in relation to the surveys to be undertaken. In my report I state that the only way of finding out what is required to be done and how much money it will cost is by taking each colliery and surveying its requirements and so building up the total sum, and it was my intention that this work should be begun on existing collieries at the earliest possible moment. The Reid Committee, on the other hand, propose that the survey should not be begun until the areas to be covered by the new units to be formed in accordance with their recommendation for amalgamation have been delimited and the mergers effected.

THE TIME FACTOR

Now this delimitation of suitable areas for the new units, and the effect of compulsory mergers—with recourse either to the extremely complicated and slow machinery already existing for enforcing such compulsion, or to new legislation yet to be passed by a Parliament already overcrowded with urgent legislation—will occupy much time before the essential surveys can even be begun. And, as the Reid Committee so properly insist in the last words of their report, "there is no time to be lost."

On the other hand, the Central Board recommended in my Plan for Coal can be brought into existence by the colliery owners themselves almost at once; the essential surveys can be begun forthwith, undertakings being encouraged to take the initiative themselves, and voluntary amalgamations and absorptions can proceed simultaneously. Nor, under this procedure, is it to be contemplated that the planning would be unco-ordinated, individualistic or "parochial." Far from it. The plans would be co-ordinated by the District and the Central Boards.

CRITICISMS CONSIDERED

Here I propose to turn to the criticisms of my own Plan for Coal. It does not appear to be generally realised that, quite apart from the provision made in Principle X of my Plan for close and permanent consultation with the mineworkers by means of a Joint National Committee, District Committees and Pit Production Committees, there is already in existence complete machinery, culminating in the National Appeal Tribunal under the chairmanship of Lord Porter, for dealing with any claim or grievance put forward by the mineworkers relating to wages or conditions of work.

Similarly as regards consumers, there are already in existence Committees of Investigation and a Central Appeal Tribunal to which consumers can appeal if they feel themselves aggrieved by an action taken under the selling arrangements established under the Coal Mines Act, 1930.

Access to such tribunals is, I submit, a far more effective and practical protection to the various interests concerned than minority representation on a board.

NEW PROPOSALS

Nevertheless, I believe it is possible consistently with these conceptions to suggest measures for meeting the several material criticisms that have been made, and I have formulated certain proposals directed to this end. These I am about to communicate to the industry for consideration (and to issue, for the information of the public and the Press), together with the draft constitution of the Central Board and my proposals for bringing that Board into existence forthwith.

S. HUBBARD LIMITED

CONTRIBUTION TO WAR EFFORT

The twenty-first annual general meeting of S. Hubbard, Ltd., was held, on the 17th instant, in London, Mr. Geoffrey O. Hubbard, vice-chairman and joint managing director, presiding.

The following is an extract from the vice-chairman's statement circulated with the accounts:—It is again possible to submit to the shareholders a very satisfactory account of the year's working. The profit from manufacturing and trading for 1944, after providing a reserve of £12,500 against stocks, amounts to £101,196. After providing for directors' fees, interest on bank overdraft, depreciation and deferred repairs, there remains a balance, being the profit for the year 1944, of £81,143. The proposed dividend for 1944 on the ordinary shares is at the rate of 10 per cent., less income tax.

During the war we have been pioneers of fabricated and shaped felt parts for the aircraft, motor and engineering industries. Felt, either treated or untreated, has been used in many ways in replacement of rubber. We have produced felt to meet many varied technical requirements—for example, felt rock hard or sponge soft or proofed to resist petrol, oil, water, acids, etc., also resilient packaging felt to resist tropical conditions.

We have also produced large quantities of felt hoods to be made up into different types of headgear for the armed Forces and for use by the Civil Defence and public utility services. More recently we have been helping to meet the requirements of the Government for hats for men to be demobilised from the Navy, Army and Air Force.

Much careful consideration has been given to post-war planning, so that the company may be in a position to surmount the difficulties of the transitional period. The report was adopted.

B. MORRIS AND SONS, LIMITED

BETTER PROSPECTS

The annual general meeting of B. Morris & Sons, Limited, was held on the 18th instant, in London.

Mr. Arthur J. May (chairman and managing director), in the course of his speech, said: The stock is higher by £3,184, and there is a saving on the insurance of £661, due to cheaper War Damage rates. Taxes absorb £4,743, an increase of £1,739. Creditors show an increase of £4,245 which consists chiefly of taxes due. These have since been paid, and at present our creditors are negligible. The balance of profit, £9,359, is £1,009 less than the previous year.

In connection with this I must point out that during recent years we have had the advantage of cheaper materials and the increase on the duties on the tobacco provided a certain amount of increment, which did not operate in 1944.

This is the first year for some time in which we have had no changes in the duties, and apart from higher cost of leaf, had we not experienced abnormal difficulties in the last six months of the year, the final result would have been much better, and it is only due to the tenacity and devotion of our workers and staff that we made a substantial profit on the year's working.

We are experiencing great demands for all our manufactures, especially Morris's Silk Cut Cigarettes, and this year has commenced very well, so, providing trade continues at its present level, we hope to make considerable progress during 1945. Your company is in a very sound condition financially, and when the labour position improves we should be able to take advantage of the better trading conditions when the war is ended.

The report was adopted.

UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

PROFITS AND DISTRIBUTION MAINTAINED

SOUND AND SATISFACTORY POSITION

SIR WALROND SINCLAIR'S SPEECH

The thirty-second ordinary general meeting of the United Glass Bottle Manufacturers, Limited, was held, on the 12th instant, at 8, Leicester Street, W.C. 2, the chairman, Sir Walrond A. F. Sinclair, K.B.E., presiding.

The chairman said: Ladies and gentlemen, I desire to express the deep sorrow which your board have to refer to the death in June last of the Lord Herbert Scott, C.M.G., D.S.O., D.L., who had been a director for the past twelve years. His loss has been keenly felt, not only because of the sound judgment he brought to bear on the affairs of your company but because his genial personality made him a friend as well as a colleague.

At the close of the year, Mr T. C. Moorshead, joint managing director, expressed his desire to retire from active management, after having been associated with the company for some twenty-six years, the last twenty as a member of the board. I am sure you will desire to be associated with your directors in an expression of deep appreciation for all that he has done for the company, together with our best wishes in his well-earned retirement. Mr H. J. Judd, formerly joint managing director, has been appointed managing director of the company, effective from Jan. 1 last. Mr Judd's standing in the industry needs no emphasis from me, for he is justly recognised as one of its leaders and the directors feel that his new appointment will serve to strengthen still further the administrative efficiency of your company.

TRADING CONDITIONS

You will doubtless recall that when addressing you a year ago I concluded my remarks by informing you that the turnover was then being maintained, with costs showing a tendency to rise, but that, providing the general position did not deteriorate, we had reason to hope that we should be able to submit another satisfactory account a year hence. While conditions throughout industry generally continued difficult, we unfortunately ran into a period during the year when our production was considerably dislocated by circumstances which demand the utmost from us to meet a serious emergency. Despite the strain and deep anxiety involved, we were enabled through our widespread organisation to effectively deal with the situation with the minimum disturbance.

Shortage of labour, coupled with an acute fuel position, added to our difficulties in maintaining a sufficient output to meet the heavy Government requirements and at the same time to allow a reasonable quota distribution to our regular customers, to whom we wish to express our sincere gratitude for the forbearance and co-operation extended to us during this trying time.

THE YEAR'S RESULTS

Having regard to the many handicaps under which manufacture and distribution were carried on, the reduction in volume, turnover and trading profit which naturally followed, the credit balance of the trading account was to all intents and purposes identical with that of the previous year. The available balance, after making the normal provisions for depreciation and other reserves, together with the lower contribution necessary by way of provision for excess profits tax, leaves the net profit a little higher, a result which, I submit, can be regarded in the circumstances as most satisfactory. It is interesting to note

that the net return received from trade and other investments was again approximately 4½ per cent., or the equivalent of 9 per cent. gross.

Provision for income tax and the amount set aside for pensions and group life assurances are likewise a little higher. Shareholders will, I hope, regard this annual charge as a desirable investment for the benefit of those who contribute so much to the success of our undertaking. After providing for the preference dividend and repeating the distribution on the ordinary capital at 12 per cent., less tax, for the eighth successive year, the transfers to general reserve, the contingency reserve, together with the allocation to the debenture redemption reserve, total in all the sum of £97,880, compared with £99,909 a year ago, thus continuing a policy of prudence which will, I hope, meet with your full approval, particularly having regard to the substantial outlay on plant equipment which will be necessary, as soon as circumstances permit.

SURPLUS OF CURRENT ASSETS

Turning to the balance-sheet, it will be noted that the net surplus of current assets amount to £2,444,053, against current liabilities and provisions of £1,379,936. I think you will agree that these figures disclose a sound and satisfactory position.

Our export trade during the year, I regret to say, has been severely limited by curtailed production on the one hand and lack of shipping facilities on the other. As a matter of fact, our export sales actually show a decrease of 30 per cent. compared with those of the previous year. Most of our manufacture continues to be earmarked for Government priority, but we are looking forward to easier conditions during the current year, when plans which we have now well in hand will, we hope, enable us to make the necessary drive to recover and possibly expand our export business.

SOUND REASONS FOR CONFIDENCE

As for the future generally, I must obviously refrain from indulging in prophecy, but you will be glad to know that, notwithstanding certain difficulties still existing, the trading indications for the first three months of the current year can be considered satisfactory, and there seems to be sound reasons for confidence that this company will continue to give satisfactory service, both to its customers and shareholders, in the years that lie ahead, for we have the pre-requisite in liquid resources, technical skill, administrative efficiency, an effective organisation, and a loyal and enthusiastic body of workers.

In conclusion I should like on your behalf as well as that of my colleagues and myself to express thanks to our managing director, Mr H. J. Judd, to the administrative side at the head office, the managers and their staffs at the respective factories, and to each and every employee of the company for their devoted and untiring efforts, only too frequently carried out at considerable personal risk throughout a difficult period. You will wish to join with my colleagues and myself in an expression of good wishes to those of our many employees serving with His Majesty's Forces, and to express the sincere hope that they will be able to return to us before the occasion of our next annual meeting.

The report and accounts were unanimously adopted.

MIDLAND EMPLOYERS' MUTUAL ASSURANCE, LIMITED

POSITION WELL MAINTAINED

ASSETS NOW EXCEED £6,200,000

The forty-sixth annual general meeting of the Midland Employers' Mutual Assurance, Limited, was held, on the 17th instant, at 16, Waterloo Street, Birmingham 2.

Lieut.-Colonel J. Beaumont Neilson, C.M.G., D.S.O., C.A., presided. The chairman's speech, which had been circulated with the report and accounts, was taken as read, and was as follows:—

Having regard to the continued difficulty of travel, and the conditions prevailing at the present time, I propose to follow the procedure of recent years and circulate in advance of the meeting to be held on April 17, 1945, the remarks which normally I should have made at that meeting. The proceedings will therefore be of a formal character.

BALANCE-SHEET AND ACCOUNTS

The premium income for the year 1944 at £3,216,642 shows only a slight decrease on the record of the previous year and reflects the level of aggregate wages paid. I am glad to be able to report a further increase in the number of policyholders.

LOW EXPENSES OF MANAGEMENT

The expenses of management amounted to £242,694, or 7.5 per cent. of the premium income. This low ratio is particularly satisfactory when it is borne in mind that allowances have continued to be made to members of the staff serving with the Forces. Commission at £158,314 is substantially in the same ratio as previously.

LARGE INCREASE IN CLAIMS PAYMENTS

Expenditure on claims amounted to £1,931,154, an increase of £259,671, and the claims reserve at £3,957,693 has increased by £800,014. These increases on claims account are due to the additional cost arising as a result of the Workmen's Compensation (Temporary Increases) Act, 1943, which only came into operation on November 29, 1943, and also the continuous upward trend in numbers and in the cost of Common Law claims. The latter claims were a material factor in the year under review.

The number of accidents reported during 1944 continued to run at a high level although below that of 1943.

The assets of the company as at December 31, 1944, totalled £6,214,878, as compared with £5,302,062 at the end of 1943. The company's holdings of British Government securities increased by £1,105,807.

EFFECT OF PROPOSED NEW LEGISLATION

You will recall that in my review of the year 1943 I referred to pending Government proposals regarding Workmen's Compensation. The White Paper on the subject (Social Insurance, Part II, Workmen's Compensation), issued in September last, proposes that the provision for disablement or loss of life from industrial injury shall be administered by a Ministry of National Insurance, both employers and employees contributing to the cost. Legislation is now being drafted and the necessary Bills will be presented to Parliament in the near future. The question of Common Law liability is now being considered by a Committee presided over by Sir Walter Monckton, K.C.

EXTENSION OF OBJECTS

On the assumption that legislation may follow the lines of the White Paper, your directors thought it proper to widen the activities of the company, and to this end they sought, and obtained, the consent of the members, and later that of the Court, to an extension of the company's objects as set out in its memorandum. Full par-

STAFF

Particulars of the extended objects have already been furnished to you, but I would remind you that these include all classes of fire, life and accident insurance, but excluding marine. It is hoped that we shall shortly be in a position to accept business in these departments.

The staff, including a large percentage of temporary employees, both male and female, have during the past year carried out their duties in a very satisfactory manner and thus contributed to the smooth

working of the company. Once again the thanks of the members are due to the general manager for his able conduct of the affairs of the company.

The accounts having been unanimously adopted, the meeting closed with a vote of thanks to the chairman.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange : London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
April 12...	6,587	4,823	116.3	137.5	3.00	3.68
" 13...	6,140	4,848	116.1	137.5	3.00	3.68
" 16...	7,684	6,188	116.3	137.6	3.00	3.68
" 17...	6,151	4,838	116.5	137.6	3.00	3.67
" 18...	6,046	5,175	116.6	137.7	3.00	3.67

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1945: highest, 116.8 (April 9); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.5 (April 13); lowest, 136.3 (Jan. 2).

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS (1926=100)

1945	Average	Transactions	1945	Average	Transactions
April 5...	133.3	680,000	April 9...	134.6	570,000
" 6...	134.3	610,000	" 10...	135.0	760,000
" 7...	134.9	370,000*	" 11...	137.0	1,060,000

1945: High, 140.4 (Mar. 7). Low, 129.2 (June 23). * 2-hour Session.

(WEEKLY INDICES) (1935-39=100)

1945	Low Jan. 24	High Mar. 7	Mar. 28, 1945	April 4, 1945	April 11, 1945
354 Industrials	108.6	118.0	111.1	112.8	114.8
20 Rails	116.1	127.8 (a)	120.1	122.7	126.4
28 Utilities	93.2	97.8	94.6	95.9	96.6
402 Stocks	106.7	115.4	109.1	110.8	112.7
A. yield %†	4.63	4.15	4.53	4.47	4.38

(a) Feb. 21. † 50 Industrial Com. Stocks.

Capital Issues

Week ending April 21, 1945	Nominal Capital	Conversions	New Money
To Shareholders only	500,000	500,000	—
Particulars of Government issues appear on page 529.			
Year (to date)	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1945	392,844,201	34,177	125,250
1944	417,004,495	390,721	Nil
1943	481,153,394	392,953,628	414,423,772
1942	428,719,872	418,027,210	2,015,289
1941	392,844,201	34,177	125,250
1940	392,844,201	34,177	125,250
1939	392,844,201	34,177	125,250
1938	392,844,201	34,177	125,250
1937	392,844,201	34,177	125,250
1936	392,844,201	34,177	125,250
1935	392,844,201	34,177	125,250

Destination*

Nature of Borrowing*

Year (to date)	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Prof.	Ord.
1945	392,844,201	34,177	125,250	390,919,930	1,186,250	887,448
1944	417,004,495	390,721	Nil	414,423,772	2,015,289	1,588,165

Conversions excluded. † Includes Government issues to April 11, 1945, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—A record for applications was established at the tender for the £110 million of Treasury Bills for this week. The total of £244,370,000 was over £9 million higher than the previous week's applications, but the quota of bills allotted to the discount market, though still very low at 24 per cent., was 4 per cent. higher than a week before. Apparently, some of the outside competitors who had been misled by the discount houses' raising of the bid to £99 15s. at the beginning of the month into bidding at this figure for the previous week's tender, reverted to £99 14s. 11d. last week. Allotments to special customers were also probably lower. As a result of this scaling down of the bids, the average rate of discount rose to 20s. 2.88d., the highest since November, 1943. The TDR call at the high level of £150 million involved about £50 million of "fresh" money. The discount market, however, had a comfortable week partly as a result of sales of investments by the banks—discussed on page 520. The Bank Return shows

that Bankers' Deposits rose £6.7 million on the week to £191.5 million, despite the immobilisation of considerable balances in Public Deposits which are £8.7 million up at the high level of £18.9 million. A rise of £12.5 million in Government securities seems to betoken an increase in ways and means advances to the Government, despite the heavy total of Public Deposits.

MONEY RATES, LONDON.—The following rates remained unchanged between April 12th and April 19th:— Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call 1½% at notice, 1½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between April 12th and April 19th. (Figures in brackets are par of exchange).

United States. \$ (4.86) 4.02½-03½; mail transfers 4.02½-03½. **Canada.** \$ (4.86) 4.43-47; mail transfers 4.43-47. **Switzerland.** Francs (25.22) 17-30-40. **French Empire.** Francs 199½-200½. **Syria.** p. 8-81-85. **Sweden.** Krona (18.159) T.T. 16-85-95. **Dutch West Indies.** Florin (12.11) 7-58-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80 100-30. **Panama.** \$ 4-02-04; mail transfers 4-02-04. **Brazil.** 83.8456 (buying). **Uruguay.** 7.6597 p (buying). **Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain. Pesetas 44.00. **Turkey.** Piastres 520. **Italy.** 71-25 lire. **Market Rates.**—The following rates remained unchanged between April 12th and April 19th. **Egypt.** Piastres (97½) 97½-1. **India.** Rupee (184 per rupee) 17½-18½. **Belgian Congo.** Francs 176½-1. **China.** National \$3-34. **Iran.** Rl. 128-130. **Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Apr. 11	Apr. 12	Apr. 13	Apr. 14	Apr. 16	Apr. 17	Apr. 18
Cables —							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90.430	90.430	90.430	90.430	90.430	90.430	90.430
Zurich	23.40	23.40	23.40	23.40	23.40	23.40	23.40
Buenos Aires	24.86*	24.86*	24.86*	24.86*	24.86*	24.86*	24.86*
Rio de Janeiro	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Lisbon	4.08	4.08	4.08	4.08	4.08	4.08	4.08
Barcelona	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Stockholm	23.86	23.86	23.86	23.86	23.86	23.86	23.86

INDUSTRY AND TRADE

Oils and Seeds.—There are indications of increased interest in oilseeds. After a small trade in linseed for the United Kingdom, Indian shippers' quotations have hardened and demand seems to have fallen away. Exports of linseed are still prohibited by the Argentine Government, but the outlook has improved following the declaration of war against the Axis. Shipping with the United States has been resumed and it is reported that the Committee acting on behalf of the United Nations have undertaken negotiations for the supply of various oilseeds and vegetable oils by the South American Republics. Both the United States and India report favourable weather conditions. The oil supply position in the United States is increasingly difficult, and so far as linseed oil is concerned no improvement can be expected, unless imports of seed can be arranged, until the new domestic crop is ready about next August. Intensive efforts are being made by the American War Food Administration to induce farmers to put a greater acreage under linseed, failing which United States crushers will be under the necessity of importing at least 250,000 tons to supplement home production to supply normal consumption requirements. Crushing mills and refineries in the United Kingdom are fairly busy, chiefly on material from British West Africa.

"The Economist" Sensitive Index.—There was no change in index during the week ended April 17th. The complete index (1935 = 100) was 161.4; crops, 140.3, and raw materials 185.5.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Apr. 25, 1944	Mar. 27, 1945	Apr. 10, 1945
Cereals and Meat	93.0	66.9	109.3	109.4	108.8
Other Foods	70.4	61.1	107.3	107.3	107.3
Textiles	74.2	54.3	101.7	103.9	103.9
Minerals	113.2	95.4	139.7	147.0	147.0
Miscellaneous	87.0	77.6	129.0	129.8	129.8
Complete Index	87.3	70.3	117.3	119.0	118.9
1918=100	119.9	90.8	161.3	163.8	163.6

* Highest level reached during 1932-37 recovery.

GOVERNMENT RETURNS

For the week ended April 14, 1945, total ordinary revenue was £42,844,000, against ordinary expenditure of £83,944,000 and issues to sinking funds of £30,000. Thus, including sinking fund allocations of £106,993, the deficit accrued since April 1st is £100,193,000 against £135,117,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to April 15, 1944	April 1 to April 14, 1945	Week ended April 15, 1944	Week ended April 14, 1945
ORDINARY REVENUE				
Income Tax	34,419	30,187	14,938	14,854
Sur-tax	2,350	2,420	900	820
Estate, etc.	5,375	4,525	2,420	1,636
Duties	150	1715	392	915
N.D.C.	16,164	17,182	4,966	10,000
R.P.T.	...	...	...	...
Other Inland Rev.	...	...	...	...
Total Inland Rev.	59,320	56,029	23,616	27,225
Customs	18,748	17,651	8,064	11,048
Excise	6,500	7,200	2,400	4,000
Total Customs & Excise	25,248	24,851	10,464	15,048
Motor Duties	884	974	443	475
Post Office (Net Receipts)	...	...	...	...
Wireless Licences	...	...	...	...
Crown Lands	...	...	...	...
Receipts from Sundry Loans	61	60	61	60
Miscell. Receipts	1,745	1,08	1,166	36
Total Ord. Rev.	87,258	82,022	35,750	42,844
SELF-BALANCING P.O. & Broadcastg.	3,400	3,300	1,700	1,700
Total	90,658	85,322	37,450	44,544

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	April 1 to April 15, 1944	April 1 to April 14, 1945	Week ended April 15, 1944	Week ended April 14, 1945
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	35,539	23,476	14,971	5,894
Payments to N. Ireland	...	...	...	...
Other Cons. Fund Services	33	33	...	...
Total	35,572	23,508	14,971	5,894
Supply Services	186,709	158,600	95,200	80,050
Total	222,272	182,108	110,171	85,944
SELF-BALANCING P.O. & Broadcastg.	3,400	3,300	1,700	1,700
Total	225,672	185,408	111,871	85,644

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Service" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £556,178 to £2,654,687, the other operations for the week (no longer shown separately) increased the gross National Debt by £40,755,563 to £22,502 million after allowing for £16 million of sinking funds in 1944-45.

NET ISSUES (£ thousands)

P.O. and Telegraph	150
Overseas Trade Guarantees	45
Total	195

NET RECEIPTS (£ thousands)

Land Settlement Acts	13
----------------------	----

FLOATING DEBT (£ millions)

Date	Treasury Bills	Tender	Tap	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1944							
April 14	1170.0			Not available			
1945							
Jan. 13	1470.0			Not available			
" 20	1460.0			Not available			
" 27	1450.0	2341.8		489.3	1799.5	6080.6	
Feb. 3	1440.0			Not available			
" 10	1430.0			Not available			
" 17	1430.0			Not available			
" 24	1430.0	2309.2		542.4	1801.0	6082.6	
Mar. 3	1430.0			Not available			
" 10	1430.0			Not available			
" 17	1430.0			Not available			
" 24	1430.0			Not available			
" 31	3680.7			575.7	1859.0	6116.1	
April 7	1430.0			Not available			
" 14	1430.0			Not available			

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
1944					
April 14	100.0	209.1	100.0	s. d. 20 2-58	30
1945					
Jan. 12	110.0	211.1	110.0	20 1-50	37
" 19	110.0	216.3	110.0	20 1-19	32
" 26	110.0	207.8	110.0	20 0-31	39
Feb. 2	110.0	225.0	110.0	20 0-26	29
" 9	110.0	218.0	110.0	20 0-13	31
" 16	110.0	207.3	110.0	20 0-53	37
" 23	110.0	208.6	110.0	20 0-99	17
Mar. 2	110.0	237.6	110.0	19 11-37	21
" 9	110.0	239.2	110.0	19 11-50	21
" 16	110.0	236.1	110.0	19 11-77	27
" 23	110.0	225.3	110.0	19 11-85	25
" 29	110.0	225.6	110.0	19 10-06	30
April 6	110.0	235.1	110.0	20 1-86	20
" 13	110.0	244.4	110.0	20 2-28	24

On April 13, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of the following week, were accepted as to about 24 per cent. of the amount applied for, and applications as higher prices in full. £110 millions of Treasury Bills are being offered for April 20. For the week ended April 21 the banks will be asked for all Treasury deposits at a maximum amount of £150 millions.

NATIONAL SAVINGS CERTIFICATES AND

	Close April	Close April		Close April	Close April		Close April	Close April
1. Railroads.	10	17	3. Commercial	10	17			
Atlantic Coast.	66	70	Am. Smelting.	44	47	Int. Paper.	23	24
Can. Pacific.	12	13	Am. Viscose.	46	47	Liggett Myers.	85	85
Gr. Nthn. P.	50	53	Amazonda.	31	33	Nat. Distillers.	38	39
N. Y.; Central.	23	24	Beth. Steel.	73	75	Nat. Steel.	66	69
Pennsylvania.	36	37	Briggs Mfg.	38	40	Phelps Dodge.	27	28
Southern.	39	42	Celanese of Amer.	47	47	Proct. Gamble.	56	57
			Chas. Union.	49	50	Sears Roebuck.	102	107
2. Utilities, etc.			Distillers-Seag.	44	45	Shenandoah.	27	27
Amer. Tel.	162	164	Eastman Kodak	174	178	S. Oil N. J.	58	60
Int. Telephone.	26	27	Gen. Electric.	41	42	20th Cen. Fox.	27	28
Pacific Light.	50	52	Gen. Motors.	64	68	United Drug.	17	18
People's Gas.	76	75	Inland Steel.	86	88	U. S. Steel.	63	66
Sth. Cal. Ed.	28	29	Int. Harvester.	77	83	West'house E.	127	134
W. Union Tel.	45	46	Inter. Nickel.	31	33	Woolworth.	43	45

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SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,200,000

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(1944 Accounts)

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Savings Bank Balances ... 300,250,765

Note Issue Department ... 100,530,045

Rural Credits Department ... 2,472,059

Mortgage Bank Department ... 1,360,420

Other Items ... 22,320,811

£925,078,908

London Office: 8, OLD JEWRY, E.C.2.
 Also at AUSTRALIA HOUSE, STRAND, W.C.

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An Interim Budget

FOR the second time in succession, Sir John Anderson's Budget introduces no significant changes in the level of taxation. But this year's "no change" Budget differs from last year's in that it is professedly of an interim character. The Chancellor confessed his inability to make the usually close estimates of prospective expenditure, and he gave what almost amounted to a promise of a Supplementary Budget later in the year. For the time being he put the vote of credit—that is, the war expenditure, the variable element in the total—at £4,500 million, compared with £5,125 million actually spent in the year just ended. This makes a total estimated expenditure of just over £5,500 million. In some estimates presented in *The Economist* three weeks ago, this same figure of £5,500 million was given as the upper end of the probable range, based upon the less favourable of the alternative sets of assumptions about the date of the end of the two wars and the speed of the subsequent demobilisation. The Chancellor made it clear that he also regarded the figure as a maximum, and that the actual total might well be smaller. The lower end of the possible range estimated here was £4,500 million, and though this is not outside the range of possibility, it is unlikely that so severe a reduction of expenditure will actually be achieved in a period the middle of which is now less than six months away. What can be said with some assurance is that the maintenance

for a full year of the present level of taxation would produce a deficit smaller than last year's by at least £525 million, and perhaps more, and that the Chancellor's reference to the necessity of reducing the burden of taxation as soon as possible gives hope that some part of the relief will be passed on to the taxpayer later in the year. It is far too early to jump to conclusions about the precise degree of reduction in any particular tax. But, after so many weary years, the taxpayer is at last and at least given some encouragement to hopefulness.

With so few changes in the general framework of the public finances, the contents of the Budget proper—that is, the alterations of taxation—call for very little comment. The decision to exempt from duty hydrocarbon oils used, as chemical raw materials, and the overhaul of the arrangements by which industrial alcohol is exempted from the duties on potable spirits, are small changes of chiefly technical interest. The concessions to small businesses in respect of EPT are of rather more importance, and will be very welcome to those whom they affect. But they are quite minor in their financial aspect, since they do not affect any business with an EPT standard of £12,000 or more a year. The most important taxation item that the Chancellor had to announce was the conclusion of two treaties with the United States on the subject of double taxation. These treaties are examined in more detail in a Note on

a later page. Unless there are undisclosed traps in a highly technical matter, the elimination of double taxation appears to be gratifyingly complete. This will be a great help to many varieties of business, especially, as the Chancellor said, to those engaged in the export of goods and services. If the treaties with the United States can be supplemented by treaties on similar lines with the Dominions and with other foreign countries, Sir John Anderson will have a substantial achievement to his credit.

Only one of the taxation changes deserves to attract any criticism. This is the decision to graduate the new motor vehicle duties by small steps, the rate increasing for every 100 cubic centimetres of capacity of the engine. The effect of this is to continue to throw the heavy weight of the system of taxation in favour of the production in this country of cars too small to find a ready market overseas. It is true that a majority of the motor trade favours this principle, since it gives them added protection in the home market, which is their chief concern. But there is enough support in the trade for the alternative view to have justified the Chancellor in taking it, and a wider graduation—for example, a flat tax on all cars up to, say, 1,500 c.c.—would have given some encouragement to the mass production of more normal cars. It is a grave disappointment to find the Chancellor bowing to the majority of a trade—not even to the whole of the vested interest—when public policy seems to point so clearly in the opposite direction. Sir John Anderson should at least be invited to state his reasons at length.

The uncertainties of the coming year gave Sir John Anderson no scope for the detailed "economic budgeting" which has been the practice of recent years. But this year's Budget speech was more definite and more insistent than any before on the necessity for basing fiscal policy on the fullest ascertainment of the facts about the whole national economy. The annual White Paper, which is considerably enlarged this year, has become an indispensable instrument of policy, and the Chancellor carried this revolution in thought one step further by insisting on the necessity for a continuous census of production; he might well have added an equally continuous census of distribution and the service industries.

The fact that the country now stands at the peak of expenditure, which makes forward budgeting so difficult, provides an excellent opportunity for retrospect over the war years. The Chancellor gave some of the summary figures. In five and a half years, expenditure has totalled £27,400 million, and of this amount no less than 49 per cent has been raised out of current revenue. The sums put at the disposal of the Government in taxes and in savings have amounted to 42 per cent of the whole of the personal income of the community during the period.

These are financial figures; the incidence of the real burden of the war can be demonstrated by a few figures taken from the White Paper. The following table shows the main constituents of the gross national expenditure in 1938 and in 1944. Unfortunately, the official figures are considerably affected by the fall in the value of money that has occurred over the six years; a third column has, therefore, been added to give a rough estimate of the 1944 figures as they would appear had there been no rise in prices; these figures are printed in italics to indicate that they are not official estimates.

THE NATIONAL FINANCES

Next week's issue of *The Economist* will include a Special Section containing (1) a summary of the Budget White Paper, (2) a commentary on the figures, (3) the National Income tables in full and (4) a collection of tables on the Revenue, Expenditure, the National Debt, etc. In view of this special section next week, the customary Budgetary Statistics have been omitted this week, but an article summarising the Budget Speech appears on page 539 and Notes dealing with other Budget items on page 556.

	1938	1944	1944 at 1938 prices
Public Expenditure:—			
War	358	4,678	3,400
Other	581	501	365
Private Expenditure:—			
Consumption	4,153	5,216	3,480
Maintenance, replacement and increase of domestic capital	660	329	220
Overseas investment or disinvestment	-70	-655	-435
Gross National Product	5,682	10,069	7,030

The expenditure on war has risen between the first and last columns by 3,042 million pounds of 1938 purchasing power. This can, therefore, be taken as the cost of the war in 1944. The sources from which, by comparison with 1938, this cost was derived can be set out as follows—

	£ mn. at 1938 prices	%
From reduction in consumption	673	22
From increase in production	1,348	44
From reduction in non-war public expenditure	216	7
From reduction in provision for domestic capital	440	14
From increase in drafts on overseas capital	365	12
Cost of war in 1944	3,042	100

It is on the basis of ascertained facts about the recent past such as these that the planning of economic policy for the future must proceed. Over a quarter of the cost of the war in 1944, and a higher proportion over the whole period, has been met at the expense of the national capital, at home and overseas. At home, the destruction of capital, the failure to maintain equipment and the consumption of stocks of all kinds not only tend to limit the productivity of industry but also make it necessary to devote an increased part of the national output to re-equipment. Mr Spearman did well, in the debate that followed the Chancellor's speech, to emphasise the difficulty of accommodating all the claims within the limits of what will be available and the necessity for a policy of careful husbandry. As Sir John Anderson himself said, "we shall have little margin for avoidable mistakes or for frequent and dramatic reversals of fundamental policy."

Not all the apparatus of solid fact that is needed for the construction of policy is yet in existence. Sir George Schuster, pursuing his admirable course of insisting that industrial productivity lies at the root of all economic progress, invited the Chancellor to put before the country "a definite programme of the tasks that must be carried out," based on factual surveys of the main part of the industrial structure. And as part of such a re-examination there should be "an independent review of the effects of our system of taxation on industrial enterprise." These are wise suggestions. Brave words about the careful planning of policy will be empty without the essential foundation of fact.

The same technique of overall review and exposition might very well be applied to the external economic position of the country, which the Chancellor described as "our main immediate cause for anxiety." The restrictions on the liberty of action of economic policy imposed by the country's transition from creditor status to something very close to debtor status are likely to be very real. The facts of this situation are, in general, familiar to the experts—though the Chancellor added some new ones, particularly on the responsibility of the Middle East and India for the great rise in sterling indebtedness. But the facts and their implications have never been sufficiently appreciated either by the general public in this country and still less by foreign countries, themselves enriched by the war. When the time comes for a full disclosure of facts, the Chancellor might consider the advisability of drawing up a precise balance sheet, in Budget fashion, of income and outgo in overseas transactions, and of devoting a Budget speech to the subject. For many years to come, the national economy and the standard of living that can be provided for the people will be almost as fully dependent on these external facts as, for nearly six years, they have been upon the necessity of waging war.

Verge of Chaos

THE fall of Berlin may well have great emotional significance for the Germans. The loss of a capital city must always be a symbol of defeat. Otherwise the fact that Berlin was the seat of Government and centre of administration for the entire Reich has little meaning today, for there is no longer a functioning central government, and the administrative machine has completely collapsed. In these last weeks since the great advances from the Rhine and the Oder began, the world has witnessed a drama unprecedented in history—the suicide of a state. Total in all things, the Nazis intend to leave behind them a total vacuum, and it appears that they are succeeding.

This is, however, only half their legacy. The other is ruin, destruction and disease. Even where towns and villages have survived intact, the mass exodus of the foreign workers is bringing work on the farms to a standstill at the vital time of spring sowing. The exchange of goods and food between different areas has broken down and it may be doubted, now that the strict Nazi rationing system has collapsed, whether much food will leave the farms. Transport everywhere is held up by the destruction of bridges and rolling-stock. In the bombed cities—most of which lie in the area of British and American occupation—the devastation and disorganisation reach their highest pitch. Even with their present population, drastically reduced by evacuation, they lack every essential of an ordinary human existence. And what is to be done when the congested central areas in Germany are conquered and the evacuees drift back? How and where can they be fed, settled, or sheltered?—it is useless to speak of housing.

Few occupying armies can ever have been faced with an administrative problem of this magnitude. They cannot shirk it. Their own interests demand that disease and famine should be checked. The urgent needs of Western Europe make an early restoration of the German coalfields essential. And expediency apart, no peace can be built on a foundation of chaos in the heart of Europe.

All this is obvious. What is much less obvious is the machinery through which some kind of order is to be re-established. No statement of policy has yet been made by any of the three occupying Powers. It does not seem that they have established in advance agreed methods and procedures. In Russian-occupied territory, correspondents have so far had little opportunity of observing the methods that are actually being applied. In the British and American zones, there is little difficulty in the way of reporting, but so far no very clear picture has emerged. One or two facts are, however, clear. Whatever the intentions of the Supreme Commander, the adminis-

tration of Germany is not a matter which the officers of AMG can handle alone. Neither America nor Britain, nor least of all France, has the manpower to take over the entire administration of forty to fifty million people. The Japanese war and reconstruction at home will claim many of the ablest men, and even if—as is very necessary—some of them are now transferred from direction of the war to the administration of occupied territory, they will be defeated by lack of competent staff. Numerically alone, a purely military administration is impossible.

The Allies must, therefore, from the beginning of their occupation rely on some sort of German administration. The line of least resistance is naturally to maintain the cadres left by the Nazis, in so far as they can be brought together again. The remnants of the Nazi administration will have the experience and technical knowledge. In many places there will seem at first to be nobody else, and, since in many quarters the distinction between Nazi and German is felt to be an illusion, all Germans being equally implicated in the Nazis' guilt, there may seem to be few objections to a policy of using what is left of the old administration.

Yet such a policy is dangerous and could be fatal. The Nazis will leave behind them some sort of organisation for resistance and sabotage. It would be folly to maintain in the actual administration men who might be ready to give the saboteurs active support. And even apart from this immediate question of expediency, the larger reasons of pacification demand that the Nazi system should disappear and a tolerable system of government take its place.

Unhappily the British and the Americans have complicated their task in finding new men and new administrators by their "non-political" approach. Officially, at least, their statesmen appear to have little use for any alternative systems of government for the Germans, and by strenuously identifying Nazism with the entire German people, they create among themselves at least the idea that either there is no such thing as a non-Nazi German, or that there is nothing to choose between the two. On such a basis, the task of building a non-Nazi administration is by definition impossible.

A very different approach has been adopted by the Russians, who have more reason than either the British or the Americans to condemn the behaviour of millions of Germans, Nazis and non-Nazis alike. The recent dispute between Ilya Ehrenburg and the head of the Propaganda Department of the Central Committee of the Communist Party suggests that Marshal Stalin's words

it would be ludicrous to identify Hitler's clique with the German people or with the German state

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represent one of the deciding factors in Russian policy towards Germany. The scanty evidence from Russian-occupied territory bears this out. It seems that teams of Germans have been selected from the members of the Free German Movement—technicians, priests and pastors, party members—to work in the localities from which they originally came. The existence of these teams seems to have enabled the Russians to dismiss Nazi administrators forthwith. Meanwhile the new German officials are said to be receiving help from the Red Army, particularly on the farms. The Russians even speak of "resisting Germans" inside such Nazi-held pockets as Breslau, where there is apparently a German clandestine newspaper. The Russians do not by this attitude commit themselves to any one policy towards Germany as a whole. But they do not add to their problems of administration by refusing to seek whatever help there may be available. It is only in the West that the Allies appear so upset by the prospect of being deceived by bad Germans masquerading as good Germans or so little confident in the attractions of the idea of freedom and legality for which they stand that they may be in danger of reinstating a Nazi or near-Nazi administration by sheer default.

It is time the British and the Americans took a leaf out of the Russian book. The non-Nazis may not spring up on either hand. It is likely that they can be fully established only by patient testing and searching. This process at least should begin. A first and obvious task is to sift the prisoner of war camps. It is an ugly fact that many of them, even in this country, are perfectly organised Nazi communities where non-Nazis face the most unpleasant penalties, going as far as execution, for non-conformism. Some German prisoners—a very few—have been selected for propaganda broadcasting. The time has come to sift the millions thoroughly not only for technicians and miners and agricultural workers but for men of non-Nazi convictions who are prepared to accept responsibility.

Rent Control

THERE is probably no single subject affecting the lives of every citizen in this country which is so complicated and so little understood as rent. The legislation governing rent control is so tangled that it is nearly as baffling to the lawyer as to the layman. Lord Justice MacKinnon recently spoke of having to "grope his way through that chaos of verbal darkness." There have been nine Rent Restriction Acts since 1920, and no fewer than five Committees of Inquiry into their operation have been appointed. But in spite of all recommendations that the law should be simplified, nothing has been done in this direction. The Ridley Committee, which has just presented its report to the Minister of Health* has done a valuable public service in once again drawing attention to the anomalies and complexities of the legislation. The Committee appeals for a consolidation of the existing Acts into a single Statute:

It is urgently necessary that the present chaos of over-lapping Statutes should be replaced by a single comprehensive Act in which the whole law relating to rent control should be clearly set out.

It also proposes that the Minister of Health should issue a short and intelligible layman's guide, so that landlords and tenants alike may know their rights and obligations.

The Inter-departmental Committee on Rent Control was appointed in November, 1943, under the chairmanship of Lord Ridley "to review the question of rent control, including the working of the Rent Restrictions Acts, and to advise whether any, and if so what, changes are necessary." The report begins with a survey of the position at the beginning of the war, when the Rent and Mortgage Interest (Restrictions) Act, 1939, was passed, thus reversing the process of decontrol which had been going on steadily since 1933. The purpose of rent restric-

In Germany itself the only sure way to begin to re-discover the non-Nazis is to attempt to uncover the submerged pre-Nazi Germany of Weimar. In Italy, after twenty years of Fascism, some traces of the pre-Fascist parties and organisations remained. In Germany, where totalitarianism was complete, the traces may be fewer, but there will surely be some. The churches, their charitable organisations and clubs, have preserved a vestigial existence. Trade unionists can certainly be found, possibly even traces of trade union structure. Finally, there are probably men who played a part in the old political parties who are ready to reopen a party headquarters and begin the task of organising their neighbours for political discussion and action. In the Rhineland there used to be very strong currents of religious, political and trade union activity. Much has gone, but whatever remains should be nursed and encouraged back to life. It will then be possible to bring back old leaders or try out new ones. Nurseries for politics will have been set up. These will be genuine alternatives to a Nazi system.

It may be that AMG is already working on directives of this kind. It may be that an approximation is already being attempted between the Russian approach and the apparently more negative methods of the Western Allies. But, if this is the case, there has been singularly little evidence of it, and the people at home in Britain and America are still entirely ignorant of the principles upon which Allied occupation policy is based. On the greater issues such as the future of Germany, dismemberment, or disarmament and on the smaller—the choice of a mayor or the appointment of a police official—confusion or silence reigns. Yet decisions are presumably being taken. Day to day issues are being decided. A policy is in fact emerging in the usual manner of British foreign policy—by a series of *ad hoc* decisions which finally by weight and cohesion constitute a commitment. But to what the British people will stand committed, nobody, not even His Majesty's Government, really knows.

tion, as defined in the report, is to prevent "undue rises in rent, which might be caused by housing shortages, by limiting the rent a landlord may legally recover from a tenant, while at the same time giving the tenant security of tenure." This rent is known as the standard rent and is fixed by reference to the rent that was actually being paid on August 3, 1914, for "old control" houses (that is houses which have been controlled continuously since 1920) or September 1, 1939, for "new control" houses (that is houses which were controlled for the first time under the 1939 Act or had control re-imposed under that Act).

The effect of the 1939 Act was to bring under control the vast majority of the 13 million houses in the United Kingdom, whose rateable value did not exceed certain prescribed limits—£100 in the London area, £90 in Scotland, and £75 elsewhere. The 13 million houses can be divided into four main groups:

1. About 4 million small houses built before 1919, which have been continuously controlled since that date, although the permissible rent has been raised to 40 per cent above the standard (i.e., 1914) rent. Their average rent excluding rates in 1939 was about 6s. a week, or 9s. in London.

2. About 4½ million small houses built before 1919, which were controlled for a period, but decontrolled before 1939 and re-controlled in that year at the rents then prevailing. Their rents vary widely, but the average, excluding rates, is probably about 30 per cent above the previously controlled rent (or 50 per cent in London), this increased rent being the present controlled rent.

3. Over 3 million houses built by private enterprise between 1919 and 1939, which had never been controlled until 1939. When let, their rents are considerably higher than those in the other groups, but the majority are owner-occupied.

4. About 1½ million houses built by local authorities

since 1919, whose rents are at the discretion of the authorities and are not subject to any control under the Acts. Their average rent in 1939, excluding rates, was about 7s. per week, or 10s. 6d. in London.

The net effect of the 1939 Act, it will be realised, has been that similar houses have widely different standard rents, because they happen to have been let at different dates.

Nobody in his senses would disagree with the Committee's first conclusion, which is that rent control should be continued for so long as there is a housing shortage, in order that tenants may be protected against the extortion of "scarcity" rents. The Committee considers that it may be necessary to continue control for ten years, but recommends that the situation should be reviewed after a few years so that control could be relaxed, especially over the higher rated houses, if circumstances permit. No change in the present rateable limits prescribed in the 1939 Act is proposed.

There was some controversy among the signatories about whether rent control should be applied to new houses built or converted into flats by private enterprise after the war. Two Socialist members of the Committee, in a reservation, contend that in view of the prospect of continued housing shortage, safeguards in the form of rent control should be applied to new houses as well as to those already controlled. This point promises to be the Labour party's main criticism of the report, which it has otherwise welcomed. It is perfectly true, as the Labour members argued, that safeguards will be necessary, but the majority view was that private enterprise builders will be granted subsidies by the Exchequer under conditions which should provide sufficient safeguards, while the allocation of building labour and materials will provide another form of control. This argument, however, is open to doubt. A more valid objection against the imposition of rent control on new houses is that it would act as an impediment to building at a time when every inducement is needed. As the Ministry of Health's Central Advisory Committee on Housing pointed out in a recent report on Private Enterprise Building, private builders have been far more prone in the past to build for sale than for letting. Anything that would obstruct a reversal of this tendency would be very unfortunate. It is better to have the houses, even if they are let at high rents, than not to have them at all.

The Labour members also dissented from the majority view that houses built by local authorities should continue to be free from control and urged that these should likewise be brought under any new Act. Here again, the point that local authorities are already subject to certain conditions under the Housing Acts and are obliged periodically to review their rents might seem sufficient to justify their exclusion from the control provisions of the Acts. It does, however, seem slightly anomalous that Housing Associations, which in many cases are to be financed by local authorities to act as their agents, should receive different treatment. On the whole, the Labour members seem to be right on this point, and all houses within the value limit, however owned, should be brought within the Acts. Two further recommendations about the scope of control should be noted. The committee evades the difficult issue of the rents of "tied" cottages, which applies mainly to agricultural labourers, and proposes no change in the existing system which excludes "service occupation" from rent control. Sooner or later, however, this system, which is meeting with increasing opposition, will have to be reviewed. It might be possible, in the special circumstances of these cottages, to control the rents charged without giving the tenant the security of tenure that usually goes with rent control, and which is the chief objection to their inclusion. There will be general satisfaction at the recommendation to bring furnished, as well as unfurnished, lettings under control. Previous committees have failed to find any formula for determining the "standard" rent of furnished premises and recently there has been considerable evidence of exploitation of war workers and servicemen's families who were obliged to take furnished rooms.

One of the committee's most sensible recommendations is that local authorities should compile and maintain registers of the rents of all houses to which the Restriction Acts apply, so as to provide a basis for determining legal rents. Pending a decision on what is the legal rent, the rent payable at the date of the publication of the report would become the registered rent. The registers would be open to public inspection and any costs incurred by local authorities would be reimbursed by the Exchequer. It seems indeed surprising that such a system of registration should not have been adopted long ago. Without such a register, the committee's central proposal for the establishment of Rent Tribunals, whose function would be to determine "fair" rents, would be difficult to apply. The idea of rent tribunals is not new, but has never been regarded as practicable hitherto. In Scotland, however, rent tribunals under the Rent of Furnished Houses Control (Scotland) Act, 1943, have been operating smoothly and effectively. As the Report states, "The incidence of the Rent Restrictions Acts is so uneven that no simple formula can be devised which can be universally applied, so as to produce fair rents." These tribunals would have the task of adjusting the rents of controlled houses, on the basis of a systematic review of all registered rents, and of eliminating the anomalies created by the passage of the 1939 Act. There is ample evidence to show that exactly similar houses in the same street and of the same rateable value have different rents. The tribunals, which would have wide and simple terms of reference, would deal with the most urgent cases first.

There would be 198 tribunals in England and Wales and 30 in Scotland, and they would, it is suggested, consist of 2 to 4 members, with a chairman. None of the members need necessarily be people with legal training, so long as they had experience of public affairs and access to expert advice. The chairman would be full-time; but the members would be part-time and would be paid sessional fees. At the outset they would be expected to sit three days a week, and might hear about 1,000 cases in the first year, though the work would naturally diminish as the most pressing anomalies were removed. The difficulty will be, as always in setting up independent bodies, to find enough people with the necessary qualifications and the time to devote to the very complex tasks of rent determination. There is a growing tendency, as the sphere of state control extends, to throw more and more responsibility upon independent bodies, and, like a stage army, the same people tend to go round and round.

A more serious defect in the scheme, however, is the failure to give the tribunals any guidance on how a "fair" rent should be determined. Does this mean "fair" in relation to the general level of rents in the neighbourhood? There is a wide disparity in rents geographically and occupationally. The existence of a number of tribunals in different areas may tend to perpetuate these inequalities—though it is suggested that neighbouring tribunals should confer with each other—unless they can have reference to some kind of national standard. The report appears to assume, without actually stating, that this review of anomalies would have the general effect of raising the lower rents, rather than of reducing the higher ones, and there is some rather inconclusive quotation of increases in the cost of repairs which is apparently intended to be relevant to this point. But there is no assurance at all that the tribunals would all think alike; the mess that valuation for rating has got into shows what astonishing variations can emerge from the actions of a number of independent bodies, even when they are expert and guided by supposedly precise principles.

The committee rejected the suggestion put forward by the property owners that there should be a general increase (the figure of 25 per cent has been mentioned) in the level of controlled rents. Curiously, neither the advocates of this increase nor the committee itself seems to have paid any attention to the major justification for it. The property owners talked about the cost of repairs, but the real basis is that the value of money has fallen, and almost certainly permanently fallen, since 1939. To hold this one form of

* Report of the Inter-Departmental Committee on Rent Control. Cmd. 6621. 1s. net.

real property down to its pre-war money value would be inequitable in theory and would produce an artificial position in fact. The committee would have been better advised to grant a flat increase straight away, instead of waiting three years, as they propose. If the increase were as little as 25 per cent, it would be safely below the rise in the general price level, while it would relieve the tribunals, at one stroke, of the greater part of their burden, and make the tribunal system much more feasible. The committee's main objection is the existence of a number of "new control" houses, whose controlled rents are fixed at the very high figure at which they were first let after September 1, 1939. But these could easily be excluded from the increase by a proviso that the controlled rent should in no case be more than a stated proportion—125 or 150 per cent—of the net annual valuation for rates.

Save for this criticism, the Report (which contains a number of other matters upon which it is impossible to comment here) is a useful one, which should be embodied

in legislation. But it would be as well to be quite clear about the objects of legislation, which should be to deal temporarily with a temporary problem. Rent control may be a necessity while the shortage of houses lasts, but it is not permanently desirable. There is some tendency on the Left to argue as if any measure that keeps rents down is good, and any that permits an increase is bad, irrespective either of the principles of fairness between landlord and tenant or of the probable effects on the number of houses built. For thirty years there has been a shortage of houses, but supply will have caught up with demand within a few years from now—almost certainly in less than the ten years envisaged by the committee. When that happens, rent control should go completely. If, at that time, there are still families so poor that they cannot afford to pay an economic rent, the remedy will be to alleviate their poverty, not to put the burden of supporting them on to their landlords. In this, as in other respects, a solution of the housing problem is more likely to be obstructed than assisted by sentimental remedies.

The Yen-an Regime

THE Chinese delegation to San Francisco includes, among other personalities, Mr Tung Pi-wu, one of the leaders of the Chinese Communist Party. This is a reminder of the growing importance which the so-called Yen-an regime is acquiring in the political life of China. Mr Tung Pi-wu's party controls large stretches of Chinese territory as well as important military forces over which Marshal Chiang Kai-shek exercises no direct or indirect control. The chief base of the so-called Yen-an regime lies in the provinces of Shensi, Kansu, Ninghsia and Shansi. Yet although the town of Yen-an has given its name to the regime, the main strength of Chinese Communism does not lie in that area. The population of the Communist-controlled provinces around Yen-an does not amount to much more than one and a half million. Yen-an is only the most solidly organised base of Marshal Chiang Kai-shek's rivals. The Chinese Communist Party controls fifteen or sixteen similar bases behind the Japanese lines. They are scattered over enormous distances from southern Manchuria in the north to Hainan Island in the south. According to Russian and Yen-an sources, the total population of the Communist-controlled area is 88 to 90 million people. More conservative American estimates put the figure at 50 to 60 million. The boundaries of the Yen-an-controlled areas fluctuate. Every now and then Japanese incursions reduce their size and partisan activities expand them; and this may account for the differences in the estimates.

It is probably too early yet to speak of any fully-fledged Yen-an administration. Yen-an is the centre of political and military leadership; but it is not the seat of any government. So far, the Chinese Communists have not set up any central administrative authority. Formally, they still recognise the central Kuomintang Government in Chungking. This may, of course, change. If hostility between Chungking and Yen-an grows more acute, Yen-an may come to speak with the voice of a rival government. Apart from political motives, which may prevent Yen-an at present from delivering the final challenge to Chungking, the material conditions for the setting up of any central administration in Yen-an do not exist. The fifteen "bases" scattered over vast distances and sandwiched between Japanese-held territories can hardly be ruled centrally. Decentralised local government is the familiar feature of any guerilla regime. In China this is strengthened by a deep-rooted tradition of provincialism and particularism. In addition, the Yen-an regime is essentially inspired by the ideal of a radical agrarian democracy. The horizon of this type of society tends to be confined to the boundaries of a village or of a few villages and it regards with suspicion, if not hostility, any patterns of centralised government that may spell a predominance of the town over the countryside.

It would, thus, be erroneous to speak of a Communist

regime, in the European sense, being established in China. Genuine Communist ideas had struck pretty deep roots in the political soil of coastal China, especially in the heyday of the alliance between the Kuomintang and Communism in the middle of the twenties. But ever since the break between the two, Communism has been thrown back into the rural areas, where it has transformed itself into an agrarian movement of a kind for which many antecedents can be found in China's history. In this metamorphosis, Communism has shown great vitality and astonishing powers of regeneration. It has also undergone a curious social and political evolution. In the early twenties the Chinese Communists preached "proletarian dictatorship" and Socialism for China. True, even then they thought that the social and economic structure of their country was not ripe for an economy based on public ownership. But, in harmony with Lenin's teachings and with the resolutions of the Second Congress of the Comintern, which took place in 1920, they hoped that China, like all other backward or colonial countries, would soon be "towed" towards Socialism by a Socialist Europe—these were the days when Moscow hoped for an immediate victory of the Soviets in western Europe. The frustration of these hopes led to a revision of the programme for the Chinese Revolution in 1925. An anti-feudal and not an anti-capitalist revolution was, now foreshadowed. The chief plank became the abolition of landlordism and the unification of China through a radical suppression of provincialism. It was on the basis of this programme that the Chinese Communist Party was affiliated to the Kuomintang between 1925 and 1927. The Yen-an regime represents a new phase in which the Communists preach and practise a gradual reformation of the feudal agrarian structure rather than its revolutionary abolition.

This emerges clearly from the agrarian reforms that have been carried out in the Communist provinces of China. The main issue in all Chinese agrarian policy is rent for land. About 60 per cent of the Chinese peasants are still tenants or part-owners. Share-cropping is almost the universal form of land rent. Forty, fifty and at times even sixty per cent of the crop goes to the landlord, who is at the same time the merchant and the usurer of the countryside. The peasantry is usually heavily in debt, which means that a further considerable percentage of the crops goes to the local lord in the shape of interest. In the first two years of the Chinese-Japanese war the Eighth Route Army acted as the expropriator of the landlords. Later on, the agrarian upheaval was stopped; and in Yen-an's present policy the most important point is the limitation of the land rent to 37 per cent of the crop. Expropriation of landlords and the distribution of their land among tenants is prohibited.

Only when the landlords are collaborators or supporters of the puppet regime of Nanking is their property con-

fiscated. It is quite possible that this provision is also used against landlords who show their allegiance to Chungking too openly. But such reports from the Yen-an areas as are available suggest that a great majority of the local landlords have willy-nilly reconciled themselves to the Yen-an regime; and that they play quite a prominent part in it. The maximum limit of a 37 per cent rent in kind is a very moderate reform indeed. It also figures in the official programme of the Kuomintang, though so far Chungking has not enforced it in the provinces under its control. It is therefore—paradoxically enough—on the basis of an essentially feudal economy, the rigours of which it tends to mitigate, that the "Communist" regime of Yen-an is operating. Yet although the system of share-cropping has been left intact, the struggle against the influence of the landlords has been carried into other fields. The organisation of co-operative network of rural credit has reduced usury. The political influence of the landlords has also been reduced by the fact that they have been deprived of their traditional control over the police and the courts.

Another interesting development is that the pressure of military necessity has compelled Chinese Communism to act as the godparent of a native industrial bourgeoisie. The strength of the Eighth Route Army is now said to be 500,000 men. The irregular partisans are reported to number 800,000 men. In addition, there are the numerous detachments of the militias who have replaced the old police. Even if the reports exaggerate the real strength of the military formations, the demand for arms must be very pressing indeed. "Communist" China is under a double blockade, by the Japanese and by Chungking—and Chungking would, in any case, be unable to supply munitions to the partisans and to the Eighth Route Army because its own forces are only very poorly armed and equipped. A primitive armament industry, as well as textile and footwear industries, have had to be improvised in completely agricultural areas where no industrial classes existed before. The feudal land-rent has provided the economic basis on which the growth of industry has taken place. Yen-an has exempted from taxation all land-rent that is turned into industrial capital. True, this transformation of land-rent into industrial capital has been greatly hampered by lack of material resources as well as by the fact that the circulation of money is still very underdeveloped in rural China. But these difficulties have been partly overcome, possibly with the help of supplies from Soviet Russia, which came in quite regularly during some

periods and were discontinued at others. There has also been a remarkable expansion in the local output of industrial raw materials, especially of cotton. Incidentally, the little use made of money payments has had some advantages in a period when fantastic inflation is rampant in the whole of China. Industrial wages are paid in kind, chiefly in millet, the staple food in some of the Yen-an provinces. The social position of the industrialists is being deliberately boosted in order to encourage industrial enterprise. Industrial investment by landlords is hailed as an act of patriotism. Yen-an propagandists contrast this policy with that of Chungking, which has failed to improve the supply position of the Chinese armies; and they point out that the high taxes which Chungking imposes on industrial earnings have been a brake on industrialisation and have compelled Chungking helplessly to look for supplies from abroad. They say, too, that the growth of native industries has been hampered by the customs that are still levied on trade between province and province. Such survivals of particularism have been done away with in the Communist-controlled areas.

Here again, Yen-an propagandists are likely to exaggerate the achievement. But there is little doubt that the Spartan military-agrarian regime of Yen-an has done well in organising resistance to the Japanese; and non-Communist observers have also underlined quite a number of its impressive features. The policy of Yen-an may thus eventually appeal to large sections of the Chinese peasantry and even of the middle classes more strongly than that of Chungking, if the obstinate influence of reactionary landlordism in the leading bodies of the Kuomintang is not broken. The possibilities of a very deep schism are quite unmistakable. The leaders of Yen-an would be enormously strengthened if Russian influence were openly given in support of their regime. The decisive question for China's outlook will be the political and social alignment of forces in the industrial and commercial centres on the coast. It is possible that, as an essentially agrarian movement, Yen-an will not strongly appeal to the urban population in these regions. But it is more probable that the liberation of the coastal provinces will be followed by a revival of Communist influence in its old strongholds, such as Shanghai and Canton, and by some sort of a link-up between the urban Labour movements and the Communist-led peasantry. After more than thirty years of social strife and political convulsions, China is not yet sailing into a haven of social peace.

The Budget Speech

THE war years have seen some departure from the traditional form of the Budget speech. Formerly it consisted of an account of the results of the past financial year, an estimate of expenditure in the current year, a statement of how far revenue on the existing basis of taxation would go to meet it, and, finally, the proposed changes in taxation.

This year, Sir John Anderson began, it is true, with the customary account of the past year. Total expenditure was £6,063 million, which was £126 million more than his estimate. The Votes of Credit amounted to £5,125 million instead of £5,000 million owing to expenditure on war damage which was excluded from the Budget estimate. On the other hand revenue was also higher than the estimate. Inland revenue reached £2,029 million, and customs and excise, at £1,076 million, were higher than the estimate by £38 million. The beer duty brought in nearly £20 million more than the estimate and the duty on aviation spirit, which was imported on Government account, a similar increase. The Budget deficit was £2,825 million, or £11 million less than the estimate. But the proportion of total expenditure met out of revenue was 53 per cent, a higher figure than in any previous war year. The deficit and also the repayment of 5 per cent Conversion Loan, 1944-64, were covered by the usual forms of borrowing, but as more was borrowed from extra-budgetary funds, borrowing by addition to the floating debt accounted for 37 per cent of the total, against 39 per cent in 1943-44.

Summing up five and a-half years of war finance, Sir John stated that total expenditure was £27,400 million, of which £13,300 million, or 49 per cent, was met out of revenue.

The deficit, debt repayments and other capital transactions were met as to 22 per cent by small savings, 33 per cent by the sale of other war loans to the public, 31 per cent by floating debt, 6 per cent from various extra-budgetary funds, and 8 per cent from other sources. During the war period the community has been deprived, through taxation and savings, of 42 per cent of its personal income.

The Chancellor then went on to describe certain adjustments in taxation. With the end of the German war, and the resumption of private import trade, the duties now lifted from an extensive range of goods predominantly imported for Government purposes will be restored. Secondly, in accordance with the recommendations of Sir Amos Ayre's Committee, imported hydro-carbon oils used as raw materials for chemical synthesis will be freed from duty, with corresponding allowances for indigenous oils used in these processes. Thirdly, as a corollary to the modernisation of the Excise Law, which will be introduced in the Finance Bill, certain allowances to distillers will be repealed. Fourthly, the hop duty will be renewed on its expiry next August. Fifthly, there will be some modification in the exemption of educational entertainments from entertainments duty. Sixthly, Sir John spoke of the change in the motor vehicle duty, which is mentioned in the leading article. He then referred to the success of pay-as-you-earn, which has been in force for a full year. The number of persons liable to pay tax as they earn is 12 million and about 1 million employers are concerned. The total amount collected under PAYE was £540 million in 1944-45, an increase of about £100 million over the corresponding yield in 1943-44, which

reflects the higher earnings. Of the total, £250 million was paid by manual wage-earners, an increase in yield of about £50 million. The seventh change in present taxation is to be a further relief for small businesses in respect of EPT. Finally, Sir John described the Double Taxation Treaty with the United States, which is discussed fully elsewhere (page 555).

Sir John then devoted, like most of his predecessors in office, a considerable part of his speech to the position of the National Debt. But unlike them, he was mainly concerned with the external debt resulting from war expenditure overseas—"it is our overseas financial position which is our main immediate cause for anxiety." Local cash expenditures, exclusive of food and raw material, "in the fields and bases of operational lines of communication in Asia and Africa"—apart altogether from expenditure in the Americas and Europe—are estimated at £584 million in 1942, £689 million in 1943, and £716 million in 1944. The total is roughly identical with Britain's total disinvestment throughout the world in the same period. It follows, therefore, that the British balance of payments with all parts of the world other than Asia and Africa has been in equilibrium for the past three years. After referring to the effects of Lend-Lease and mutual aid on international transactions, the Chancellor estimated that Britain's total overseas liabilities will finally exceed £4,000 million without taking into account the assets that have been sold.

How this indebtedness is to be met will have to be settled by international agreement, but Sir John stated clearly that it could not be treated as an ordinary commercial debt. Nevertheless, Britain will still have a formidable problem in paying for imports, and for the first three years after the war he foresaw "a very heavy deficit on current account." There will thus be a very urgent need both to expand exports and to enforce a strict economy in external cash expenditure. There will still be heavy obligations in the maintenance of world security, but "We must see to it that our position and power in the world are represented by effective strength which we know we can maintain physically and financially." There will also be obligations in respect of reconstruction in overseas dependencies. But, beyond these two pressing needs, all external expenditure will have to be severely limited.

NOTES OF THE WEEK

Berlin Encircled

Berlin is encircled by the forces of Zhukov and Koniev, and the battle for the capital is being waged in its long and wide streets, now mostly reduced to ruins. Inside the Russian ring—so the Nazis say—Hitler and Goebbels direct the battle. This may or may not be true. If the Fuehrer had any hope that the Nazis after defeat might still be able to wage any real underground struggle, he would certainly prefer to join his Werewolves. But it may also be that the Fuehrer, or at least one of his dummies, must die heroically in order that the Fuehrer legend should survive. Hitler's personal fate has, of course, no importance for the immediate course of military events. The link-up between the Russians and the Western Allies from Berlin down to the Czech frontier is imminent. When this is effected the remainder of the German forces will be pressed into two pockets. The northern pocket will extend from Stettin to Bremen with Hamburg in the middle. The southern pocket will include Bohemia and the somewhat mythical Southern Redoubt. How quickly these two pockets will be liquidated can be a matter of speculation only. The fall of Berlin and the junction between the Russian and the Western Allies at the centre of the front will bring the battle of Germany, symbolically as well as practically, to a close. The millennium of National Socialism is ending in unparalleled pandemonium. Hitler has been beaten, but his genius of destruction will mock at the victors for many years after the sound of the battle has died away.

Before San Francisco

The San Francisco Conference on world security opens under an unlucky star. Its preface was the signature of a Twenty-Year Alliance between Russia and the Lublin Poles.

After referring to the Budget White Paper, Sir John then dealt with the internal debt. But unlike nineteenth century Chancellors, he was not concerned with its size or with methods of reducing it, though he pointed out that after the war it will be twenty-five times as great as it was in 1815. He emphasised instead that the interest on the debt, expressed as a percentage of the nation's taxable income, will be no higher after this war than it was in 1918 or in 1815, and he was chiefly concerned with the need to maintain low interest rates in peacetime.

Sir John then dealt briefly with the cost of living, giving a warning against increases in wage rates that are not accompanied by an increase in productive efficiency. He then came to what was formerly the most eagerly awaited part of the Budget speech—the prospects for the current year. He had already, however, said that this will probably be merely an interim Budget, and at the present stage of both wars he could not give anything but tentative estimates of war expenditure. The fixed debt charge is estimated to be £50 million higher at £465 million, and the civil supply votes are £68 million higher, mainly because of the Education Act reforms, and the training schemes for demobilised and disabled ex-servicemen. War expenditure is tentatively estimated at £4,500 million, making total expenditure about £500 million lower than in 1944-45. True to tradition, Sir John then estimated the yield of the existing taxes. Income-tax is estimated at £1,350 million, an increase of £33 million, but the excess profits tax is estimated to decline by £10 million, owing to the changes made in last year's Finance Act. Customs and excise are estimated to yield £54 million more, and total revenue is put at £3,265 million, giving an estimated deficit of £2,300 million, some £525 million less than the deficit in 1944-45.

Since the Chancellor had already dealt with the minor changes in taxation, there could be little excitement at this stage of his speech. The assumption that there would be no change, either up or down, in the main body of taxes proved correct. The only comfort for the taxpayer lies in his emphasis, towards the end of his speech, that this is only an interim Budget, and that

It is of the first importance that when the compelling incentive of working for victory is no longer present, there should be an early alleviation of the existing heavy obstacles to the normal incentives to work.

The alliance itself is simply a repetition of the treaties already signed with Czechoslovakia and Yugoslavia. The non-Russian signatories in this case, however, represent a Government recognised by neither Britain nor the United States. It is clear that the Russians do not intend to interpret the Yalta formula as anything but a recognition of Lublin as the existing Polish Government. There may be some reshuffling of portfolios. There will almost certainly be nothing approaching the genuine reorganisation which the Western Powers—and ordinary democratic principles—demand.

Thus, by a long process of attrition, the Russians have imposed on a small neighbour a government of their choosing. What conclusion can all small Powers assembled at San Francisco draw from this procedure? Is it a reassuring illustration of the use to which the Great Powers may put their preponderance? What security do the Dumbarton Oaks proposals or the Yalta voting agreement give that such procedures will not become the rule?

This is the rather discouraging background of the Conference. It is clear that none of the Small or Middle Powers wish to upset the negotiations. All see in Great Power unity the best hope of peace. Yet they cannot be very heartened by the evidence of how little weight a small Power plays in the balance of policy of a great neighbour.

Labour's Election Programme

The Labour Party has issued its election programme well in advance of the other political parties. Much of it simply re-states, in rather cautious terms, well-established Labour principles and policies, which might have been taken from any Labour manifesto during the past twenty years. This is perhaps inevitable, for Labour policy is shaped at the Party's annual conferences, and any declaration which did not reflect conference decisions would be severely criticised.

There may, in fact, be some criticism when this document comes up for discussion at the Whitsun Conference. To judge from the tone of some of the resolutions put down on the Agenda, many delegates will say that the Executive's declaration does not go far enough, and will call for a more immediate introduction of Socialism than the instalment system now proposed. The present programme, perhaps wisely, confines itself to the transfer to public ownership of fuel and power, inland transport, iron and steel, and the Bank of England. Though it would work towards land nationalisation, this step would not be taken immediately, but, following the lines of the Uthwatt Report, the State and local authorities would be given wider powers of acquisition. As if to anticipate accusations of "bureaucracy," the reform of the Civil Service is given high priority.

This is dreadfully *vieux jeu*. Twenty-five years ago, no doubt, the proposal to nationalise the basic industries was revolutionary and exciting. Nowadays all save the most simple-minded will want to know what it means. What sort of industrial policy would these nationalised industries pursue? Would they go out for productive efficiency and low prices, or would they seek still more secure protection? If the former, how would they obtain the resources to modernise themselves? What would be their labour policy—ever higher wages for ever shorter hours, or a real attempt to secure high earnings through high productivity? How would a nationalised Bank of England differ from the present Bank—and would the differences be good or bad? What steps would be taken to guard against the loss of managerial efficiency which could be expected *prima facie* from public ownership? To none of these essential questions does the Labour Party provide any answer. Yet without answers, even those who are well disposed towards a Socialist policy are unable to form a judgment whether a Labour Government would be a blessing or a disaster.

In spite of the publication of Labour's programme, the political atmosphere is less taut now than it was a fortnight ago, when the Bevin-Bracken controversy flared up. Talk of a June election has subsided. Perhaps Mr Churchill's admonition against premature victory celebration had a chastening effect. The week-end speeches by Mr Ascheton, Sir William Beveridge and Mr Shinwell for their respective parties were less "eve of the poll," though no less acrimonious. But surely Mr Ascheton could find better arguments against Socialism than to say that Karl Marx was a German? So was Queen Victoria.

Two Barriers

In a speech delivered after the signing of the Russo-Polish Treaty of Alliance, Marshal Stalin stated:

There is no doubt that if this barrier from the east is completed by a barrier from the west erected by our Western Allies, German aggression will be nipped in the bud, and will not be able to develop easily. . . . This is why I do not doubt that our Allies in the west will welcome our Treaty.

The "barrier in the east," to which Marshal Stalin referred, has been set up not only by the Russo-Polish alliance, but by the signing of alliances with Czechoslovakia and Yugoslavia as well. Former satellites—Rumania, Hungary and Bulgaria—also form part of it. The Russo-Polish Treaty completes, in fact, the creation of a solid eastern bloc which stretches from the Baltic to the Adriatic.

What does the "barrier in the west" mean in this context? Some time ago, all British and French discussion on the subject of a Western Union was met with rather acrimonious comment in Russia. The idea of a Western Union was criticised as a pernicious attempt to set up rival spheres of influence, and the Communist parties in western Europe were bitterly opposed to it.

Marshal Stalin's statement may perhaps be read as a hint that the Soviet Government at least would no longer look askance at the creation of something like an Allied bloc in the west. Does this mean that the Communist parties in France and Belgium, too, would drop their opposition? The question is perhaps not of the highest practical significance, since the chief obstacle to a western bloc so far has been not so much Russia's disapproval as the lack of initiative on the part of the Western Governments. If, however, Russia were now to withdraw all opposition to a western union, this fact would certainly create more favourable conditions for a new and more determined approach to the problem.

Men With a Load of Mischief?

Marshal Pétain has left Germany and is on his way to France. King Leopold of the Belgians is also reported to be on his way home. It is difficult to say whether or not these famous "hostages" actually escaped. The word seems too dramatic to describe their orderly and leisurely progress across the German frontier into Switzerland. On the other hand, it seems unlikely that Hitler would have voluntarily thrown away such valuable counters in a possible bargain for survival. The most likely explanation is the collapse of authority and administration in Germany. The hostages found themselves in a position to drift about, and drifted to Switzerland.

Their return must create some serious political difficulties in Belgium and France. There is virtually no opposition to the monarchy in Belgium, but King Leopold's position is ambiguous. The fact that many of his immediate entourage and the father of his second wife were collaborators tells against him. Nor was his remarriage popular. Many Belgians would prefer the continuance of the now generally popular Regency.

In France the difficulties are much more grave. It would be foolish to underestimate the continuing strength of Vichyism in France. In the army in particular an important section of the officer corps did at one time give their loyalty to Pétain, and approved the mystique of his *état français*. Many of them left him only when the Germans, by occupying all France, took away Pétain's last pretence of independence. Equally, however, Pétainism is for the Resistance and for the Left generally the symbol of the France that betrayed them to the Nazis. Thus the alignment of forces which must be caused by Pétain's public trial may well split France as profoundly as did the Dreyfus case—and along very similar lines. General de Gaulle is suspected on the Left of reinsuring his position by a lenient attitude towards Pétainism. He will need all his political skill to avoid identifying himself with one or other side in France's great and tragic debate.

Planning Indian Industry

One more stage has been reached in the definition of a policy for industrial development to be pursued by the Government of India. A statement was issued from New Delhi early this week setting out the intentions of the Government towards Indian industry and outlining the methods by which its declared objects are to be achieved. These objects were first stated in the famous Second Report of Sir Ardeshir Dalal's Reconstruction Committee, of which the present statement is a natural development. In brief, they were to raise living standards and to ensure a more equitable distribution, between regions as well as between classes, of the wealth of the country.

Such ambitions involve not only rapid industrialisation, but also a measure of control to co-ordinate development and to dictate priorities which otherwise could only be decided by the slower and more wasteful methods of competition. The present statement is a provisional indication of how much control will—or rather may—be necessary. It is by no means complete, but it will give Indian industry some idea of where it stands and what it can expect from the Government. Thus, armaments, public utilities and railways are to continue under State ownership; electric power will become, primarily, a concern of the State; other basic industries are listed (including

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iron and steel, chemicals, dyes, and most kinds of transport vehicles which may be nationalised if capital from private sources is not enough for rapid expansion. Responsibility for some twenty of these basic industries is therefore to be immediately transferred from the Provincial Governments to the Centre. These include iron, steel, coal, prime movers, transport vehicles, ship-building, cement, textiles, and electric power. For the rest of Indian industry, Government responsibility will be extended to co-ordinating power and transport, encouraging research, and offering loans and subsidies where they are considered necessary to overall development. Added to more general controls over investment, working conditions, profits, and the concentration of industry, the statement gives the impression of a big step towards a socialised economy.

That it will not, in fact, be regarded as the radical (politically speaking) change which it appears is obvious by comparison with the not dissimilar Bombay Plan brought out by leading industrialists. The support for its plans which the Government evidently hopes to enlist will owe little to Marx and a great deal to Indian poverty and to the prospect of improvement opened up by wartime development. Apart from the Parsees and the higher Hindu castes, support will also come from those of other castes and other communities to whom a wider field of State enterprise will mean a greater chance of individual participation in economic development.

Sweden Stays Neutral

One of the worst and most pointless agonies of this war is the suffering of those areas which the Nazis have selected for prolonging their resistance far beyond the hour of total defeat. It is possible that Norway is to be such a tragic bastion. It is not yet certain whether German troops will continue to fight after total collapse in Germany, but if they do Norway offers an ideal redoubt. Only a descent of Allied arms on a massive scale could end the fighting quickly, and it would be difficult to achieve such an assault from the sea alone.

It was therefore natural that the Norwegians should have formally requested the Swedish Government to state their readiness to intervene if necessary. It is also equally natural that the Swedish Government confined in its action by the Foreign Affairs Committee of the Swedish Riksdag, should refuse. The Germans are not so totally powerless that Sweden's entry into the war could be achieved without risk, and it has been clear throughout the war years that the Swedish people are behind their Government in seeking to be no braver than any other unattacked neutral, great or small.

There is, in this world of devastation, an economic argument in favour of keeping at least one industrial system intact to work immediately for post-war reconstruction. The Swedes point out this material justification of their passivity. Indeed, if, after this war, they were to use their resources without stint to restore the Norwegian economy before seeking any competitive advantages for themselves, they would only be doing justice to their much-tried neighbour. The Norwegians are, however, sceptical of these future "benefits," and are naturally deeply disappointed that Nordic solidarity does not mean more active intervention now.

New Finnish Government

The recent Finnish elections were a marked success for the Left. Their result is now the formation of a coalition of Agrarians, Social Democrats and Communists. Between them, the three parties possess three-quarters of the parliamentary votes. Since the Swedo-Finns and the Liberals are also in the Government and only the Conservatives have been left out (with 28 votes in the Diet), M. Paasikivi's new Government may be described as a Government of national unity. The next question is how long the coalition will be able to maintain its unity. Inside the Government, the Left has the ascendancy. It holds ten ministries out of eighteen.

There are many men and women in the Services who would welcome a chance of reading this publication. If you would send it in, unwrapped, unstamped, and unaddressed at any Post Office, it will go to them.

Mr Leino, a Communist leader, is Minister of the Interior; and Mr Pekkala, who was leader of the anti-war group in the Social Democratic party, has taken over the Ministry of Defence. The two appointments foreshadow a radical purge of the army and police. The Ministry of Justice has gone to the Agrarians, who will probably try to mitigate the severity of the purge. At least six Ministries are double-headed—that is directed by two Ministers at the same time. Thus, there are two Ministers of Foreign Affairs: M. Svento, a left Socialist, and M. Euckell, who, like M. Paasikivi, belongs to no political grouping. There are also two Ministers of Finance—one a Liberal, the other a Social Democrat.

Building Apprentices

The Building Apprenticeship and Training Council, which is responsible for advising the Minister of Works on all matters relating to the recruitment, education and training of juveniles in the industry, has had occasion in its second report to increase its estimate of the number of apprentices required for the industry. Instead of the original figure of 15,000-20,000 apprentices a year given in the Council's report last year, a total annual intake of 25,000 apprentices, starting from now, is considered necessary, in order to offset the wastage on the force of 625,000 craftsmen, to reach the standard of 125,000 apprentices within five years, and temporarily to increase the present proportion of one apprentice to four craftsmen.

One of the main functions of the Council has been to keep a complete register of all youths who have entered the industry as apprentices. The returns show the rather disturbing fact that of 63,976 youths in training, no fewer than 51,892, or 80 per cent, have no written apprenticeship agreement. The Council stresses the importance of written agreements and accepted minimum standards to safeguard the position of apprentices.

A scheme for training put forward by the Council has now been accepted by the Government. It will mean that apprentices will learn their craft on actual building operations, such as the rebuilding of war-damaged houses. Local authorities and building employers are urged to co-operate in this scheme, which would not only provide the necessary practical training, but would help to offset the immediate shortage of building labour. The main difficulty in any education and training scheme will be the dearth of trained teachers, but the Council hopes that the Local Education Authorities will co-operate with the industry in extending pre-employment courses and part-time courses for building recruits.

It is obviously essential that a high standard of apprenticeship should be maintained, and that youths entering the building industry should be given the maximum degree of practical training. Though the immediate housing shortage after the war may tend to obscure the importance of long-term planning for building needs, it would be lamentable if the training provided for the next generation of building craftsmen were to be in any way skimmed. The Apprenticeship Council is quite right in insisting on the observance of proper standards, and the local Joint Apprenticeship Committees can play an important part in securing their enforcement.

In Holland

Canadian troops have almost cleared the northern part of Holland, leaving only the western provinces to be liberated. This may take time. The Germans have been carrying out a series of flooding operations, beginning with the blowing up of the Zuider Zee dyke south of the western end of the causeway which links western Holland and Friesland. In addition, more flooding has been carried out in the provinces of Utrecht and North and South Holland. The pattern of the flooding suggests the German intention of making a prolonged defence west of the so-called Grebbe line running from Amersfoort to Wageningen on the Waal. Additional floodings show that the area of Amsterdam and Rotterdam will be turned into separate island fortresses.

So far there has been no flooding with salt water, and it is unlikely that the Germans will blow up the dykes near Den Helder, where a breach would allow salt water to cover the low-lying land. Even so, it is hardly possible to exaggerate the disastrous effects of the large-scale flood-

ing that is now taking place in western Holland. The flooding itself is slow, but once it is completed, valuable land will be lost. From a purely military viewpoint the method is in the long run useless. If sufficient material and forces are available, the fortress islands now surrounded by water can be reduced. Thus all the Germans can expect from resistance in a number of inland pockets in western Holland and on the string of Dutch and German Frisian islands running along the North Sea coast of Holland and Germany is simply disorganisation, destruction and chaos—a policy which will react on Germany like a boomerang. In the short run, the more Holland must be supplied from outside resources, the less food will be available for the Germans with their lowest of all priorities. In the long run, it will be difficult to object to the Dutch claim for German territory to replace the flooded lands.

The Dutch people in these German pockets of resistance are being reduced to starvation. Food rations are extremely low and totally inadequate for active existence. Conditions in the newly liberated areas are uneven. In the area east of the river IJssel the peasants were able to supplement the small food rations by their own produce. Farther to the west, however, the milk shortage, for example, is extreme. The Germans had carried away most of the cattle.

Meanwhile, active preparations have been made for relieving the general food shortage. Stocks of food have been assembled in Antwerp. Relief and medical organisations are ready to move in. No lack of personnel and auxiliary workers has been reported. The greatest difficulty will be (as in other liberated countries) the lack of transport, particularly lorries.

The End of Civil Defence?

The end of the black-out has not, as used to be thought probable, coincided with the end of the war, but it puts an end to any pretence that this country is likely to be raided by piloted aircraft. Moreover, the complete absence of any form of attack on this country since the last days of March must surely mean the approaching end of civil defence.

Civil defence, or ARP as it was then called, dates from long before the war, from the anxious pre-Munich days of September, 1938, when gas masks were doled out to the whole population and Londoners began digging air-raid shelters. War was then thought of, by the general public, almost solely in terms of air-raids. It was estimated that some 100,000 casualties would be caused in the first three weeks of war, and on the outbreak of war 190,000 hospital beds were actually made available for the injured. In the event, the 100,000 total for casualties was not reached until the summer of 1942, and the story of the civil defence service reflects the contrast between imaginary air-raids and the real thing.

The adaptability of the ordinary citizen to air-raid conditions and the resistance of the human body to bombs have been one of the astonishing discoveries of the war. When air-raids actually began, the civil defence service was found to be over-weighted in its casualty sections. It was not first-aid workers who were most wanted, nor even ambulance drivers and stretcher bearers, still less decontamination squads. It was buildings which suffered most, and it was firemen who were in greatest demand, and then perhaps rescue workers to extract sometimes the dead, but often the living, from beneath a pile of rubble. Instead of hospital beds and mortuaries, it was rest centres and kitchens that were needed.

No one will mourn the passing of civil defence, but the members of the service have earned the country's gratitude for a job that involved long years of tedious inaction but short spells of considerable danger. Moreover, it may leave a legacy. The Regional Commissioners will go, but not the memory that to achieve efficiency civil defence had to break down local boundaries. The future of the National Fire Service is still in doubt, but even if it reverts to its local status, there will surely be some standardisation, so that the story of Devon nozzles not fitting Cornish hoses will not be repeated. The Emergency Hospital Scheme might become the nucleus of a national hospital and specialist Service. In addition, there are more intangible bequests—local self-help and the effects of evacuation, which,

among other things, revealed the fearful conditions of the slums. Civil defence will leave its mark on English social history.

Handicapped Children

The draft regulations on the provision to be made by local authorities for the education of handicapped children are clear and comprehensive. In addition to the children for whom provision had to be made under the Education Act of 1921, two new categories have been added—children suffering from speech defects and maladjusted children. The inclusion of maladjusted children is a sign of the times. It reflects the present popular interest in the fate of all those children who, for one reason or another—inherent defect of personality or parental neglect—need special care and attention. Another improvement on the earlier Act is the dropping of the term "mental defective." No child who is educable in a school will be so stigmatised, and the category of educationally subnormal pupils will include not only those formerly ascertained as educable mental defectives, but also children who are backward by reason of conditions other than "limited ability."

No hard-and-fast rules are laid down for the educational provision for all these handicapped children, except that it must be adequate. Special schools will be required for the blind and deaf and for some epileptics, but the partially sighted and the partially deaf, as well as the delicate, the diabetic, the educationally sub-normal and the maladjusted can be taught in ordinary schools provided they are given special treatment. This would include, for instance, in the case of the partially sighted and partially deaf, a favourable position in the classroom. For the educationally subnormal it would involve special tuition in small groups, and for the maladjusted such educational treatment as might be recommended by an educational psychologist. Where, however, the children have to attend special schools, which in many cases will be away from their homes, the regulations cover the provision and inspection of boarding-out arrangements.

All in all, the regulations appear to ensure that all children in any way physically or mentally handicapped will receive an education fitted to their needs. Particularly welcome is the recognition that no fixed line should be drawn between the handicapped and the non-handicapped. The handicapped can often attend ordinary schools with ordinary children and, provided they are there given special attention, can grow into ordinary citizens, leading ordinary, useful lives.

The Future of CEMA

Most wartime organisations are destined to disappear with the end of hostilities. Ought this to be the fate of the Council for the Encouragement of Music and the Arts? The Council was formed expressly to keep alive the arts of peace—to feed the minds of those banished by war conditions into the backwoods of culture. And it has done an

INSURE WITH



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excellent job. The report of its fifth year's work, published last week, offers striking statistical proof of the rapid increase in demand for CEMA activities in all branches of music, drama and art. During the year 1944 the Council's Exchequer grant was increased by £60,000 to £175,000, but

the demand for financial help for worth-while enterprises all over the country rises at a pace out of all proportion to the growth of income.

In 1944, 7,662 concerts were given in factories, village halls, hostels and huts—3,169 in the factories alone. Under CEMA's auspices, 722 symphony concerts were held, 50 exhibitions were circulated, and repertory drama was promoted successfully throughout the country.

CEMA is not without its failures; and on occasion it has been severely criticised in Parliament and the press. But it is generally agreed that its talented administrators have not only preserved, but improved the standards of art and appreciation during the war. How far CEMA's success can be continued into the days of peace it is impossible to say. There would probably be some reduction in the amount and intensity of the voluntary work done on its behalf; and the wider attractions available in peacetime would probably mean smaller audiences for CEMA. As the report states:

It is too early to say whether these emergency functions can be made use of in a post-war world or whether any such development will be possible or even officially allowed.

In Great Britain there is much opposition—from the minority of people who are vitally interested in the question—to the concept of Government paternalism in the arts. But CEMA's record has proved that official encouragement can do much to foster popular appreciation; and without any danger of authoritarianism. There should be room for CEMA and every other purveyor of arts in the postwar years.

The City's Last Chance

The latest critic of the City of London Plan is the Royal Academy Planning Committee, which has itself put forward bold and interesting proposals for metropolitan redevelopment. The charge that

A City conceived in the main as a collection of money-earning offices is likely not only to become dull, uninspired, and wanting in dignity, but . . . could not properly fulfil the very purpose for which it is intended

is surely indisputable. The very cautiousness of the City Plan may well defeat its purpose. As is now pointed out, if land is acquired only for widening roads, the values of the adjoining sites are raised without the City securing the benefit of its own actions. But why stop at the adjoining sites? Much, probably most, of the City could surely be defined as a "blitzed area," and could be rebuilt under public ownership and with close public supervision of the design and grouping of all buildings.

Above all the basic problems of city planning are those of congestion—congestion of commerce and congestion of traffic. Neither can be effectively tackled without the other. A city of crowded offices can be neither spacious nor comfortable. The City Plan leaves the awkward and cramped siting of railway termini untouched, and even its proposed ring road would add to the congestion at several existing crossings. Continued congestion cannot make for business efficiency. The Royal Academy architects are perhaps better economists than the City planners.

Financial caution could not be more ill-placed than in this particular instance. If necessary it would pay the nation to find part of the cost of creating a worthy centre for its capital. But it is absurd that the wealthiest planning authority for its size in the country should be also the most niggardly. The rateable value of the City is astronomical. Help might even be obtained from that mysterious fund, something like the Biblical widow's cruse, which is known as the "City's

cash." It is time that the City's looks matched its pomp. In fairness to the City, it must be said that it has asked for criticism of its plan. In fairness to London and the nation, the City should speedily act on this criticism.

Cramped Quarters

How to scrimp and save extra space for our overcrowded MPs has been the hard task of a Joint Select Committee of Lords and Commons. Their report makes plain that for some time rooms in the Palace of Westminster are not going to be enough to go round. It is a situation with which fellow-Londoners will have ready sympathy, particularly as it has inevitably worsened since the destruction of parts of the Palace by enemy action.

The Committee's answer to the problem is threefold: the first step is to re-allocate existing rooms to better advantage—evicting stored books and partially evicting (at his own wish) the Speaker and some other officers from their flats. The second step recommended by the Committee is the purchase of extra space in Abingdon Street and Bridge Street to take the worst of the overflow. Finally—and this will be the next step before the new House of Commons is rebuilt in six or seven years' time—it is proposed that the extra wing, designed by Sir Charles Barry with the rest of the Palace but never yet constructed, should be built as soon as other more urgent demands on the building trade have been met. This would cost about £2,100,000, but would provide another 237 rooms for the use of Parliament. Meanwhile, a Sessional Committee of Members is recommended to advise the Speaker on the allocation of such space, as there is.

In general, the Report contains many useful suggestions for the domestic arrangements of the legislature. The extended wing is the only proposal which will require more careful thought and here it might be considered whether the Barry plans could not be structurally and ornamentally modernised, without clashing with the rest of the Palace, in much the same way as those of Sir Giles Gilbert Scott have improved on the old House of Commons.

Shorter Notes

Suggestions that a memorial to President Roosevelt should consist of an endowment for research into the causes of infantile paralysis, and facilities for the treatment of sufferers, give special interest to the news of a particularly bad epidemic of infantile paralysis in the island of Mauritius. It broke out at the beginning of March, and affected every district. By the end of the month 870 cases had been notified. Medical and nursing help has been provided by the governments of the East African Dependencies, and Professor Seddon, Nuffield Professor of Orthopaedics at Oxford University, has gone to the island. The Medical Research Council has sent someone to undertake research into the outbreak. Great sympathy will be felt for the inhabitants of this little-known dependency, who were barely recovering from the effects of two severe cyclones when this new disaster struck them.

Strong and lengthy criticism of individual clauses of the Requisitioned Land and War Works Bill, still being discussed by the Commons in Committee, continues to result in Government concessions and promises of further reconsideration. Most important is Sir John Anderson's promise to amend the clause under which the Board of Trade can dispose of requisitioned factories without reference to the proposed War Works Commission. It is certainly hard to see what the Commission is there for if it can be frequently by-passed. The slow and difficult progress of the Bill inevitably leads to the suspicions that simpler machinery and clearer drafting would have reduced both time and muddle. Indeed, these long debates on a comparatively minor matter, while urgent problems of reconstruction continue to be ignored, are a sad comment on the twilight of Coalition Government.

Surrey County Council decided this week to lift the ban on children attending Sunday cinema performances.

AMERICAN SURVEY

Black Markets

(From Our New York Correspondent)

EVEN with the energy and ability that produce three or more figures for most facts, American statisticians still suffer from the primary infirmity of their profession: inability to statistify the novel. And since a tenet of the profession is that the collection of figures and the collection of facts are synonymous, any development which cannot be discussed in Arabic numerals seems implicitly understood not to exist, even though, to use an expression attributed to Veblen, it is sufficiently obvious to be visible to the naked eye. Thus it is, presumably, that one hears on every hand that black markets have grown to considerable size in this country, but sees detailed tabular analyses of distribution in both official and unofficial publications, which balance to the decimal point in accounting for every good and service, but with not one item or figure to indicate the existence of what is everywhere remarked. This disparity of the record of the war period as it is being written and as it is being experienced presumably will not bother the future analyst, since only the undying numerologic literature will be available to him and its tables will balance just as do the statistics of the prohibition period to 1933, without any figure to cover what to any reasonably observant stroller in any city and many hamlets was at least as plain as a carloading or a kilowatt-hour.

Even though not subject to statistification, the existence of the black market can be inferred, in addition to common knowledge, by the huge mass of currency in circulation and its continuous rise beyond any relation to payrolls or price indexes. It would probably be revealed if there were an attempt to square certain tax revenue items with production. It is suggested by the combination of almost ostentatious unavailability of some items such as gasoline and cigarettes in normal channels and the visibly high consumption of those same items: lend-lease and the wicked foreigners can hardly account for all of the shortages.

The devices used by the black marketer are ingenious and doubtless as numerous as those whose greed overcomes their honesty and patriotism—a number, unhappily, not microscopic.

The New Bootleggers

One practice recently exposed by the inspectors of the Federal Food and Drug Administration is that of cutting butter portions short and selling the excess in the black market without coupons at prices exceeding the ceiling. The wartime meat business has fantastic aspects. Sometimes the original source of black market meat is actual rustling of cattle from the ranges; more frequently supplies are obtained through cash purchases from the farmer on the spot, thus eliminating all record of the transaction and by-passing the normal channels of distribution, which are subject to rationing controls. At retail, this meat is most frequently sold by the customer's regular butcher without requiring ration coupons. The butcher also may sell meat from legitimate sources to certain favoured customers without coupons; the deficit in coupons which he must turn in to secure a new supply is made up by overcharging (in coupons) the unwary, careless or ignorant.

A somewhat similar technique is used in retail petrol sales. Petrol is rationed in units of four or five gallons, depending on the value currently assigned to each type of coupon by the OPA. Under OPA rules, if a customer's petrol tank will hold only 3.2 gallons, the petrol station attendant collects a coupon for four gallons. These small excesses may be used to eke out the rations of preferred customers who are short on coupons. The predominant method of obtaining bootleg petrol, however, is said to be through the use of counterfeit or stolen coupons by retailers to obtain supplies over and above their legitimate quotas from wholesalers. A small trickle of coupons is obtained also from used car dealers who collect the seller's petrol ration books at the time they buy his car. Until last

summer the black market operator carried out such operations with relative impunity; the banks—which handle deposits of ration coupons and credit them to each dealer's ration account, against which he draws when replenishing his stock—were able to check only about 3 per cent of the envelopes deposited. Some envelopes were filled with counterfeit and stolen coupons, and even pieces of plain white paper cut to size, in the hope that they would not be opened for inspection. Last summer the OPA established regional Verification Centres to thwart such practices through 100 per cent checking.

In the case of manufactured goods, textiles, for example, controls start at the manufacturing level, with priority rationing of raw materials to the manufacturers, so it might be supposed that unrestricted dealings would find little scope. Not so. Fabricators manage to stretch their priorities to secure raw materials over and above their legitimate manufacturing needs; the surplus materials are sold for cash at high prices. This practice is said to be resorted to particularly in cases where the plant's regular manufacturing operations already have placed it in the high surtax brackets, making further legitimate activity relatively unattractive.

In some cases—liquor, for instance—the dealer who would stock good rye or scotch is forced to make a tie-in purchase of inferior rum or gin as well. He may, in addition, be requested to pay an amount equal to the ceiling price by cheque, with an extra bonus on the side in cash. The same practices have been reported in cigarettes at both the wholesale and retail level. The apartment-seeker who would cover his head with a roof sometimes finds that extra-legal currency will do what legal tender will not; and the renter sometimes finds that services nominally provided by the lease come only with cash or recourse to law. Porters, railroad clerks, and so-called "reservation bureaus" are reported doing a flourishing business in railroad reservations at exorbitant prices, because more persons want to go more places more times than ever before.

A booming black market exists in secondhand furniture and office equipment. The ceiling on resale of used furniture is 75 per cent of original cost if it is in good condition, and progressively less if it is in poor condition. These regulations are easily evaded, since no two pieces are exactly alike. An urgent demand presses against a scarce supply, since practically no office equipment has been manufactured for several years. Even at ceiling prices, the purchasing departments of some institutions are showing a record of net credits instead of normal working expenditures as a result of the disposal of obsolete surplus equipment. The active market which exists in this field is demonstrated by the experience of one institution which recently disposed of a group of 1918 adding machines at 75 per cent of their original cost. With reconditioning expenditures added, these were obviously resold above the ceiling. The same firm received \$19 for ancient roll-top desks for which, prior to the war, cartage fees would have been paid to the junkman to remove them. The purchasers of these items frequently bid, unasked, for other scarce items owned by the

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seller. These prices indicate that in this field the price is two to three hundred per cent above pre-war and ceiling prices.

Auction sales have been an important loophole for evasion of ceiling prices. An interesting sidelight on black market intricacies is the report that government bureaux themselves have been forced to resort to buying office equipment at auction sales at more than ceiling prices.

Demand and Supply

In contrast to the situation reported from Europe, the mainspring behind the black market in the United States appears to lie relatively more in the large increase in national income and the shift in income distribution in favour of the working-class than in any absolute scarcity on the supply side of the market for most items. High taxes and resulting tax evasion are major factors. Still another is the failure of some people to understand the complexities of rationing, thereby becoming more or less unwitting accessories.

Whatever the basis, the end result is inequitable distribution of supplies, resulting in hindrance to the war effort which, in a country lacking the supplies of the United States, would be serious indeed.

Probably the fraction of the record-breaking (both total and per capita) consumption of goods and services going through the black market is small, but until proof to the contrary is adduced many people will believe that its aggregate puts it in the "big business" category.

American Notes

Chosen Instrument or Competition

Discussions on civil aviation policy continue. While a sub-committee of the Senate Foreign Relations Committee is considering the agreements concluded at the Chicago Conference, a sub-committee of the Commerce Committee has started public hearings on the McCarran Bill, which seeks to establish a single "All-American Flag Line Company" as the "chosen instrument" in international operations by US air lines. Among other provisions of the Bill the company would be permitted to negotiate with foreign interests.

Rarely has there been such unanimity among government departments and agencies in opposition to a Bill. Among those on record are the State Department, the War and Navy Departments, the Maritime Commission, the Departments of Commerce and Justice, and the Civil Aeronautics Board; all favour a system of regulated competition. None recognise the menace Senator McCarran sees in the British White Paper. Seventeen of the smaller airlines have lined up in a bloc with these opponents and the larger American Export Air Lines and Trans-Continental and Western Air Lines have said they want no part of any "All-American Flag Line."

The chief advocate of the "chosen instrument" is the rather splendid Mr Juan Trippe, pioneering president of Pan American Airways. No one underestimates Mr Trippe, who has usually had things his own way. This time, however, he has only a single ally, United Air Lines, one of the largest of the domestic lines. Thus far Mr Trippe has oversimplified; he pictures a state of competitive confusion, with at least 14 domestic airlines scrambling for the mere 18 per cent of all traffic that is overseas, as the chaotic and only alternative to a calm, shiny future, with at least 60 per cent of all transatlantic passengers going by air for \$100 a head. To this latter state of affairs he is perfectly willing to sacrifice the identity of his great company, knowing full well that the sheer weight of his equipment and the enormous technical skills and knowledge under his roof, would inevitably mean that the "All-American Flag Line" would shape itself around Panamerican.

The comparison between the United States and those countries which have adopted the "chosen instrument" policy is not a very close one. The State Department divides these countries into three categories: those in which all industry is state-controlled, those which need to connect colonial possessions scattered over the globe with a mother country and small nations whose financial resources do not permit the support of more than one enterprise. The United States, not fitting into any of these divisions, is still free to base its aviation policy on the effects it will have on the aircraft industry and air commerce, and the view is emphatically held that competition is best.

A Giant Expires

As the Maritime Commission's shipbuilding programme prepares to wind up by the end of this year, the United States is having a look at the first big industry to reach completion of its war job. The look industry and labour are giving this gigantic liquidation is a progressively more interested one, for a series of recent events and pronouncements clearly indicate that shipbuilding will not for long be alone. First there was the Byrnes Report, with its unexpected emphasis on reconversion. Then 1,000 employees were dropped at the Ford Willow Run Plant, where B24 Liberator production is scheduled to end by August. The War Production Board has ordered \$50 million worth of new tools for civilian production, and, to cap all this, the Secretary of Labour announced that the country has already entered the transition period from war to peace construction.

Employment in the shipyards has been drifting downwards since the peak month of November, 1943, when over a million and a-half men and women were at work. By January, 1945, the number had declined to something over one million. True, manpower was better utilised; in 1943 each employee completed an average of 10.1 tons, while in 1944 the figure had increased to 11.5 tons, an improvement of 13 per cent.

With the completion of the 12 million tons now scheduled for 1945, half a million workers will be displaced in shipbuilding alone. Actually, the expiration of the Maritime Commission's contracts reaches far back into the whole fabric of war production and reconversion. The War Production Board has pointed out how essential it is that these workers be located where they are needed, and not be lost to war production. In an attempt to prevent a mass exodus from the yards every time a rumour of contract expiration circulates, the Maritime Commission has promised to give advance notice of terminations and expirations. Then the War Manpower Commission will move agents into the yards, and present the workers with a list of opportunities and needs in war work. Too much cannot be expected from this procedure, since present and prospective vacancies in industries with high labour priorities have pay scales much lower than the displaced ship workers have been receiving. A welder, for example, who has been upgraded to \$1.20 an hour, will not leap eagerly at a chance to work for 50 cents an hour in the lumber industry.

In any event, the treatment of these half million displaced men—some of whom, it is true, will be absorbed immediately into ship-repair work—will be an interesting test of whether it is possible to transfer labour in such large numbers in accordance with a plan based on the best good of the war effort, and of the gradually revitalised civilian economy.

Hollywood Wants the Air

Hollywood, hitherto always hostile to television, has finally decided that it cannot be made to go away. So, in characteristic grand manner, the moving-picture industry is making preparations to take control. The result may be that one day American cinema-goers will be served up, along with the second feature and a game of bingo, with a televised programme of news and variety beamed from Hollywood.

Whether the broadcasting companies, without Hollywood's help, could produce appetising enough programmes to keep the people at home, is still a question. In a recent survey 86 per cent of the American people have said they want television sets in their own homes. The radio industry has invested \$25 million in research and development of television. If receivers were available now, present television broadcasting would be within reach of 25 million people. Certainly radio can have no intention of yielding quietly to the Hollywood princes. Radio may wish it had exercised more inventiveness in the use of the air waves instead of falling into the tempting and easy rut of capitalising on the popularity of Hollywood personalities. True, the profits have been enormous. But the ether was thus opened to Hollywood programming, and now most of the variety programmes and most of the plays are dominated by the cinema city. The latter hopes, of course, to keep it that way.

Anything in the nature of a television network depends upon the technical possibilities of transmitting television signals by cable from city to city. A relay link from New York to Philadelphia has already been established, but the distance is less than 100 miles. A Paramount subsidiary has applied to the Federal Communications Commission for two

nation-wide experimental relay networks on which it hopes to test a relay service which would bring major news and special events as they occur to cinema audiences. It is difficult to see how the feature film could be made to synchronise with these plans.

Metro-Goldwyn-Mayer has filed application for "television" stations in Los Angeles, Chicago, Washington and New York. RKO is preparing to come out a winner no matter who wins. For regular commercial television programmes put out by the radio broadcasters, it will produce and distribute sponsored films. But if the broadcasting industry grows too menacing it will be prepared with a theatre television service. Both Twentieth Century-Fox Film Corporation and Paramount have more than an academic interest in Scopony Corporation of America, which is developing patents covering the projection of large-sized television images on theatre screens.

The contrast with the British picture could hardly be more complete. Instead of a single monopoly, there is to be competition not only between two industries, but within each of them. The American public will certainly, as a result, get more television than the British, and the quality of the programmes will also probably be better.

Catholics on the Peace

A statement on international organisation recently issued by the American Catholic hierarchy is of some importance because the Catholic population of over 22 million people is fairly closely organised and has many times demonstrated its ability to put pressure on Congress and the Administration. The Catholic Church in America, as a whole, has hardly been in the forefront of those who called for an active foreign policy, and though it would be an exaggeration to call its earlier attitude isolationist, it has had closer contacts with that side of the great argument than with the other.

The present statement represents the views of a wide section of opinion, outside the church as well as in it, which has been somewhat reluctantly converted from isolationism and has now taken refuge in perfectionism. Thus, while the bishops say they do not believe that a sound world organisation is a Utopian dream, they offer no means of reconciling what they call "Marxian totalitarianism" and

"Christian-based democracy." Faced with the manifest fact that the only form of world organisation that can be brought into existence at present must include both America and Britain on the one hand and Soviet Russia on the other, the bishops condemn all the steps that have been taken, either at Dumbarton Oaks or at Yalta, to bridge the unquestionable differences that exist between them. Thus the Yalta compromise on voting procedure is condemned because it gives "a preferred status not only to the powerful aggressor, but even to any aggressor with a powerful patron," and they look forward to a time when the Security Council will become merely the executive committee of the assembly.

Like the ex-isolationist press, the Catholics show a great anxiety about the existence of provision for altering, in accordance with international justice, the terms of any treaties or settlements concluded in the course of the war—the obvious reference being to the Russian treaties with Poland and Yugoslavia—and there is an open allusion to the "enslavement" of Lithuania, Latvia and Estonia.

These are arguments that carry great weight with wide sections of American opinion. If the present attempt to bring the United States into a world organisation fails, the fatal attack, as last time, will come from the perfectionists rather than the avowed isolationists.

Senator in the Cabinet

President Truman, in an unprecedented action, has invited Senator Kenneth D. McKellar, President *pro tempore* of the Senate, to attend Cabinet meetings. The 75-year-old Senator from Tennessee will thus be the first Senator ever to attend these high councils. He will sit in the Vice-President's seat. This is a very concrete way for Mr Truman to demonstrate that he intends to increase the participation of Congress in framing major government policy. Senator McKellar's invitation is, in virtue of his office rather than of his views, but it is not perhaps wholly without significance that he is best known for his bitter and persistent enmity toward TVA as an autonomous organisation. Year after year he has fought to make TVA come to Congress for appropriations, thus opening it to the necessity of making political appointments to its staff.

THE WORLD OVERSEAS

The ILO and South-East Asia

(By a Correspondent)

BY one of the decisions taken at Philadelphia, the ILO is charged with an increased burden of regional activities, among them the duty of summoning as early as possible an Advisory Conference of the countries of South-East Asia. There has for long been a feeling among the more important Asiatic countries that their special social and economic problems do not receive adequate consideration at the general conferences of the ILO with their predominantly Western background. The earlier demands for summoning an Asiatic regional conference of the ILO, however, evoked but little response from the countries most concerned. The developments that have since taken place in Asia have once again brought the question to the fore, and it is now proposed to hold two conferences, one of the countries of the Middle East, and the other of the countries of South-East Asia. The South-East Asia conference is to consist of the usual tripartite delegations from India, Ceylon, Burma, Malaya, the Netherlands Indies, Thailand, the Philippines, Indo-China and China.

The general theme of such a conference, it has been stated, would be the implications for Asia of the United Nations' pledge of freedom from want. As a result of the last war, the past two decades have witnessed considerable industrial development in Eastern countries like Japan and India. In India, the number of factories has increased from under 3,000 in 1914 to close on 10,000 in 1939, of which 1,700 are described as "large industrial undertakings." The

number of factory employees has similarly risen from 950,973 to 1,751,137. This total represents less than 1 per cent of the population, but recent developments have nevertheless placed India among the first eight industrial producers of the world, a fact which has greatly perturbed the Western nations which already had well-established commercial connections with the East. Even in China, in 1938-40, industrial production was estimated to be increasing, in real terms, at the rate of 10 per cent annually. To the older manufacturing countries, therefore, the industrialisation of the East appeared primarily as a question of trade competition, and not much effort was made to understand or to sympathise with the imperious economic necessities which had impelled the East to take to industrialisation.

In every one of these countries industrialisation is regarded as the primary method of maintaining and raising standards of living. All are still predominantly agricultural—the last available figures show 100 million Indian workers out of a total of 148 million gainfully employed working in agriculture—and everywhere the pressure of population on economic resources falls most heavily on rural areas. In consequence, poverty, under-nourishment and ill-health have become almost endemic. The average Indian expectation of life in 1931 was only 27 years, compared with the 50 years of the American negro. Infant mortality

in Burma in 1939 was as high as 204 per 1,000, compared with 53 per thousand in the United Kingdom.

Social developments of this kind are now being approached from a new angle; it is now recognised that "poverty anywhere constitutes a danger to prosperity everywhere," and that it is only by providing full employment and by the raising of standards of living everywhere that the harmonious prosperity of the world as a whole could be assured. The application of these general doctrines to economically backward territories would involve, in the first place, a strengthening of their agricultural economy so that primary production may be increased, and, secondly, the establishment of suitable industries to provide occupation for those who may be drawn off the land and to satisfy the popular belief in industrialisation as the key to a higher standard of living.

Taken by itself, the addition to the world's stock of goods and services which would result from efforts of this kind would be a clear economic benefit to the whole world at large, though the first beneficiaries will be, as is only natural, the local populations. There are, however, many who consider that all attempts at economic and social improvements in the East are foredoomed to failure because of the excessive rate of population-growth and its pressure on resources; to this Malthusian prognosis the only answer is that in other parts of the world increased material prosperity based on industrialisation has in the long run resulted in slowing down the increase of population. The closest geographical parallel—that of Japan—shows a marked fall in the net reproduction rate which sooner or later must have its effect on the total population.

The ILO Conference on South-East Asia would be rendering a service if it could shed clear light on the problems involved in increasing production and raising standards of living in the East and on their repercussions on the older industrialised areas. It is obvious that the vast and comprehensive schemes that are needed for the economic regeneration of Asia could not be carried out without enormous borrowings of capital and technical skill from the more advanced countries of the West, and more particularly from those with historic connections with the East. By helping in the economic development of South-East Asia, these countries will also be serving their own self-interest. In India and China alone there are about 900 million human beings. Should international help be forthcoming, it would enable this vast population to promote the world's trade more effectively by producing more and consuming more, with results that in the end would be profitable to all alike.

Western Help

The post-war years will afford remarkable openings for this kind of international economic collaboration. These new demands for capital goods and technical assistance will enable the older industrial countries not only to negotiate successfully the difficult problems of transition by spreading it over a longer period, but also to maintain production and employment at higher levels than would otherwise be possible. Immediately after the last war, Dr Sun Yat-Sen addressed an energetic plea to Europe and America for assistance in the economic rehabilitation of China. He pointed out that the war industries of these continents could easily, with but slight adjustments, produce the goods which China needed: he emphasised that such an arrangement would be to the mutual benefit of China and the countries co-operating with it, for the latter would be obtaining a new market and gaining much good-will in the process of helping China to stand on her feet. The remarks of the great Chinese leader are apposite and topical at the present juncture, when the dangers of sudden reconversions and large backlogs of war products might be partially offset by export to the under-capitalised countries of the Far East.

The alternative to international co-operation is a refusal—open or disguised—to help in the economic development of the East. Prompted by fears of future competition it might slow the tempo of Eastern industrialisation, but would be powerless to stop its ultimate completion. An incidental result would be to strengthen the chauvinistic elements in Asiatic countries which, encouraged by widespread suspicions of Western motives, stand out openly for economic self-sufficiency.

It is, of course, clear that industrialisation would create in the East the same problems as in the West. Questions such as hours of work and wages, unemployment and social insurance, factory inspection, protection against accidents,

and the safeguarding of women and children are already arising in the East. With its Western experience, the main work of the ILO will be to extend the scope of its conventions in Eastern countries. In addition, there are the problems of poverty, disease and illiteracy in a large and rapidly-growing population. Any additional wealth that is created will have to be directly used to achieve better nutrition, education, housing and public health, which are now sadly neglected. With the increased efficiency that would follow the adoption of such a programme, we may reasonably expect better wages for the worker and better prices for the primary producer, and it is only in this way that the economic gap between the older and the newer industrial countries can be closed, and the foundations laid for orderly and harmonious world progress. This is the major contribution that the ILO can make to economic development in the East. If its Asiatic conference succeeds in enabling the vague and confused social aspirations of the East to gain clarity and definition, and in directing those aspirations to their fulfilment in higher living standards for Eastern peoples, one of the most potent causes of international friction in the future would have been effectively removed at the same time.

The Opposition in Brazil

[FROM A CORRESPONDENT IN MONTEVIDEO]

A SURPRISINGLY strong opposition has lately emerged in Brazilian politics. President Vargas' authoritarian regime, known as the *Estado Novo*, since it was given a constitution some eight years ago, was purged of its democratic elements last year, the purge culminating in August with the suppression of the Association of Friends of America and the resignation of Oswaldo Aranha from the Ministry of Foreign Affairs. His departure put an end to any hopes of making the regime more Liberal, and as a result its opponents combined to form, last autumn, the *União Democrática Nacional*.

In its first manifesto, the UDN proclaimed itself a political organisation which proposes "to co-ordinate all democratic currents in order to re-establish legality and democracy . . . and to fight neo-fascism, which is staging a come-back in Latin America." It then went on to demand the abolition of the press censorship and the restoration of the political parties, whatever their social and economic tenets. Resistance groups were formed which were particularly active in São Paulo, Rio de Janeiro and Minas Geraes. By the time Mr Stettinius appeared in Rio de Janeiro after the Yalta Conference, the opposition had already been organised on a national basis.

Mr Stettinius's Brazilian journey was held to mean, first, that the Brazilian Government's authoritarian domestic policy would have to fall more in line with its anti-Axis foreign policy if Brazil was to play its part at the San Francisco Conference, and, secondly, that the recognition of Russia was necessary if Brazil was to become eligible to represent Latin America in the Council of the United Nations. This amounted to the incompatibility of the *Estado Novo* with the Brazilian aim of becoming a Great Power. It was also of enormous encouragement to the opposition, which thereupon came out into the open; it judged, correctly, that the Government would hardly be able to take repressive measures on the eve of the Mexico City Conference.

The upshot seems to have surprised the administration. Twelve of the 17 important daily newspapers turned against the Government. Moreover, this offensive by the opposition was followed by a campaign to make Brigadier-General Eduardo Gomes a candidate for the presidency. The selection of Brigadier Gomes aimed at uniting the different groups of the opposition. He is a Catholic and enjoys a great reputation in the army, which is the outstanding factor in Brazilian politics. In the 1930 revolution he backed President Vargas, and took sides against the revolutionaries of the National Liberation Alliance in 1935—indeed, he was even wounded by them. But after the coup of November 10, 1937, he became increasingly critical of the regime, particularly during the period of *rapprochement* with the pro-Nazi *integralistas*. To him was credited the reorganisation of the Brazilian Air Force; he was also able to co-operate smoothly with the North Americans. His stainless personal record inspired the trust of the politically more advanced sectors of the Brazilian opposition; at the same time he was moderate enough not to

scare away the conservative opponents of the *Estado Novo*. For these reasons, his candidacy could be supported by sections of public opinion ranging from Conservatives and Catholics, São Paulo "constitucionalistas" and Republicans to Liberals, former adherents of the *Estado Novo*, the democratic group of the army, and even the extreme Left.

Difficulties Ahead

Such strong and broad political forces are represented in the opposition that under normal circumstances they would have every reason to look forward with confidence to the electoral contest. Nevertheless, the political barometer is unsteady. Eight years of the *Estado Novo* have created many vested interests which will be unwilling to surrender their prerogatives. The *status quo* is still supported by big industrialists and a small but powerful group of civilian and military officials who control most of the key positions. Their determination to remain in power has led several leading spokesmen of the opposition to make scarcely veiled references to the possibility of civil war. The appointment of Agamenon Magalhães, who was believed to be one of the architects of the opposition, to be Minister of Justice and the Interior did not reassure the opposition. Moreover, the fact that General Dutra, the War Minister, was put forward as a presidential candidate was regarded by the opposition as an attempt to split the army and make it swing away from the support of Gomes.

Big political changes in Brazil are not expected before the San Francisco Conference. From it the present administration is likely to emerge with increased international prestige, which it may be expected to exploit to the utmost for internal purposes. The opposition will have its work cut out to maintain its precarious legality after the Conference. The Government has refused to abolish the DIP (the censorship) or the National Security Tribunal; nor has it agreed to an amnesty for political prisoners. The opposition in Brazil is, therefore, not over-optimistic. It is aware that only the first battle has been won.

Swiss Burdens

GERMANY'S disintegration has presented Switzerland with a new problem. Great numbers of foreign workers are reported to have been entering Switzerland especially since the French advance into southern Germany. It is hardly possible for the Swiss Government to harbour all these foreigners for a long time. During the war, the number of foreign refugees who have been maintained in Switzerland has reached a total of about 100,000. In addition, about 30,000 foreign children have been housed, fed and clothed by the Swiss. The total number of children has hardly changed each year, but each child has only been allowed to stay for three months. The burden on the Swiss administration and particularly on food supplies can be appreciated if it is borne in mind that the total population of Switzerland numbers roughly 4½ millions.

Considerable food supplies for Switzerland have been accumulating in Spanish ports mainly carried by the Swiss fleet of freighters with a total tonnage of 60,000. In addition the Government had chartered 72,000 tons of Greek shipping. During the recent trade negotiations with the Allies, an understanding was reached on the grant of facilities for goods in transit, and France is to place Toulon at Switzerland's disposal. There is, however, no prospect of a substantial increase in imports and exports before the new harvest. Last December and January, imports and exports fell to a fraction of the average monthly imports of 1938. The stocks of rice, tea and coffee have become inadequate. The daily bread ration has been reduced from 8.8 ounces to 7.9 ounces and reductions have had to be made in fat and meat rations. Since 1942 the number of cattle has been kept fairly steady, but the shortage of imported feeding-stuffs has led to a considerable reduction in the number of pigs. Switzerland seems to have reached the limit of agricultural expansion, and the resumption of adequate food imports is, therefore, a major concern of the Swiss Government.

The Fuel Shortage

Trade with Germany has now come to a standstill. Until last July, imports of coal from Germany were fairly regular at roughly 150,000 tons per month, but for some time no coal has been received from anywhere. Gas, both for

domestic and industrial use, has been severely rationed. Electric power cannot replace coal altogether, and a gradual decline in industrial activity is inevitable. The lack of industrial raw materials and the virtual cessation of exports of manufactured articles have been felt more severely recently. The home market cannot absorb the products of the Swiss exporting industries, and the iron and steel, machine tools, watches and electrical industries show a marked reduction in output. The aluminium industry is suffering from a shortage of bauxite. So far increasing numbers of workers have been employed on public construction works and in agriculture. But the lack of coal will automatically reduce the manufacture of cement, which in its turn will reduce activities in the building industry. An increase in unemployment can hardly be avoided if foreign trade is not resumed in the near future.

During the summer and autumn of last year, many Swiss industries maintained almost full production in the hope that hostilities would soon come to an end. Some industries began to renew their plant and buildings and thus absorbed a small part of the machinery which could no longer be exported. On the other hand, the consumption of civilian commodities, especially clothing and shoes, declined, for consumers hoped that an early end of the war would enable production to return to peacetime standards of quality. The public has recently resumed its purchases, but the textile and shoe industries are suffering from extreme shortages of raw materials.

During 1944 and in January of this year Swiss railway traffic reflected the growing industrial difficulties by a marked decrease in the transport of goods, but a considerable increase in passenger traffic, owing partly to a greater home tourist traffic. The number of foreign visitors is still extremely small. But Swiss hotels, which were formerly an important part of the national economy, are being prepared for the resumption of their peace-time activities, and the Government has arranged to give financial help in modernising and renovating hotels wherever necessary.

The Financial Position

As a result of the agreement between the Allies and Switzerland, most foreign funds, including German funds, are now frozen. The Federal Council has also decided on a complete prohibition of imports and exports of foreign bank-notes. At the same time, transactions in foreign bank-notes among Swiss citizens inside Switzerland were prohibited. The quotation of the rate of exchange for sterling, dollar and French franc bank-notes had already been suspended.

During the second part of 1944 Switzerland again mobilised its army to full strength in preparation for the last phase of the war. This is one of the reasons for the increase in the note circulation during 1944. The maintenance of the army and the construction of fortifications, in short the cost of the war, has been relatively large. Total expenditure on the war since 1939 is estimated at 1,800 million francs, and the national debt will rise to 6,500 million francs during 1945. This is a heavy financial burden for the post-war years, and considerable concern is felt about the inevitability of high taxation after the end of the war. Switzerland seems to be acutely conscious of the difficulties which will arise in the reconstruction of the devastated Continent. The last phase of the war has added new burdens, and there is no prospect that the actual end of the war will bring immediate relief.

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Europe's Coal Famine

THE havoc caused by the war on the European Continent cannot yet be assessed; its magnitude will only be revealed after the fighting. One of the most serious problems during the next twelve months is the threat of a coal famine which will not merely hamper the resumption of industrial activity, but may leave the inhabitants of many of the big towns without adequate amounts of fuel for heating next winter. The facts about the shortage should be made fully known as soon as possible, if only as a means of speeding up such preparations as can be made to avoid the worst consequences of a famine.

Before the war, Continental Europe as a whole was not self-sufficient in coal, though, in volume, its overall deficit was not big. The deficit, met by this country, varied from year to year; in 1935—the year chosen by the League of Nations for an analysis of Europe's trade—there was a net import into Continental Europe of 21½ million tons, equivalent to about 7 per cent of the estimated consumption of some 300 million tons. Within the Continent, Germany and Poland were the only two countries with a substantial export surplus; in 1937 Germany exported some 40 million tons and Poland 11 million.

Belgium and Holland had an export trade of more than 4 million tons each, but this was more than offset by imports; the trade of both countries consisted largely in an exchange of qualities. Among the countries dependent on imports, France alone was also a substantial producer, with an output of some 45 million tons; but even that country had to import an amount equivalent to about two-fifths of its needs.

The facts about the present position of productive capacity are not yet known in full detail, though enough is known to suggest that the prospect for this year is bleak.

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In any survey of the present position, a distinction may usefully be made between the European territories likely to come directly within the Russian sphere of influence or control, and the rest of Europe. In the former territories, the coal mines of Silesia—most of these are now in the hands of Russia—are reported to have been found in working order by the Russian armies. Production in the whole of Silesia, including the mines of Poland, Czechoslovakia and the former German Upper Silesia, is reported to have reached the annual rate of 100 million tons in 1944. But even on an optimistic view of production in those mines during the next twelve months, their export surpluses are not likely to equal the loss of production suffered by Russia as a result of the flooding and wanton destruction of the Donbas mines. In other words, Russia may well need a

good part of the coal it can get from the Silesian mines, though, to begin with, the amount that can be moved east will be limited by the capacity of transport. There may be little Silesian coal available for other countries.

The absence of Polish coal in Scandinavia, Western and Southern Europe would not be a matter for serious concern if their other sources of supply were unimpaired. Unfortunately they are not. France is not expected to produce more than 30 million tons this year, that is, two-thirds of its output in 1937; Belgium is producing with difficulty at half the pre-war rate of 30 million tons a year; and in Holland the annual rate of output is down to a third of the 1937 level of some 14 million tons.

The majority of the coal mines of France have been recovered intact; those of Belgium and Holland, too, have not been seriously impaired (the Dutch mines are in territory already liberated). The most serious difficulty in all three countries is the shortage of labour; next, in order of importance, come equipment and, especially in Holland, transport. Transport, it should be remembered, is needed not only to move the coal away, but also to bring stores, and especially pit props, to the mines. The production difficulties of France, though less serious than those of Belgium and Holland, are grave. The labour force has declined from 245,000 at the end of 1938 to 205,000 at the beginning of last February. Most of the decline took place last summer during and after the liberation of the country, when large numbers of miners left their jobs to join the Maquis, or the armed forces, or to seek work elsewhere. In Belgium and Holland the decline has been even more serious. Again, there has been a marked fall in output per manshift since 1938, amounting in France to one-fifth; the rate of absenteeism has also tended to increase. Malnutrition is stated to be one of the main reasons for the fall in productivity.

Preliminary reports from the mining districts of Western Germany—with a combined pre-war output of more than 160 million tons, including the hard coal equivalent of lignite—suggest that destruction has not been as serious as might have been expected. The Saar mines have been recovered almost intact—some of the equipment has been damaged and stores have been looted; but the greater part of the miners have vanished. At present the annual rate of production is reported to be barely a million tons, against more than 16 million tons during the year ended March, 1944, and 14 million in 1938. Further north, to the west of the Rhine, the position seems to be very similar. In the Ruhr district itself—with a former annual output approaching the rate of 130 million tons a year—destruction

is reported to have been more marked, but, at any rate in the mines already recovered, there has been nothing like the systematic destruction carried out in Russia. Apart from physical destruction, which includes much damage to miners' dwellings, there has been a wholesale exodus of miners, especially of prisoners and of imported slave labour. Investigations on the spot have not yet been completed, but it would be optimistic to hope for an output in Western Germany of more than one-tenth of the pre-war level in the immediate future or of more than about one-quarter of the same level by next winter—say a total for the next twelve months of some 30 million tons, including the output of the area between Aachen and Cologne, which was 20 million tons of coal and lignite (in hard coal equivalent) before the war. Much of this may be required by the Allied armies of occupation, though they will have at their disposal the lignite mines of central Germany, said to be capable of an annual output of some 35 million tons in terms of coal. Quite apart from transport difficulties, there may be little German coal available for other parts of Europe this year.

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Europe's balance-sheet in coal for the next twelve months, therefore, is likely to be a grim one. Russia will be able to make good from Silesia a part, but by no means the whole, of its own losses. Scandinavia, Western and Southern Europe may have to go without the 11 million tons from Poland, and they will receive nothing like the 40 million tons formerly exported by Germany, mainly from the Ruhr. Moreover, in view of the continued fall of production in Great Britain, the Continent cannot expect anything approaching the 20-odd million tons that this country was sending before the war. Without imports, France will have barely two-fifths of its pre-war supplies; if transport and essential public services are to be maintained, there will be little left for industry—that is, not much more than a quarter of its pre-war consumption—and almost nothing for heating the towns in winter. This would not only involve a serious delay in economic recovery, but it might also have serious political consequences. Other countries, such as Belgium, Holland, Switzerland and Sweden, would be faced with similarly difficult problems.

The prospect of this year looks desperate; drastic action will be needed, though a temporary famine can now hardly be avoided. Remedial measures might take three forms. First, France, Belgium and Holland should concentrate on speeding up their output. This is largely, but not entirely, a matter of man-power. France, for example, needs more than 30,000 miners to raise output to the level of 42 million tons achieved in 1943. The shortage of miners is not merely a Continental problem; it is a problem in almost every coal-mining country. Voluntary recruitment could possibly be speeded up by financial incentives and by the provision of more amenities, though any improvement in housing, for example, would take time. If need be, recruitment may therefore have to be supplemented—at least temporarily—by the employment of prisoners. In so far as there are shortages of equipment and stores, assist-

ance might possibly be provided by Britain and, in a larger measure, by the United States.

Next, an Allied Coal Council should be formed, to ensure the expansion of output in the mines of Western Germany. As it will be impossible to retain the prisoners and deportees in the mines of Germany, their places will have to be filled by German miners, many of whom must by now be in prison camps. Physical damage must be repaired as quickly as possible, and this will have to include the provision of accommodation for miners. Coal supplies available in Western Germany might be pooled and distributed according to need, with priority for the armies and for the liberated allied countries.

Thirdly, since efforts to raise production on the Continent are unlikely to prevent a grave shortage during this year, they should be supplemented by imports. Although this country may not be able to spare much coal for export, the shortage on the Continent is such that even relatively small quantities will be welcome. It would be a pity if Britain could do nothing to help the countries that were formerly its best customers. South Africa, which is now the second largest exporter of coal, might also furnish some supplies, but the United States could no doubt make the largest contribution. During the fuel year ended March 31st, the United States produced no less than 620 million tons of bituminous coal, some two-fifths more than in 1938. True, all this coal was needed to sustain the tremendous volume of production, and, indeed, stocks had to be drawn on to the extent of 14 million tons. Moreover, output has tended to decline this year, largely because of the shortage of man-power; during the first quarter of this year production was 11 million tons smaller than last year. Mr Harold L. Ickes, Solid Fuel Administrator, pointed out on April 9th that the United States was facing a shortage this year and that the cessation of hostilities in Europe "would not solve the coal problem." On a superficial view, the prospect of assistance from the United States would not appear to be very promising. But it might be possible that, with economies in consumption, some coal—and perhaps some fuel oil—might be spared for the Continent; some 18 million tons, equivalent to a mere 3 per cent of American production, would provide the margin that is necessary to prevent continued economic paralysis and to provide a minimum of fuel for heating next winter.

If the coal-producing countries of Western Europe take such steps as they can to raise their output of coal, and if the problem of speeding-up production in the Ruhr and the Saar districts is tackled energetically, supplies in 1946, though still short, should be sufficient at least for minimum needs. The task will be a hard one, especially in view of the difficulty of recruiting labour for coal-mining, a phenomenon that is by no means confined to this country. On a longer view, the coal deposits of Europe are, of course, ample to meet European requirements for many generations; there is no justification for anxiety. Indeed, the danger to this country is that it may lose its markets on the Continent, for, if British coal cannot be had in large quantities within a reasonable time, Ruhr coal may well take its place.

The Income Tax Bill

THE Income Tax Bill, which reaches the Committee stage in the House of Commons on Friday of this week, gives effect to the changes in the taxation of industry after the war that were announced by the Chancellor of the Exchequer, in his Budget Speech last year. Broadly, Sir John Anderson's proposals are designed to remove some of the financial obstacles in the way of the modernisation of British industry. By relieving from taxation all expenditure on research—from fundamental research to the full-scale development of the product—he intends to give a fillip to technical progress; by granting additional relief from taxation in respect of plant and equipment, he intends to assist industry to accumulate funds for speedier replacement and modernisation; and, finally, by granting the tax-free obsolescence allowance unconditionally to a "continuing business," he hopes to facilitate the change-over from obsolete to new processes of manufacture requiring different equipment.

Although the Bill conforms to the Chancellor's intentions, and, therefore, is a step in the right direction, it can be criticised under three headings. First, while it ensures in general that the taxpayer can accumulate, free of tax, a sum

equal to the original cost of plant and machinery, it does not differentiate between profits set aside for the replacement of plant by more efficient and more costly plant and profits paid out as dividends; in other words, it does nothing to encourage the process of capital accumulation that is the precondition of rising productivity. Moreover, by fixing depreciation allowances in terms of the original, rather than the replacement cost of plant and machinery, it does nothing to protect industrialists from the effects of rising prices.

The second criticism concerns the discrimination in the matter of depreciation allowances between industrial buildings and other buildings. The new depreciation allowances are confined to "productive industry"; dwelling-houses, retail shops, showrooms, hotels and offices are specifically excluded. Sir John Anderson has thus declared himself an adherent of the old Physiocratic school of thought, which draws a crude distinction between productive and unproductive activities, a fallacy that is exploded in every elementary textbook on economics. Thirdly, the Bill has drawn criticism because the new system of allowances leaves some concerns worse off than they were under the old

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system. This criticism relates to inventors, to owners of existing industrial buildings, and to the sale of second-hand plant and machinery. It is with this third series of objections to the Bill that the remainder of this article is chiefly concerned.

Hitherto inventors who sold patents on the basis of the payment of a royalty have been liable to income tax on the royalty, while purchasers have enjoyed the full allowance in respect of the cost to them of the royalty. But inventors who sold patents for a lump sum, that is, a single royalty, have escaped the payment of taxation, for the lump sum has been treated as a capital gain; in this case, the burden of taxation has fallen upon the purchasing trader. The Bill brings the treatment of single payments into line with that of royalties, that is to say, the inventor will in future have to pay income tax on the lump sum, while the trader will get his depreciation allowance. In order to avoid hardship, the inventor can spread the payment of tax over a period, subject to a maximum of six years. The inventor can therefore no longer escape taxation by selling patents for a lump sum. This change has attracted criticism on the ground that it will discourage inventions. It is, of course, quite true that the inventor will be worse off than before, and that any steps that might discourage him are to be strongly deprecated. But it is very doubtful whether the taxation of lump sum payments will act as a deterrent. Nowadays the majority of inventions are the result of organised research within the business, and expenditure on such research is no longer to be taxed. Moreover, despite the advantages hitherto attaching to the sale of patents in payment of a lump sum instead of royalties, many patents have hitherto been sold on a royalty basis.

The second criticism, relating to the new allowances in respect of industrial buildings, is a more serious one. Since 1919, industrial buildings have been subject to an annual depreciation allowance—the Mills and Factories Allowances—based on the net Schedule A assessment on buildings, inclusive of any fixed plant and machinery they housed. Although the basis of the allowance was slightly altered by the Finance Act of 1937, it has amounted to about one-sixth of the annual value of the buildings and plant. The allowance has been generally equivalent to about 1 per cent on the cost of erection, but sometimes, that is, where the buildings contained expensive rateable plant and machinery, it was appreciably higher. Buildings in existence since 1919, and subject to an annual allowance of 1 per cent have thus been granted a total depreciation allowance of 25 per cent. Where the allowance amounted to more than 1 per cent, the total allowance so far granted has been correspondingly greater.

The new system of allowances is quite different. There is to be an initial tax-free allowance of 10 per cent granted in respect of new buildings, but not for existing buildings. In addition, there is to be an annual allowance of 2 per cent for both new and existing buildings. The allowances will make it possible to write off the cost of new buildings during a period of 45 years, but, in the case of existing buildings, the annual allowance is to be confined to a life of 50 years. For example, a building that is 25 years old when the new system comes into force will thus be eligible for the 2 per cent annual allowance for a further period of 25 years. Exceptionally, if a building is 50 years old at the time of the change-over to the new system, and its owner is in receipt of the Mills and Factories Allowance, he can claim the existing allowance for a further period of five years.

The proposed system of allowances, in fact, discriminates between old and new buildings; new buildings will get full depreciation, but existing buildings only partial depreciation, varying with their age (and with the amount of the existing allowance) at the date of the change-over. For example, a building that is 40 years old at the appointed day will be

allowed 2 per cent per annum during the next ten years of its life, which, added to the 25 per cent already received (assuming the old allowance to have been equivalent to 1 per cent of the original cost), will give a total depreciation allowance of about 45 per cent. A building that is 30 years old at the date of the change-over would, on the same assumption, be given a total allowance of about 65 per cent. The effect of these provisions on cotton spinning mills has been assessed by the Federation of Master Cotton Spinners' Associations. The calculations reveal that almost 60 per cent of the existing mills will be allowed only 30 per cent of their cost; 15.3 per cent will receive between 30 and 45 per cent; 21.3 per cent will receive between 45 and 65 per cent; and only 4 per cent will receive upwards of 65 per cent. There may be a case for more lenient treatment, to assist traders to accumulate funds for replacement. But there is no justification for granting full depreciation on all existing buildings; this might retard rather than speed up replacement.

The third criticism is, perhaps, the most substantial one. Hitherto traders have been granted depreciation allowances in respect of plant and machinery, and, if it was sold second-hand on replacement, the price obtained by sale has been deducted from the final allowance. There was no provision that enabled the Government to reclaim the depreciation allowances already granted if the second-hand or scrap value of the plant exceeded the amount of the final allowance based on the original cost.

The new scheme retains the principle of the final, or balancing, allowance on replacement. But it also introduces its counterpart, that is, a balancing charge; that is to say, where the proceeds of sale exceed the expenditure still unallowed, a balancing charge is to be made in respect of the excess of the price over the written-down value, though the amount of this charge is not to exceed the allowances previously given. The effect of this may be serious. If prices have risen during the life of a machine, not only is the owner not allowed to accumulate, free of tax, more than the original cost, but he is also now to be deprived of any capital profit he may make in selling his own machine second-hand. Traders who replace their equipment after the war will be worse off under the new scheme than they were under the old.

This treatment of capital profits arises from the fact that depreciation allowances are based on original rather than replacement cost. During a period of falling prices, that is, when the cost of replacement is lower than the original cost, the trader gains; but when, as a result of inflation, the value of equipment rises, he loses. And since the present period is one of rising prices, traders will be deprived of the rise in the value of second-hand equipment they may wish to sell, although they will have to pay the inflated price for new machinery. The price that will have to be paid for new plant after the war may often be double that of the original cost of the existing plant; in other words, tax-free profits set aside for replacement will cover only about half the cost of new plant. This is a serious matter that raises the whole issue of protecting industry from the effect of rising prices. The Chancellor of the Exchequer might argue that there is no justification, in equity, for discriminating in favour of industry during a period of inflation. But it might be replied that, in order to encourage a rise in productivity through modernisation, industry does deserve special treatment—the more so since major inflation of prices is usually the result of state action, while deflation is associated with depression, when industry needs every encouragement it can get. Other countries have found it advisable to give protection from the effects of inflation; in France, for example, the Government decided in 1939 to grant special allowances for the rise in prices, over and above the ordinary depreciation allowances. In view of the rise in prices since 1939, and the prospect of a further increase, the arguments in favour of some form of protection deserve careful examination.

These criticisms do not detract from some of the solid benefits that the Bill confers on industry. But they are enough to show that, even within the limits set for it, not all its provisions are favourable. And the limits set for it are the narrow ones of orthodox financial accountancy rather than of the more elastic conceptions of economic policy that have been in evidence in other parts of the Budgetary process in recent years. The Chancellor of the Exchequer shows a tendency to speak of the Income Tax Bill as if it were a major contribution to industrial policy. It is nothing of the sort. It is a useful, but quite minor, measure—and even so it has some bad provisions which ought to be altered. The major task of re-examining the structure of taxation so as to minimise the impediments to economic progress still remains.

SCHUBERT: *Symphony No 8 in B. Minor*



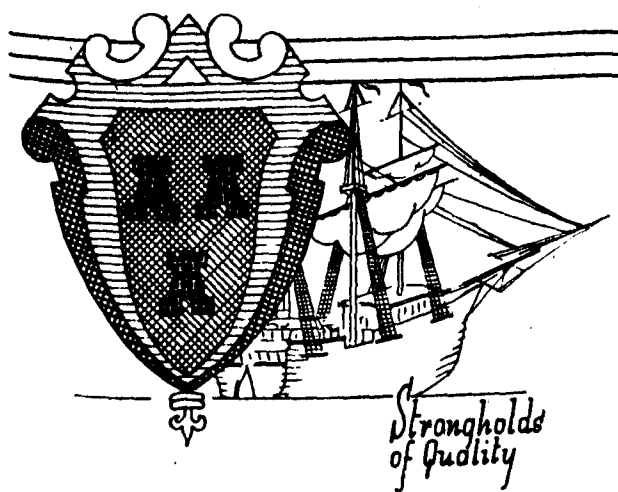
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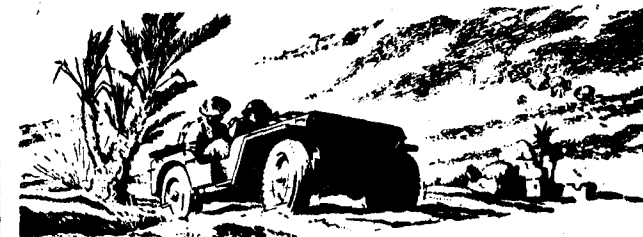
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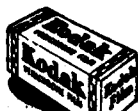
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Business Notes

The Budget and the Market

Despite all the talk of a fall in equities being due, the last few days before the Budget saw a further advance in prices. There are two daily indices of industrial equities, and both have now established new high levels. It is true that the figure of *The Financial News* (July 1, 1935 = 100), which now stands at 118.0 against last year's peak of 116.9, owes something to the large movements in the shares of Callender's Cable; it is also a fact that the new high is due to larger dividends rather than to a conviction on the part of the investor that he must accept lower yields. Nonetheless, new levels have been established by the more sensitive indices, and it only remains to be seen what the more comprehensive figures of *The Actuaries' Investment Index* will show.

Very little had been expected from the Budget in the way of changes in taxation, and in the event it appears to have been taken as a bull point by the market, which was rather more active and buoyant after it than before. There are two justifications for this. One is the relief from double taxation, and the other is the virtual certainty that the Budget is to be considered only as an interim statement. It is being confidently predicted in some quarters that there will be considerable reliefs before April next, and this has influenced the jobbers if not the investing public.

It is, however, doubtful whether there is anything in the immediate outlook to justify the rise of 0.7 in the index of *The Financial News* which occurred on Wednesday. The rise appears to have been based on a moderate amount of buying and a good deal of marking up by jobbers who have for weeks past been trying to keep their books level. There is little doubt that some of the buying in the past few days has been by those who hope for a quick profit, and it cannot be said that, so far, there is a clear indication that a new rise of major importance is impending.

Double Taxation Relief

From the standpoint of trade and industry, Sir John Anderson's second Budget is far from barren, for it was the occasion of making public the Treaty with the USA on the avoidance of double taxation and the prevention of evasion. The Treaty, which is the result of conversations lasting many months, covers all taxes on income, and there is a second Treaty covering death duties. There is an important provision, Article XX, for exchange of information, but nothing given in confidence may be disclosed to anyone whatever outside the taxing authorities of the two countries. The effect of the Treaty is to abolish double taxation, making the total tax payable that appropriate to the recipient under the laws of the country of residence. This is done, in most cases, either by crediting tax payments in the country of origin of the income against tax due in the country of receipt, or by complete reciprocal exemption from tax. The Treaty covers income receipts of every sort.

While the effect on the trader and the industrialist is easily stated, the provisions regulating whether the relief is financed by the UK or the US Treasury are complex and take up two White Papers (Cmds. 6624 and 6625). Broadly speaking, it seems that the US authorities have been not ungenerous, even when it is remembered that relief to their own nationals is of long standing. Under the provisions it will make a substantial difference to the British Treasury whether such business as buying and selling in the USA is done through an American firm or through a branch of the British firm established in the USA. It is to be hoped that this will not mean any discouragement to the setting up of American branches.

Great as are the direct advantages of the Treaty, they by no means limit its possible effects. It has long been confidently expected that an Anglo-American agreement would lead to similar arrangements with other countries. Sir John Anderson indicated that there was hope of conversations with the Dominions this summer, and it is known that more than one of the Western European countries is anxious to open negotiations. Dominion tax relief is not at present fully operative, since net payments far in

excess of 10s. in the £ have to be made in some cases, notably Australia, even after the British Treasury has granted the full relief permitted.

There is one anomaly in connection with double taxation relief which it would be as well to clear up. At present, where Dominion tax relief has the effect of reducing the rate of British income-tax payable by a company, tax is deducted from preference dividends, as well as from ordinary dividends, at the reduced rate. The tax paid overseas appears in the accounts as a reduction of net profits and is therefore paid by the ordinary shareholder, but he has to share the corresponding relief with the preference shareholder. This is quite illogical and unjust, and since the amounts involved may in future be large, the opportunity should be taken to change the present law. Tax should always be deducted from preference shares at the full standard rate, and double taxation relief should accrue entirely to the equity holders. There are some phrases in the Treaty that suggest that this is the intention.

Industrial Alcohol

The report of the Industrial Alcohol Committee, appointed by Sir Kingsley Wood in January, 1943, with Lord May as chairman, has brought to light some curious and little-known anomalies. Broadly, there are two kinds of distilleries, that is those producing whisky and other potable spirit from malted or unmalted grain, and those producing alcohol for non-potable (that is, mainly industrial) purposes from molasses. In both sections of the industry the Distillers Company holds a dominating position.

To prevent the evasion of duty and to facilitate revenue control, the Spirits Act of 1880 subjects distilleries of both categories to certain restrictions on operations that tend to raise costs of production above the level that would obtain if there were no restrictions. In order to compensate distillers for the artificially inflated cost of production, an allowance was given by the Government in respect of whisky exports. In 1902 this allowance was fixed at 3d. a proof gallon. In 1906 the allowance was extended to all industrial alcohol, and in 1921—this time as a protection, that is "for the purpose of equalising the conditions as against the spirits of foreign manufacture"—it was raised to 5d. a proof gallon. Since then, the demand for industrial alcohol has risen by leaps and bounds; the amount on

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which the allowance was payable increased from 4.6 million proof gallons during the financial year 1920-21 to 43.6 million in 1938-39 and 50.1 million three years later; and the amount of the allowance exceeded £1,000,000 a year during 1939-41. During the same period the profits of the Distillers Company showed a marked improvement. The Committee says quite bluntly,

it is evident that the Distillers Company was before the war in a position to dictate, and in fact did dictate unchallenged, the prices of Plain British Spirit to the users whom it supplied direct and to the methylating concerns whose charges for methylated spirits it controlled also. Obviously it could, if it chose to do so, obtain directly or indirectly for itself some part, if not the whole, of the allowance by means of the prices it charged. Effective competition there was none; the only restraint was that imposed by considerations of business expediency.

The Committee "was disposed to think" that the company could have supplied its consumers (of industrial alcohol) at "lower prices than were actually operative and still obtained reasonably satisfactory results from this part of its operations." It expresses the view that, if the cost-raising Excise restrictions on operations are permanently relaxed (they have been relaxed during the war), even the nominal justification for compensation would disappear. It is hardly surprising, therefore, that the Committee recommended the withdrawal of what amounted, in effect, to a subsidy of 5d. a gallon, and that the Chancellor of the Exchequer promptly adopted the suggestion in his Budget Speech on Tuesday. But it is surprising that an anomaly of this sort was not "discovered" and removed long ago, especially if, as the Committee believes, its removal is not likely to affect adversely the production or consumption of industrial alcohol, and if its existence tended to discourage research and the development of other methods of production.

More Treasury Bills

The tender issue of Treasury Bills will be increased next week from £110 million to £120 million. Apart from a temporary rise to £120 million for four weeks last October and early November—designed to give the money market an excess of bill maturities over the new issue during the heavy tax payment period at the end of January—the tender issue has been maintained at £110 million for very nearly a year. The new increase will almost certainly be permanent. Indeed, it will be surprising if there is not a further increase to £130 million or £140 million in the near future.

The yield from taxes is at a nadir during the first quarter of the financial year necessitating, during war-time particularly, heavy borrowing to meet Government expenditure.

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ture. An expansion of the tender issue of Bills is one method of floating debt borrowing which has been used for the last two years at about this time. In April, 1943, the weekly tender was raised, in steps, by £15 million to £90 million, and in April, 1944, by £20 million to £110 million. This year the absence, so far, of a summer savings campaign will presumably mean even greater reliance on floating debt borrowing to meet the current deficit, and a rise of as much as £30 million in the issue would not now appear excessive. A £20 million increase would take the total tender issue outstanding up to the record of £1,690 million, compared with the present level of £1,430 million.

Treasury Bills and Deposit Receipts

An expansion in the tender issue of Treasury Bills is in any case desired from other considerations, particularly by the banks. During the three years to the end of last month, the clearing banks' holdings of TDRs have risen from 15.7 per cent to 37.7 per cent of their deposits. During the same period their money market assets—bills, and money at call mainly lent against bills—have declined from 9.7 per cent to 7.4 per cent of their deposits. The clearing banks' holdings of bills alone show an absolute decline from £163 million to £149 million during this period, despite the big expansion of credit.

In part this has been due to the fact that previous expansions in the tender issue have largely found their way to "special customers" at the weekly tender comprising, in the main, overseas central banks with accumulating sterling balances. One at least of these institutions will shortly have heavy payments to make on the conversion-repayment operations with regard to Australian loans. This may enable the clearing banks to increase their bill portfolios more easily. There is certainly a strong desire on the part of the banks to provide a greater part of the additional credit required in the form of bills, and less in the way of TDRs. It may be surmised, however, that the authorities have a preference for the longer-dated TDR. The increase in the bill issue may indeed prove the signal for raising the limit for TDR calls above the £150 million which has previously been the highest level for a week's new TDRs.

Engineering Wage Award

The National Arbitration Tribunal, working with unprecedented speed, has awarded an increase of 4s. 6d. for a 47-hour week on the basic rate of all adult male time and piece workers in the engineering industry. The claim put forward by the National Joint Trades Movement of the industry, which had been turned down by the employers and referred to arbitration, was for an unspecified "substantial" increase in basic rates.

The award does not apply to women, unless they are already receiving the "rate for the job" on men's work. It will bring the basic rate for skilled time workers up to 70s. 6d., excluding the national bonus of 25s. 6d., which remains unchanged by the award. The basic rate of skilled piece workers will likewise become 70s. 6d., plus their national bonus of 17s. 6d.; but for these workers, it means that, as provided in Award No. 326 of 1943, a worker of average ability will have to earn at least 27½ per cent over the new basic rate, instead of over the old one. The award does not affect time workers' lieu rates, individual merit rates, compensatory or other bonuses. It stipulates that the new rates are minima, and shall not be operated to reduce the rates of workers who are already receiving higher rates.

It is too early yet to estimate the industry's reactions or to see whether Award No. 718 will give rise to the same kind of difficulties as its predecessor No. 326. The increase will probably not go far to compensate for the loss of earnings caused by the reduction of overtime, Sundays and holiday workings, which will disappear with the end of the war. Moreover, piece workers who were earning well above 27½ per cent on the old rate will not be affected, and may well express dissatisfaction when they find that their pay packets are not automatically increased by 4s. 6d. next week, when the award comes into force. On the other hand, the award represents an advance on the basic rate, and not, as often previously, only on the national bonus.

It is difficult to estimate its cost to the industry, but

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on the assumption that engineering continues to employ about two million workers, the cost could hardly be less than £20 million a year, at a time when the expansion in exports will be a high priority and when the Chancellor has issued a warning about the need for maintaining the relation between wages and prices. The important thing now is to ensure that the industry will take every possible measure to improve its efficiency, so that higher wages can be matched by increased productivity. At the same time, it would be desirable if the employers and unions would agree to the long overdue simplification and standardisation of the industry's wage structure.

Hard Work

At the annual meeting of the Rugby Portland Cement Company the chairman, Mr Halford W. L. Reddish, emphasised the dependence of the prosperity of the cement industry upon that of the country as a whole. He said, for example:

I am an optimist, and I have great faith in the inherent commonsense of our people . . . if the facts are put clearly before them. But I refuse to subscribe to the facile optimism of those false prophets who paint roseate pictures of Utopia round the corner, but fail to point out that there is one way, and one way only, to the achievement of anything worth having in this world, and that is by what it is too often, alas, unpopular in these days to describe as hard work. . . . Production per man-hour in all industries must be increased, partly by the ruthless scrapping of obsolete machinery and the installation of the most efficient plant in its place, partly by the enthusiastic co-operation and a growing pride in the job on the part of the operatives themselves.

The words spoken by Mr Reddish reveal an acute perception of the conditions of Britain's prosperity after the war. They also reflect a legitimate concern in the prosperity of his industry; obviously, the greater the prosperity of the country as a whole, the bigger is likely to be the sale of cement. What is true of cement is also true of a whole range of other industries. Does Mr Reddish's blunt speaking herald the conversion of British industry to a policy of expansionism?

During the next few years the closely organised cement industry will be in an exceptionally strong position. Its capital costs are high, and since the price of equipment has risen appreciably since 1939—it has nearly doubled—new entrants into the industry would have a tough time, so long as selling prices are not fixed too high. But the advantageous position of the industry carries a special responsibility to the consumer. It remains for the industry to live up to its responsibility—and to the exhortations addressed to the community at large by one of its spokesmen by contributing its share to the prosperity of the country as a whole.

Prospectuses for Placings

The new regulations for "placings" concluded between the Treasury and the Council of the Stock Exchange, have

been considered in detail by the legal advisers of the latter who have expressed the opinion that this new type of placing constitutes an offer for sale to the public under Section 38 of the Companies Act 1939. In so far as this argument is valid, it is a welcome outcome of the negotiations, since it means that brokers responsible for placings will have to provide information corresponding to that required under the Act in a prospectus. It would seem that everybody who is invited to take up stock under a placing must be provided with a copy of this information.

So far so good, but there is nothing in the new market regulation announcing this requirement which touches on the question of providing information to the public. If, after the lapse of the six months prescribed under the arrangement, permission to deal is sought, it is quite clear that the information provided for the original applicants ought to be made available to all investors and brought up to date. This is so, not only because any other practice gives an unfair advantage to one investor over another, but also because only by the widest advertisement can the best terms be secured. It is true that the benefit will enure to the original holders of the stock, but this fact will affect the terms which they will accept from would-be raisers of capital in the future.

It is on this point that the present policy of the Treasury is in conflict with the best of pre-war practice and, it is contended, with the national interest. The greatest benefit from a fall in the rate of interest arises, not from the cheapness of Government borrowing, but from a general fall in the cost of obtaining capital. The smaller the Government's share in total national expenditure, the more important it is to have efficient machinery for new issues.

Stock Exchange and the Public

Some encouragement is given to the hope that information, available to the Stock Exchange, will be more widely disseminated in the future by a statement made by Mr Uring Clark at the meeting of proprietors on Tuesday. Touching on relations with the public, he said that:

the Council had appointed an influential Committee of Information and that it was hoped that through the co-operation of the press the real value of the services rendered by the Stock Exchange to the public would become more widely known and be better appreciated.

In fact, on the larger issues, members and officers have for some time past worked hard to see that misunderstandings were avoided, and with some success. There remain, however, many matters of daily routine on which information might be more widely disseminated and explanations more readily obtainable. With the change in outlook on the need for public enlightenment, all that remains is to provide an adequate channel of information and to see that everything of interest flows through that channel. With this object in view, it is understood that an existing officer of the Exchange is to be charged with the duties of Public Relations Officer, in which he will have the backing of the Committee of Information and the assistance of experts.

The development of the PRO is probably still in its infancy. In individual cases, success has almost always been greatest when his duty was that of giving and elucidating news, rather than pushing a line of policy. Without suggesting that the Stock Exchange can hope to avoid falling into some errors in this matter, an acquaintance with those who are backing the movement suggests strongly that they believe familiarity with the facts is all that is required to establish the value of the services which they render.

Scottish Banker's Death

The death of Sir William Whyte, director and until a year ago general manager of the Royal Bank of Scotland, removes one who, apart from other claims to distinction, is associated with the outstanding development of Scottish banking during this century, namely, the peaceful penetration of a considerable area south of the border. His passing will be regretted in both London and Edinburgh, but it is possible that his name will be associated with these developments long after his friends have ceased from their labours. After the early struggles between the English and Scottish bankers had ended in a compromise on the basis of the latter

restricting their operations in England, with one or two minor exceptions, to the opening of offices in London without right of note issue, there were few further developments until 1918. Between then and December, 1923, the capital of four of the eight Scottish banks was purchased by members of the London Big Five. In the following month the Royal Bank reversed the direction of the invasion by buying outright the business of Drummond's, the London bankers.

It was at that moment that William Whyte, for some time joint manager in Lombard Street, became sole manager there. It is difficult to say how much he may have been concerned in the taking over some six years later of Williams Deacon's, with the Burlington Gardens branch of the Bank of England thrown in as a douceur. Relations between the Bank and the "Royal" have always been close; in 1930 it was still thought undesirable to add to the hold of the Big Five, and there were reasons why neither of the other Lancashire banks should take in their competitor.

Whatever the actual reasons for the Williams Deacon's purchase, the acquisition of Glyn Mills in 1939 was clearly a triumph for Sir William, then general manager. The principal reason for a fusion was the pressure of taxation and especially death duties. There was at least one other Scottish bank which was, or should have been, in the running, but the "Royal" retained its monopoly of participation in the English banking system. It is difficult to envisage any great further development on these lines, but it is symptomatic of the difference in national temperaments that, while the Scottish banks have invaded the West End of London, it is hard to believe that any English bank would have the temerity to open a branch in Edinburgh or Glasgow.

Oil Tankers

The United States Maritime Commission's cancelling last week—at the direction of the Office of War Mobilisation and Reconversion—of existing contracts for the construction of 30 of the 126 oil tankers scheduled for completion in the US is an indication that oil tanker needs are, for the time being, considered adequate. During the past four years the world's tanker fleet has known metamorphosis. Immediately before the outbreak of war, Lloyds Register showed 1,731 vessels, of 11,436,850 gross tons, of which 435, comprising 2,919,566 gross tons, were British-owned; 421, of 2,800,780 gross tons, American owned; and 272, of 2,117,381 gross tons, Norwegian. In spite of the severity of British and Norwegian wartime losses, it is probable that the present world tanker fleet still equals the pre-war fleet in tonnage, whilst greatly exceeding it in carrying capacity.

The oil tanker supply position, at one time extremely critical, may now be considered well secured. In the period from January, 1940, to December, 1944 inclusive, the US built some 600 oil tankers, of 9.5 million deadweight tons, the equivalent of between 6 and 7 million tons gross; a considerable number was built also in Britain and Canada. Most of the American-built tankers have been of the standardised T2 and T3 types, with a deadweight of over 16,000 tons, carrying capacity of around 140,000 barrels, and a speed of 14 to 15 knots per hour. Each may be held to equal in performance two pre-war tankers of about 11,000 tons deadweight, with 100,000 barrels carrying capacity, and a speed of 9 to 11 knots. It can safely be assumed that the new British-built tankers are by no means inferior in quality to the American. The distribution of oil has been further improved by the use of pipelines between geographical points formerly serviced by tankers; and also through the re-opening of the majority of the direct oil sea-routes.

Post-war conditions of oil transport, aided by war-built pipelines, may indeed show a world surplus of tanker tonnage, along with maldistribution among the nations of the available tanker resources. Recognising this impending problem, the United States has already transferred some tankers to Allied flags. Britain and Norway, in particular, will look for American co-operation in their endeavour to raise their post-war tanker tonnage to at least the 1939 level.

Valuation for Fusions

Two fusions of some interest are at the moment before the investors concerned. In one, that of British Insulated Cables and Callender's, the preliminary statement implies that the terms of the fusion are based on the recommenda-

tions of a committee consisting of a member of each of the firms of auditors to the two companies and of two outside auditors. In the case of the other, the offer of Transport Services to take over McNamara and Company (which has now lapsed owing to an inadequate number of acceptances), the chairman of the latter, Sir Maxwell Hicks, has just stated that no outside opinion was sought because the opinion of anyone not familiar with the particular circumstances of the undertaking would not have been advantageous and might have been misleading.

This suggests that an independent auditor would not have found the terms offered reasonable unless he had been given information which one or other of the parties to the offer either could not or would not disclose even in confidence. It is of course always the case that there will be refinements which it is impossible to convey to those with no intimate knowledge of a business. But is that necessary to arrive at a working idea of the relative worth of two concerns? A study of detailed accounts over a period of years will provide a great deal of the material to foretell the future, so far as that is possible. New factors are also susceptible of estimation, if not of measurement, and it is difficult to believe that the opinion of an expert is of less value in this field than in many others into which the unpredictability of human behaviour enters. In any case it is likely to remain the fact that schemes backed by independent opinions will be more readily accepted than those which are not.

Reinstatement in Industry

The Industrial Welfare Society, in devoting the current number of its *Journal* to a review of reinstatement problems, has performed a valuable service to industry. It does in effect for the "user" of labour what the Ministry of Labour's recent handbook does for the serviceman and approaches the issue from an industrial angle. The smoothness of the demobilisation process will depend largely on the extent to which industry can satisfactorily absorb the men and women released from the Forces, and it is therefore essential that employers as well as employees should know where they stand.

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WE live by bread. But from time immemorial corn was cut and gathered by manual labour. So man's ability to feed himself was limited by the small scope of his two hands. Symbolic of our more enlightened age are those mechanical devices which help agriculture and BRUSH ELECTRICAL

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THE BRITISH LAW

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The Reinstatement Act provides that an employer shall reinstate a former employee in his old occupation on terms and conditions not less favourable than he would have enjoyed had he not been called up. This raises a number of difficult questions—is the old occupation still in existence? How can it be determined what position a young man would have reached with the firm if he had not been called up?

Problems such as these, and the questions of training, ranging from refresher courses to completely new occupational training, are dealt with in the IWS brochure, which stresses the importance of enlisting the co-operation, not only of foremen and departmental heads, but of all the employees in the firm. The reinstatement problems may not arise in acute form for some months, for there may be a considerable time-lag between the end of hostilities and demobilisation, but to be forewarned is to be forearmed, and firms might well study the schemes and their implications well in advance.

Higher Wages for Cotton Operatives

Some 200,000 Lancashire operatives in both the spinning and weaving branches have been awarded flat-rate increases in wages of 7s. a week for adults and 4s. a week for juveniles. The trade unions originally applied for 11s. for adults and 5s. for juveniles. After extended negotiations, the matter was submitted to the Conciliation Committee. Since the two sides could not agree, Sir Charles Doughty, the chairman, was asked to make an award. The increased wages will come into operation on the pay-day in the week beginning June 11th on earnings in the previous week.

Since the beginning of the war wage rates have been raised by an addition of 35 per cent to list rates and by an addition to flat rates of 10s. a week for adults and 9s. for juveniles. Earnings will now be approximately double those of September, 1939. It is estimated that the latest rise will mean an increase in labour costs of about £3,000,000 a year. It is understood that Sir Frank Platt, the Cotton Controller, is considering the revision of controlled prices for yarn and cloth in view of the prospective rise in labour costs, and that the revised margins will be announced early in June.

The cotton industry is suffering from an acute shortage of labour, which threatens serious difficulties in supplies of all cotton goods. It is reported that Mr Ernest Bevin has suggested that the employers should be prepared to establish a guaranteed wage of £4 a week for men and £2 15s. a week for women. This proposal is now being considered.

Bacon and Eggs

The welcome announcement has been made that farmers are to receive larger rations for pigs and poultry. The allocations are to be increased by stages, beginning on June 1st, until in May, 1946, rations will be calculated on the basis of one-third of pre-war numbers. In addition, the acreage deduction from rations will be discontinued on June 1st for pigs and on September 1st for poultry, and the chick ration is to be restored on June 1st.

These measures will have no immediate effect on output. They are by way of being preparatory to increases it is hoped to obtain from the early part of next year. The immediate task is the revision of pig and poultry breeding programmes to absorb the larger rations.

The decision to increase domestic production of pig-meat and eggs has been taken partly because of the prospective world meat shortage. Thus there is no guarantee that the consumer will benefit from it. On the other hand, it is hoped that the allocation of eggs to ordinary consumers will be better this year than last, since larger imports are expected from Canada.

Agricultural Machinery

One of the reasons for the increased agricultural output during the war has been the more intensive use of machinery by pooling and other arrangements, and the increase in the number of machines in use. The Ministry of Agriculture has just published returns of the numbers of certain types of machinery owned in Great Britain in 1942 and 1944. The

more important machines are shown in the accompanying table. The figures are the estimated numbers owned by farmers, agricultural contractors, and county war agricultural executive committees. Unfortunately, it is not possible

AGRICULTURAL MACHINERY IN GREAT BRITAIN			
Machine or Implement :—			
	1942	1944	
Tractors.....	116,825	172,770	
Ploughs.....	465,425	466,815	
Disc harrows.....	33,850	58,845	
Cultivators and grabbers.....	161,690	191,355	
Combined corn and fertiliser drills.....	8,200	12,695	
Fertiliser distributors (over 5 ft. wide).....	60,380	68,730	
Potato splinters.....	37,030	53,440	
Binders.....	131,665	143,880	
Combined harvester-threshers.....	1,000	2,500	
Milking machines.....	29,505	37,770	

to compare the detailed figures with the pre-war position, but the number of tractors in use in 1939 is estimated at 55,000.

There is room for considerably greater mechanisation in British agriculture. The Ministry of Agriculture is sending a mission to the United States and Canada to obtain the latest information about agricultural machinery development work, and to study the general trend and state of mechanisation. The party will visit research centres and colleges, and manufacturers and farmers during their three months' stay in North America. They should return with valuable information, although the different size of the average farm in Britain and America means that, short of a reform of lay-out, some machines can only be of limited use here.

New Crittall Finance

When dealing some weeks ago with the projected installation of an important new light rolling mill by Darlington and Simpson Rolling Mills, it was pointed out that this group was an associate of Crittall Manufacturing. It is, therefore, not surprising to find that the latter company is now making an offer of new capital to its shareholders in order to provide a part at least of the necessary finance. The operation is to be combined with the repayment of some £800,000 odd of 4½ per cent first mortgage debenture stock, which is repayable at 107½ and will call for £854,967.

To provide the money, holders of existing ordinary shares are offered one new share of 5s. for every share now held at 22s. 6d. per share. As the current price is about 38s., it can hardly be maintained that there is no element of bonus in the terms, but Treasury consent has been obtained. The issue will raise £1,406,250 gross, leaving, after repayment of the debentures, some £550,000 in cash. It is stated that the relief from the debenture service will provide savings equivalent to 20 per cent on the nominal value of the new ordinary capital to be issued—£312,500—and, as 20 per cent has been the ordinary dividend for each of the past three years, it should be possible at least to maintain the rate on the increased capital.

A Non-Ferrous Metal Federation

The tendency of the members of individual industries to group themselves into associations and federations has been given a strong fillip during this, as during the last war. It still continues. The latest addition to the species is the British Non-Ferrous Metals Federation, formed this week by over 150 firms in the industry.

The inauguration of the new Federation was accompanied, as usual, with a statement of good intentions. Its primary object is to assist in the reorganisation of British industry by the creation of

a fully organised industry to which Government direction can be applied as a whole and not to a collection of competitive firms, big and small, each fighting the other for its very existence.

What does all this mean? Does the new Federation really invite Government direction or is its real object the control of prices—it is to ensure "fair trading" within the industry—and the elimination of competition? In other words, is its object to be "enterprise," with "freedom" to fix prices to the consumer?

True, the statement issued by the Federation also mentions what should be the real objectives of trade associations.

(Continued on page 568.)

COMPANY MEETINGS

NATIONAL BANK OF EGYPT

DIVIDEND OF 17 PER CENT

ALY SHAMSY PASHA'S REVIEW

The forty-fifth ordinary general meeting of the National Bank of Egypt was held in Cairo on the 27th ultimo. Aly Shamsy Pasha (the president) was in the chair.

BALANCE-SHEET, DECEMBER 31, 1944

ISSUE DEPARTMENT		L.E.	MM.
Notes issued.....		122,000,000	000
		122,000,000	000
ASSETS		L.E.	MM.
Gold.....		6,240,583	308
Egyptian and British Govt. Treasury bills and securities.....		115,759,416	692
		122,000,000	000

BANKING DEPARTMENT

LIABILITIES		L.E.	MM.
Share Capital :—			
300,000 fully paid Shares of £10 each.....		2,925,000	000
Statutory Reserve Fund.....		1,462,500	000
Special Reserve.....		1,462,500	000
Current, Deposit and other Accounts.....		91,098,668	875
Egyptian Government.....		66,595,560	527
Sudan Government.....		1,194,102	515
Public Debt Special Account.....		2,389,939	652
Bankers' Accounts.....		22,769,860	959
Cheques and Bills payable.....		397,076	371
Provision for payment of final dividend at the rate of 13 per cent. per annum.....		380,250	000
Profit and Loss Account Balance.....		266,923	111
		2,353,900	023
		193,296,282	033

ASSETS		L.E.	MM.
Government Securities and Securities guaranteed by the Egyptian Government.....		144,773,942	785
Sundry Securities.....		602,372	029
Advances on Merchandise.....		4,816,332	875
Advances on Securities.....		454,139	546
Sundry other Advances.....		1,483,525	852
Bills discounted.....		33,966	127
Buildings.....		125,000	000
Bankers' Accounts.....		17,001,784	777
Money at Call and at Short Notice.....		16,146,975	000
Cash :—			
N.B.E. Notes.....		5,291,554	250
Other Notes & Coin L.E. 212,788,769.....			
		5,504,343	019
Liability for Acceptances, etc., as per contra.....		2,353,900	023
		193,296,282	033

PROFIT AND LOSS ACCOUNT

	L.E.	MM.
Directors' fees.....	18,977	868
Current expenses.....	928,077	475
Interim Dividend at the rate of 4 per cent. per annum.....	117,000	000
Provision for payment of final dividend at the rate of 13 per cent. per annum.....	380,250	000
Balance carried forward.....	266,923	111
	1,711,228	454

	L.E.	MM.
Gross Profit for the year ended 31st December, 1944, after providing for depreciation on buildings and furniture, for rebate of discount, for doubtful debts and contingencies.....	1,447,439	069
Balance brought forward from last year.....	263,789	385
	1,711,228	454

THE PRESIDENT'S ADDRESS

The past year was marked not only by the brilliant military exploits of the Allies, but also by a series of international meetings, of which the Middle East Financial Conference in Cairo, the International Labour Conference at Philadelphia, the Monetary Conference at Bretton Woods and the Security Conference at Dumbarton Oaks deserve special emphasis.

These conferences bear witness to the increasing interdependence of political, economic and financial problems, which assume greater importance as hostilities draw to their close, and one can but hope that they have helped to establish among nations a spirit of solidarity, with which they were not always imbued in the years between the two wars, and to open at last the way towards frank co-operation in the universal interest.

Much has been written on the question of the balances which have been accumulated in sterling during the war, giving rise to considerable misunderstanding. The dimensions of the subject are such that I can

hardly deal with them on this occasion, but I should, nevertheless, like to stress in the first place that our creditor position is one of strength, and, secondly, that the process of its liquidation is not dependent on skilful financial adjustments.

I, therefore, think it prudent to confine ourselves to-day to the declarations of the responsible authorities in Great Britain and Egypt, who have let it be understood that the question is viewed by both countries in a spirit of mutual understanding and friendship which safeguards the interests of Egypt.

COTTON CROP AND PRICES

Last year's cotton crop is estimated at 4,483,000 cantars, including Scarto, that is some 914,000 more than the 1943 crop. The yield per feddan was 5.15 cantars, against only 4.90 in 1943. On the other hand, the average grade of the crop was slightly lower than the average of previous seasons.

Official buying prices were 20 per cent. above those of 1943, and private transactions reached even higher levels. Stocks, as you know, are considerable, and at the end of February were estimated at 11,413,000 cantars, or 1,109,000 larger than at the end of February, 1944.

Last year's rice and maize crop, compared with those of 1943, were superior both in quantity and yield. This was especially so in the case of maize, with an outturn of 11,000,000 ardebs, against 9,800,000 the year before, and an average yield of nearly six ardebs per feddan, against five ardebs in 1943. On the other hand, the millet harvest was not quite so favourable. The official prices of those foodstuffs were 8.25 per cent. above those of 1943, and nearly three times higher than those of 1940.

Favoured by the continued abnormal conditions due to the war, the country's industrial production has been well maintained and the deficiency in manufactured goods of foreign origin has thereby to some extent been met. Certain of our industries have accumulated considerable financial reserves with a view to pursuing their activities after the war with renewed equipment. Industrial circles are accordingly already preoccupied with the possible effects of an eventual lowering of Customs duties throughout the world. Yet it is difficult to foresee to what extent this tendency will materialise in view of the complexity of the problems of every kind that it involves in each country.

BANK'S BALANCE SHEET

The balance sheet which we have the honour to submit to you to-day shows marked expansion in our figures. Deposits by the public have reached the record figure of £E.91,000,000, while the Government balance now totals £E.66,500,000. These figures, which provide further evidence of the continued increase in the monetary resources of this country and at the same time bear eloquent testimony to the confidence enjoyed by the bank, impose upon us the responsibility of maintaining a position of such liquidity that even in the most adverse circumstances no difficulty would be experienced.

You will observe that our money at call and funds with other banks amounted to no less than £E.33,000,000 at the end of the year, and I would again remind you that our securities include a very substantial holding of three months' British Treasury bills and other early maturities, the interest yield on which is, of course, comparatively low. Our advances, on which we earn a higher rate of interest, are now relatively small, but we have obtained a fair share of the total business offering, although suitable opportunities for the employment of our funds have again been very limited.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

SIR FRANCIS E. J. SMITH'S ADDRESS

The annual meeting of this society was held in London on the 25th instant.

The following address was submitted by the chairman, Sir Francis E. J. Smith: The net new life business, and the life premium income were virtually maintained at the 1943 level; surrenders occurred, only upon a very low scale; expenses of management showed a further small reduction, and the life assurance fund rose, by about £120,000, to £16,121,606.

Claims by death, from normal causes, produced a satisfactory mortality profit, but this margin was considerably more than offset by the loss which resulted from further claims, amounting to just over £125,000, in respect of war service deaths and civilian casualties. The weight of these claims reflected the intensity and scope of the year's war operations, and arose, in the main, from contracts issued upon an unconditional basis prior to the outbreak of hostilities. They raised the total of war claims paid, in the years 1940-44 inclusive, to a figure of over £550,000.

I would like to draw special attention to the welcome improvement which occurred during 1944 in the gross and net interest income. The average gross rate of interest earned upon the society's assurance funds rose by 3s. to £4 9s. 7d. per cent., whilst the corresponding net rate increased by 2s. to £3 5s. 11d. per cent. The main sources of the increase in interest income were our property investments, including owned properties, mortgages and property company debentures.

THE FORTHCOMING BONUS

I should like, next, to refer to the prospects of the bonus to be declared one year hence. On the occasion of the last division of profits, which dealt with the five-year period 1936-40, a bonus was declared in respect of the three years 1936-38, but no distribution was made in respect of the two years 1939 and 1940, so that, a year hence, we shall have to deal with the accrued bonus rights of a seven-year period. Each year, since 1940, the financial position of the society has, in the opinion of the directors, justified the continuance of payment of intermediate bonuses, upon policies terminating by death, maturity or surrender and such bonuses, upon the level of the last-declared scale, have been, and are now being, paid. All I can say at this stage, is that the directors have every hope that, a year hence, they will be able to announce the declaration of a satisfactory bonus, in respect of the seven years 1939-45 inclusive.

THE VALUE OF LIFE ASSURANCE

Year by year, at these meetings, I have laid stress upon the unique merits of life assurance and, to its undoubted peacetime attractions there may be added, under war conditions, not only the virtue, but the necessity, of personal saving. Moreover, it would appear obvious that this necessity of saving must persist, and we look forward to being able to devise and offer, when the present emergency is ended, new and revised forms of policy, adapted to the changed conditions, and designed not only to attract new entrants but also to convince our existing policyholders of the wisdom of increasing their stake in the society.

In the meantime, to those of us who believe in the value of life assurance, it is most gratifying to find the flow of new business maintained so steadily in times when the number of our branches and of our outdoor staff is, of necessity, reduced to proportions which make it quite impossible for us to offer to our agents and connections the degree of attention and service to which we and they had become accustomed. I can assure them that their continued loyalty and support is warmly appreciated.

THE RUGBY PORTLAND CEMENT COMPANY, LIMITED

ENTERPRISE AND THE OUTLOOK A PROSPECTUS FOR PEACE MR HALFORD REDDISH'S SPEECH

The annual general meeting of The Rugby Portland Cement Company, Limited, was held on the 26th April.

In the course of his speech the chairman and managing director, Mr Halford W. L. Reddish, after dealing with the accounts, said:—

Although I am confident that the company is well equipped for a prosperous future in the post-war years, I must again sound a warning note as to the prospects for the current year. I cannot see any great expansion in the demand for cement until at least a year after the defeat of Germany. During 1944 there was a further substantial rise in production costs, due mainly to the increases in the price of coal. Under the authority of the Ministry of Works some adjustment of cement prices has now been made, and this will help us to a certain extent in 1945.

CONVERSION SUCCESS

Just before the end of the year we gave notice to repay on June 30, 1945, the whole of the £419,911 4s per cent. first mortgage debenture stock outstanding at December 31, 1944, at the same time offering to the stockholders the right to convert into a new 4 per cent. first mortgage debenture stock at 100 per cent. No less than 93.3 per cent. of the old stock was converted, which I am told is a record success for this type of issue. The authorised amount of the new stock is £500,000, with the right to increase in certain circumstances to £750,000. We shall therefore have, as far as can be foreseen, adequate amounts of debenture stock, preference shares, and ordinary shares available for issue to finance extensions in the immediate post-war period.

Since the date of the balance-sheet we have acquired a substantial portion of the share capital of Charles Nelson and Company Limited, cement and lime manufacturers, whose properties are adjacent to our own Southam Works in Warwickshire, issuing in exchange 25,000 preference shares of £1 each and £100,000 ordinary shares of 5s. each credited as fully paid.

PLANT EXTENSIONS

We may be fairly confident that this year will see the beginning of the real turn-round of industry from war to peace, and you will, therefore, no doubt expect me to give you some account of the factors likely to influence the future of our company.

Our plans for the extension of certain of our works are completed and only await the word "go." In this respect we are fortunate in that most of our present plant was installed only a year or two before the war, and is therefore modern both in construction and lay-out. The two completely new works which we built then were designed to accommodate the extensions which will be put in as soon as we are able to get ahead.

In this connection I think it only right to point out that for many years before the war it was the policy of the organised cement industry always to keep productive capacity ahead of demand, and to plan for the future accordingly. The building of new works and extensions of existing works has of course been suspended during the war years, and this leeway will have to be made up in the immediate post-war period, when the capital cost of new plant will be so much higher. Notwithstanding this, the cement industry hopes to achieve substantial reductions in the price of cement to the consumer when the post-war demand develops, because it is in a position to average the cost of new works and new extensions with the written-down values of obsolete plant with an annual

capacity of less than 125,000 tons was scrapped, while efficient modern plant was installed with an annual capacity of 2,250,000 tons. Had this not been done, the cement industry would not have been able to supply the cement needed for the war effort, nor would it be in a position to visualise reductions in price to the consumer when the post-war demand again enables it to reduce costs of production.

COAL AND TRANSPORT

But on the question of costs, I must draw attention to two factors outside our control which are bound to have a pronounced and cumulative effect on the future trend of costs and selling prices. In the first place comes coal, the biggest individual item in the cost of production. In one form or another, it takes something like 8 cwt. of coal to make a ton of cement. In the last ten years the price of kiln fuel delivered to our works has been multiplied by three: it has doubled since 1939. And there has been a considerable deterioration in quality. Further, I need scarcely point out that the price of coal also enters largely into the price of all our steel supplies and machinery.

Secondly comes the question of transport, which also affects the cost to us of all coal, steel, and other supplies entering the works, and is a very big item in the distribution of cement. It may not be generally realised that on average throughout the country about 20 per cent. of the cost of cement to the consumer is accounted for by the cost of transport from works to site. The cement industry is therefore profoundly interested in the future trend of transport costs.

As far as the home market is concerned, the emphasis will quite rightly be on housing for the next year or two, and until that period has passed and other forms of constructional work can be undertaken it is unlikely that the demand for cement in this country will reach the pre-war figures.

NEED FOR CLEAR THINKING

But the future of our company and of the industry to which it belongs is, of course, completely bound up with the future of our country, and that may well be shaped by our actions in the coming months. It is a time for clear thinking and stout hearts. I am an optimist, and I have great faith in the inherent common sense of our peoples, nourished, as it has been, by centuries of development and tradition, if the facts are put clearly before them. But I refuse to subscribe to the facile optimism of those false prophets who paint roseate pictures of Utopia round the corner, but fail to point out that there is one way, and one way only, to the achievement of anything worth having in this world, and that is by what it is too often, alas, unpopular in these days to describe as hard work.

We have won the struggle for the right to survive as a nation. We have now to win the struggle for existence in a world which will expect us to pay for our essential imports. The richer and fuller standards of life to which we aspire can come only from our own worthy endeavours. We shall have in this country in the years to come an unparalleled opportunity for achievement, but we must be bold and enterprising. To substitute security for opportunity in the life of the individual, as we are tending to do, is no creed for an Englishman with blood in his veins and breath in his body. Indeed, without the opportunity and the incentive to individual effort, "security" will itself prove to be but a mirage.

OPPORTUNITY FOR ALL

It is the business of Government to govern—to see that conditions exist in which the flower of opportunity for all can flourish; in which initiative and enterprise and hard work, whether of brain or brawn, will bring their due reward; in which every man, whatever his station in

life, is encouraged to rise by the merit of his own endeavours. It is as true to-day as ever it was that "whoever can make two blades of grass to grow where only one grew before deserves better of mankind and does more essential service to his country than the whole race of politicians put together."

Let no one delude himself into thinking that an easy time lies ahead. We shall pass from the period of blood and tears, but the stark necessity for unremitting toil will be with us for a long time to come. With a great part of our foreign investments gone, and therefore much of the invisible exports upon which we relied for our food in the past no longer available, we shall be dependent after this war almost entirely on our export trade for the means to pay for our necessary imports of food and of raw materials.

HARD WORK AHEAD

If, therefore, we are to maintain a reasonable standard of living, we must produce more and produce cheaply—and that means hard work. Production per man-hour in all industries must be increased, partly by the ruthless scrapping of obsolete machinery and the installation of the most efficient plant in its place, partly by the enthusiastic co-operation and a growing pride in the job on the part of the operatives themselves. It cannot be too often emphasised that what really matters is not the amount of currency in the weekly pay envelope, or the £ s. d. appearing on the monthly pay cheque, or the amount of the dividend, but what in cold fact can be purchased therefor. It must be realised too, that the State as such has no funds apart from those it collects in one form or another by direct or indirect taxation from us all, and that lavish expenditure by the Government simply means that you and I and every wage-earner are going to foot the bill between us, thus depreciating the real value of all incomes. Some alleviation as soon as is possible of the burden of taxation is an essential incentive to the revival of peace-time industry. The excess profits tax, which is admitted on all sides to have been imposed for political reasons, and which is bad in principle and uneconomic in effect, must be removed.

We have been forced to dissipate the accumulated wealth of centuries as the price of survival. We can replace that wealth, on which our standards of life depend, only by sheer hard work. Let us turn a deaf ear to the pseudo-intellectuals who chatter glibly of "full employment" and shorter working hours in the same breath. Work begets work; sloth, apart from its inherent dishonesty, can lead only to higher costs all round and a further depression of the standard of life.

UNITY AND STABILITY

Let us, then, demonstrate our conviction when we shape our economic destiny in the post-war world, that recognition of the dignity and freedom of the individual is the essential requisite for success in the difficult days which lie ahead; that anything which seeks to crush that individuality is despotism, whatever may be its fashionable name at the moment; and that we must shake off the icy grip of bureaucracy as soon as possible.

There is nothing in all this which need lead us in this proud island to fear the future. A nation and empire which entered the war at the call of duty before it was itself attacked and later faced alone the forces of evil for a whole year when all seemed lost need not be daunted by the magnitude of the task which confronts it now. Above all else we need a continuance of unity and stability at home, so that we may go confidently forward to meet the future with

"United thoughts and counsels, equal hope

"And hazard in the glorious enter-

TELEPHONE AND GENERAL TRUST, LIMITED

ROLE OF THE CAPITALIST TAXPAYER BENEFIT TO THE STATE

SIR ALEXANDER ROGER'S VIEW

The ordinary general meeting of Telephone and General Trust, Limited, will be held on the 2nd proximo in London.

The following is the statement by Sir Alexander Roger, K.C.I.E., the chairman, circulated with the report and accounts:

Profit at £120,463 has increased by £4,994. After charging £59,000 for income-tax, and providing for the usual preference and ordinary dividends, £77,175 is carried forward—an increase of £3,467. General investments have increased by £64,767, and investments in and loans to subsidiary companies by £10,820. There is an increase of £141,390 in cash. These reflect mainly the increase of £189,228 in loans at call from subsidiary companies, which amounted to £381,560.

Valuation of securities.—The valuation shows an appreciation of 15.74 per cent., compared with 9.15 per cent.; 81.4 per cent. of the investments are in the British Empire, with 18.6 per cent. in foreign countries, comprising mainly our interests in foreign telephone operating companies. Government stocks, debentures and loans account for 14.0 per cent., preference stocks (including subsidiaries) 16.8 per cent., ordinary 40.9 per cent. and subsidiary ordinary 28.3 per cent.

TELEPHONE OPERATING COMPANIES

Portugal.—Considering present-day difficulties, the standard of service rendered by the Anglo-Portuguese Telephone Company to its 64,000 stations has been well maintained. The Anglo-Portuguese Telephone Company, with which the trust has been associated for many years, continues to derive much benefit from the specialised knowledge and experience of the trust's personnel and its connections in all branches of the telephone business. Given suitable and stable conditions there is abundant evidence of the prospects for expansion and development.

Venezuela.—The Nacional Company of Venezuela, in which the trust has a substantial interest, both direct and through Telephone Properties, Limited, continues its steady progress, and had nearly 39,000 stations at December 31st last. The shortage of material remains a difficulty, but some exchange equipment is in process of manufacture, which will help to relieve the position, and it is hoped that this will prove to be the forerunner of further additions as the war situation eases.

West Indies.—In spite of maintenance difficulties, which have seriously increased after over five years of "make do and mend," efficient management under the guidance of our able consulting engineers has avoided any breakdown in the service of the various operating companies. The systems in Trinidad, Barbados and Jamaica, which give service to some 19,300 stations, are still seriously overloaded, and it is hoped that with the improvement in the war situation a speedy release of essential equipment and supplies required for the relief and extension of the systems will be permitted by the supply authorities.

JAMAICA TELEPHONE SYSTEM

The negotiations for the purchase of the Jamaica Government telephone system, which I referred last year, have not yet been finally concluded, but a draft agree-

ment of sale and new licence are now approaching their final stages, and, if agreed, will be presented for ratification to the new House of Representatives which was recently elected under the new constitution of Jamaica.

I am more than ever convinced that the establishment of comprehensive and efficient telecommunications throughout the West Indies is essential for the full social and economic development of the various communities; and I think it will be to the everlasting credit of the United Kingdom that, on top of the tremendous efforts and sacrifices made for the prosecution of the war, great sums have been allocated for Colonial development.

I am sure our friends in the West Indies realise just what a strain this imposes on the British taxpayer, and will recognise the necessity for Britain to regain and expand her business—home, Colonial and international—in post-war years. It is only thus that the British taxpayer—the man who provides the money—will be able to meet his obligations.

General.—The management of the trust, in spite of the difficulties occasioned by over five years of war, remains keenly alive to the acquisition of new business, and we continue to investigate all reasonable possibilities.

CAPITALISM—SAVINGS AND TAXATION

For two successive years I have shown, within the confines of a company address, that, whether we like it or not, we have become, through hard-earned savings, a nation of capitalists to a degree never hitherto reached or even dreamed of. The movement goes steadily on, in spite of the tremendous figures already achieved, with over £700,000,000 saved by the small investor alone in the past twelve months, while the total of small savings since 1939 has reached the astounding figure of £3,440,000,000.

These savings relate to deposits with the Post Office and Trustee Savings Banks, Savings Certificates and Defence Bonds. The Post Office depositors alone number about 19,000,000, while some 17,500,000 of the public hold Savings Certificates. In addition, vast increases have occurred in Government borrowing, and total National Debt has risen from £8,301,000,000 in 1939 to £22,416,000,000 to-day. All this has been found possible under the British system of private enterprise.

Capitalism is not confined to investors in Government stocks. One out of every three house occupiers in England and Wales owns his house. Even larger numbers own their own furniture, and in normal times, if not now, a bicycle, a motor-car, an insurance policy, an investment in a garage, a shop, and a thousand other things acquired out of savings.

A NATION OF CAPITALISTS

Not long ago capitalists were small in number; but to-day they embrace the entire nation; a nation which at the same time has become a nation of taxpayers, each citizen contributing according to his means. It can be said, without fear of contradiction, that no man, woman or child now escapes taxation in one form or another,

either by direct taxation on his income, on earnings, on savings and investments, or by indirect taxation wrapped up in the purchase and consumption of goods.

I have been looking at the returns of Government ordinary revenue and expenditure for the year to March 31st last, and I devoutly wish that every capitalist and taxpayer in the country would study and understand them. Ordinary revenue amounted to £3,238 millions and expenditure to £6,058 millions. The deficit of £2,820 millions was covered by borrowing.

Of the total revenue of £3,238 millions, £1,900 millions was raised by way of income-tax, surtax, and excess profits tax, while £1,076 millions came from customs and excise duties. Estate duties and motor vehicle duties accounted for £140 millions, stamps and wireless licences £22 millions, while miscellaneous receipts were £99 millions. Almost all of it came directly or indirectly from the capitalist-taxpayer—from the entire nation—and practically none of it arose from income on assets owned by the State.

It is significant that surtax produced only £74,000,000, which represents less than 2½ per cent. of the total revenue raised and is the smallest amount produced during the past three years. The ordinary income-tax payer has jumped from 3,800,000 in 1938-39 to at least 11,000,000, while he contributed £1,316,000,000, against £335,901,000 in the year to March 1, 1939. These are tremendous facts and they put beyond any shadow of doubt or argument that the State and its purse, the Treasury, have practically no funds wherewith to meet expenditure from any other source than the capitalist-taxpayer.

DEMOCRATISATION OF WEALTH

The democratisation of wealth has come to stay, but it must carry with it a universal sense of responsibility of ownership and of obligation to put the best we know into our jobs. It must not be supposed that with the extension of social services the need for the continuation of personal saving vanishes. The necessity for saving—the bread and butter necessity—for working, earning and saving to replenish capital used in the war remains, and it must never be forgotten that you and I—the taxpayer-capitalists—are the only source from which it can come.

If the true position were thoroughly grasped it would lead to the question whether the new world promised recklessly by the planners was going to result in Parliament demanding still more from the taxpayer or whether his burden of taxes will be lessened. This is a question that every elector should have clearly and categorically answered by his member of Parliament or the candidate who aspires to that very responsible and onerous position. It is your money, your possessions, and your way of life that the planner is planning to deal with.

Following the resignation of Mr L. D. Bennett, we were very pleased to invite Mr C. E. Bailey to join the board. He has for many years been associated with the trust as managing director of its associated company, the Nacional Telephone Company of Venezuela, and his wide experience of telephone operations and his great abilities will be invaluable to us.

Once again I would like you to join me in a special tribute to our staffs at home and overseas for their loyal and unswerving efforts. The burden upon those at home remains particularly heavy, but is being cheerfully borne, and our sincere thanks are due to everyone concerned.

UNITED KINGDOM PROVIDENT INSTITUTION

POSITION OF EXCEPTIONAL STRENGTH

COMPOUND BONUS FOR SIX YEARS

SIR ERNEST BENN'S STATEMENT

The annual general meeting of this company was held, on the 25th instant, in London.

The following is a summary of the statement by the Chairman, Sir Ernest J. P. Benn, Bt., circulated with the report and accounts:—

Since the last general meeting of members the Board has been strengthened by the election of Major T. E. Baring, whose appointment is now submitted for confirmation.

The balance-sheet, life assurance account, and the actuary's valuation all disclose a position of quite exceptional strength, on which the directors have felt justified in declaring a compound bonus of 25s. per cent. for the six years ended 31st December, 1944, and an interim bonus at the same rate for the current year. The bonus, taken in conjunction with our premium rates, puts a United Kingdom policy in the very forefront of reliable investments, whether considered from the viewpoint of cost or return. The mortality experience of the two triennial periods has enabled the actuary to recommend an additional 2s. to the rate of bonus payable to certain members of the temperance section.

HOME AND OVERSEAS INVESTMENTS

The rates of interest announced in the directors' report are calculated on the book value of your property and investments, would be appreciably lower if these were written up by current market prices, and are much above the rates now obtainable on new money.

Our overseas investments form just over 10 per cent. of our fund, as compared with nearly one-quarter in pre-1914 days. There is scope here for prudent investment in securities where the yield is commensurate with the risk. Our investment of nearly £7,000,000 in British Government and Government guaranteed securities reflects the not inconsiderable part we have played in aiding the war effort, but we cannot pretend that this investment gives us the yield we need. It is interesting to recall how one of my predecessors, Sir Thomas Whittaker, always emphasised the absence of British Government securities from our portfolio, until the start of the first world war. Our holding of ordinary shares accounts for approximately one-seventh of our assets and ensures to us an appropriate share in the prosperity of the country.

NEED FOR ECONOMY

The vastly swollen National Debt now amounts to 45 per cent. of the total value of private property in this country, and more than a third of it is callable within a year. This cannot be considered a healthy condition, and emphasises the urgency of a halt in the orgy of spending and the piling up of public commitments. The unrivalled stability of Britain has always depended upon the successful balancing of the Budget, and that dependence will be of even greater importance in the days to come.

As new-fangled theories, one after another, prove to be unworkable, the City of London is steadily regaining its pre-eminence as the historic repository of wisdom and experience in monetary matters.

THE SAVING HABIT

A post-war aim of first importance will be to perpetuate the saving habit developed with such gratifying success in the

last few years. Saving is essential in war-time, but to refrain from or defer spending and consumption must always be an essential part of the process of progress. It will be necessary to find new savers to replace any who from force of circumstances are obliged to encash Savings Certificates and other Government obligations, and, in addition, to rebuild capital assets of all descriptions lost or damaged by war. In this connection life assurance has a great part to play and may be regarded not only as a personal necessity but also as a national service.

There is a great deal to be said for cheap money—meaning thereby good money at a low rate of interest—but there is also much that needs saying on the other side of the argument. Thrift, as a social service, is entitled to a just reward. Too much attention can be given to large public financial transactions and too little thought to the millions of individuals and the hundreds of thousands of small traders whose need is for money with good purchasing power. The sum of the business of all the little people transcends in amount and importance the large-scale schemes which tend to monopolise public attention. We can never thrive on "cheap and nasty" money and should take care that reckless expenditure is not encouraged by facilities for borrowing on artificial terms.

NEW BUSINESS

The numbers and amounts of new policies issued during 1944 show a satisfactory advance, especially when the care with which proposals are examined is remembered. As will be seen from the directors' report, no less than £260,000 of such proposals made to us were declined, postponed, or for other reasons not completed, indicating to some extent the safeguarding of existing members by the skilful caution of our officials.

For reasons beyond our control it became necessary to move the head office of the institution, and we are now quite near to London Bridge, where we were so happily located for the latter half of the nineteenth century. We were unable to escape a degree of dislocation and delay, but thanks to magnificent staff work inconvenience to members was reduced to small proportions. We were fortunate in possessing a fine modern city building at 33, Gracechurch-street, and are already deriving some benefit from its well-planned working facilities.

FINANCE FOR INDUSTRY AND HOUSING

Like other offices, we are taking our due place in the plans announced by the Bank of England to provide finance for industrial reconstruction. In addition we are proceeding with our own debenture-cum-policy scheme, which, started before the war, has already proved its worth to medium-sized manufacturing concerns.

I am happy to report that we have resumed business under our popular house purchase scheme, and stand ready to take our full share of the post-war housing problems.

Fire and general business.—Our subsidiary, the United Kingdom Fire and Accident Insurance Company, Limited, continues to give us satisfaction, and, as our members avail themselves of the facilities offered, is an ever-growing source of profit to them in a double way. They benefit from the services supplied by the company and also from the profits accruing to the mutual funds of the institution.

THE LONDON ASSURANCE FURTHER PROGRESS

The annual general court of The London Assurance will be held, on the 9th proximo, in London.

The following is an extract from the statement by the Governor, Mr R. Olaf Hambro, circulated with the accounts:—

I will refer first to the life department. The volume of net new business, that is, sums assured net of re-assurances, for the year 1944 amounted to £2,034,830, being an increase over the previous year of £282,121. The annual premium income at £893,794 shows a slight decrease of £114 compared with 1943.

The year 1945 is the last year of another quinquennial period, and customary practice will be followed. In the early part of next year we will be issuing the usual valuation, and there is nothing at this moment which would lead me to believe other than that we will then declare a bonus compatible with existing conditions. Further than this it would probably be injudicious for me to go. For the present we are continuing the payment of interim bonus, and the usual intimations have appeared in the Press and elsewhere indicating what we are doing.

FIRE, ACCIDENT AND MARINE DEPARTMENTS

The Fire Department has once again exhibited a great deal of strength, and shows at £2,796,999, an increase in premium income during the year of £198,441. Claims paid and outstanding during the year are 45.9 per cent. compared with 46.4 per cent. The one difficult territory which has been a non-contributor to our profit position in the year of account is the United States of America.

The Accident Department, with a premium income of £1,381,860, shows an increase over the previous year of £61,652. Claims paid and outstanding at £661,737 show a decrease of 2.1 per cent., the figure this year being 47.9 per cent. compared with 50 per cent. in the previous year.

The Marine Account shows a decrease in premium income of £510,915, the comparative figures being: 1943, £2,249,585; 1944, £1,738,670. Claims paid, after deduction of reinsurances and salvages, total £1,001,084, which is a decrease over the previous year of £104,258. Expenses of management and overseas taxation, represent 10.9 per cent. of the premium income, compared with 6.4 per cent. in the previous year.

The profit and loss account opening balance is £1,215,649. To this have to be added interest, dividends and rents, less income tax, £205,578 and the transfers from fire account £122,726, marine account £500,000 and accident account £242,652. There is also a small amount on account of transfer fees of £123. These figures show a total of £2,286,728. There is a provision for taxation of £750,000 which is an equal amount to that which we reserved in the previous year's accounts. After taking all debits into consideration, the profit and loss account closes with a balance of £1,290,937, being an increase on the amount brought in of £75,288.

£9,000,000 IN GOVERNMENT SECURITIES

In the balance-sheet the most notable change during the year is an increase of £844,698 in our holding in British Government Securities, which for the general fund alone now amounts to £5,287,501, a figure equivalent to 47.4 per cent. of the total investments of the fund. Taking the two funds together, our total holding of Government securities amounts to nearly £9,000,000. The total premium income for the year 1944, including the life department, is £6,829,933 and our total assets exceed £28,000,000. The year 1944, similarly with all its war-time predecessors, has had difficulties associated with war conditions, and it is my confident hope that the year 1945 shall be freed, in part at least, of the difficulties in that we will see the cessation of European hostilities.

JOSEPH NATHAN AND COMPANY, LIMITED

PROJECTED POST-WAR EXPANSION

MR. ALEC NATHAN'S STATEMENT

The forty-fifth annual general meeting of Joseph Nathan and Co., Limited, was held, on the 25th instant, in London.

Mr Alec Nathan, chairman of the company, presided, and the following is his statement circulated with the report and accounts:—

As long as excess profits tax is 100 per cent. the profit and loss account can show but little change from that of the preceding war years. The net profit is £77,563, which, when added to the amount brought forward—£32,985—leaves an amount available for distribution of £110,548. After making provision for dividends and placing £20,000 to general reserve, there remains £39,548 to be carried forward. The only change in the balance-sheet which calls for explanation is due to the sale of the Greenford property to our subsidiary company, Glaxo Laboratories, Limited, which has resulted in a reduction of £270,000 under the heading of freehold land and buildings, with a corresponding increase in investments in subsidiary companies.

The sinking fund policies, which were taken out to provide a nucleus of funds for replacing these buildings at the end of their useful life, were at the same time sold to Glaxo Laboratories, Limited; this accounts for most of the decrease in the value of sundry investments. A small increase in income, less slightly lower expenses other than tax, results in an increased profit, before tax, of £3,540. The increase in the provision for taxation is partly due to the payment last year of the ordinary dividend on a free tax basis.

GLAXO LABORATORIES, LIMITED

Glaxo Laboratories, Limited, have experienced another year when demand for the foods, the medical products, and the pharmaceutical preparations has far exceeded the company's capacity to supply. The utilisation of labour and other resources upon work of national priority, including the manufacture of penicillin, has acted as a brake upon the development of several projects, important in the interests of the company. Moreover, it has caused a reduction in the quantity of goods issued for sale through retail and other channels to the general public.

The company's goodwill with doctors and pharmacists remains high. Anyone distant from the complex problems of running a manufacturing and distributing business during war-time must find it difficult to realise that their particular demands cannot always be met: and yet they remain, with very few exceptions, tolerant. The forbearance of our customers, particularly of the general public, is very greatly appreciated.

TWENTY-FIRST ANNIVERSARY OF VITAMIN D

Let me refer now to the 21st anniversary of an occasion which was of very special importance to the company. It is close on 21 years ago since vitamin D was first prepared in a form suitable for use in medical practice, and introduced under the name of "Ostein." Glaxo Laboratories were pioneers of vitamin D. It should give you particular pleasure to recall the debt owed to those engaged in the early work, which was of such significance to the country, as well as to your company. It took some time for the nutritional importance of vitamin D to be fully realised. To-day, however, not only is the addition of vitamin D to margarine compulsory, but various official schemes ensure the ready availability of the vitamin, particularly to young babies and expectant mothers.

Produce Businesses.—The produce businesses, by reason of control and fixation of prices, together with the fact that there has been a continuous suction of demand for more goods than are available, and lastly because they are economically and efficiently managed and directed, have had a satisfactory and profitable year.

New Zealand.—The war has made trading increasingly difficult, with its necessary controls both in regard to imports and exports; nevertheless, our staff have, much to their credit, surmounted all difficulties, and the profit from the business is a little better than in the previous year.

FUTURE POLICY

Until the termination of the war it is not possible to interpret future plans into positive action, nor is it possible to do much future planning until the Government defines and declares its policy. While the excess profits tax is a necessary war measure, its incidence at its present high rate is a deterrent to enterprise and initiative. That tax should either be substantially reduced or eliminated as soon as possible—such an action would materially stimulate the growth and development of the export trade.

Our post-war policy and plans call for a further extension of the activities of Glaxo Laboratories, Limited, both at home and overseas. We have already undertaken considerable responsibility for the production of penicillin and the further development both of our food and pharmaceutical trade will necessitate extensive building operations and renewal of plant and machinery which will make considerable calls upon our capital resources.

Our long-standing policy of conservation and concentration of these resources, which, as you are well aware, has been operating for many years, will, we are satisfied, enable us to meet our immediate requirements under these headings. The development of this policy to its fullest extent, as and when circumstances permit, will provide the means by which we shall be able to carry out our post-war plans on a sound financial basis.

THANKS TO THE STAFF

Our thanks are due to the staff both at home and abroad. In face of almost insuperable difficulties, not the least of which is the perpetual strain of five years of war, they have played the vital part in making it possible to show continuously satisfactory results. In relation to this matter, it should be stressed that our export business is of primary importance, and all of us are indebted to those overseas who, separated from the home office all these years, have managed to keep the business alive and ready to expand when we have a measure of freedom.

We hope that in this coming year we shall have the pleasure and privilege of welcoming back the many hundreds of those members of the staff who are serving in the Forces in all parts of the world.

The insurance against the future is in the fact of the past control and direction of the business. Having safely guided the business through the manifold difficulties and obstacles during the greatest war in history it should give our stockholders assurance that when peace comes their business will have increased its reputation, with enhanced goodwill and prestige, as a servant of the community.

The report and accounts were adopted.

MANGANESE, BRONZE AND BRASS COMPANY, LIMITED

MR. J. C. COLQUHOUN'S STATEMENT

The forty-sixth ordinary annual general meeting of the Manganese Bronze and Brass Co., Ltd., was held, on the 20th instant, at Aldwych House, Aldwych, London, W.C., Mr J. C. Colquhoun (chairman and managing director) presiding.

The following is the statement by the chairman, which has been circulated with the report and accounts: At the end of the year under review Mr E. A. Mearns relinquished his appointment as joint managing director, and has since resigned from the board. He had held that appointment since 1932, and I would like here to put on record our appreciation of the service which he rendered to the company during his period of office. Mr A. T. Thorn, B.Sc., M.I.C.E., M.I.N.A., who joined the board on January 1st this year and comes up for re-election at the meeting, has been appointed joint managing director of the company.

THE YEAR'S RESULTS

The profit for the year before providing for taxation is £151,161, against £230,405 for 1943, the decrease being due to changes in the armament production programme during the year. The provision for taxation is £104,000, against £172,500. The full estimated provision for taxation on all profits to date has been made, but the provision shown in the appropriation account is somewhat more than the amount truly applicable to 1944 profits owing to adjustments on prior years. For this reason the surplus remaining after providing for dividends is only £5,519, against £16,263. The final dividends proposed are set out in the directors' report and make 25 per cent. for the year on the Ordinary shares after paying the 7½ per cent. Preference dividends. These are the same as in the previous year.

In the balance sheet it will be noticed that the surplus of current assets now stands at £130,531, an increase of £16,003 in the year. Fixed assets, after writing off £20,678 for the year, are valued at £187,696, against £198,180 a year ago, capital expenditure for the year being below average. Trade investments remain the same and total net assets are increased by the surplus for the year to £330,388.

TRANSFER OF PROPELLER WORKS

Shareholders will no doubt be interested to learn, now that censorship regulations have been relaxed, that the marine propeller works was transferred to Birkenhead in the winter of 1940-41 as a result of bomb damage to the old London works. Preparation had been made beforehand in case such an emergency should arise, and no ship was kept waiting for a propeller throughout this critical period. The new site, where the factory will now remain, is more spacious and has room for further expansion if necessary. I need hardly say that this section of your business has played an important rôle during the war. The wrought side also—extruding, rolling and forging—as well as the "Oilite" self-lubricating bearing and powder metallurgy business, have made valuable contributions. In this connection it is a pleasure to have this opportunity of expressing our appreciation of the work of the staff and of thanking all servants of the company for so willingly working at high pressure for so long.

In the current year some further reduction in output for war requirements must be expected. Any reliable forecast of results during the transition period is impossible, but the change from war production to peace-time production involves no major changes in plant and equipment or processes, and we are in a position to supply our products immediately to returning markets.

The report and accounts were unanimously adopted and the dividends recommended were approved.

THE ALLIANCE TRUST COMPANY, LIMITED

SUCCESSFUL RESULTS

FINANCING INDUSTRY IN POST-WAR PERIOD

MR. JAMES PRAIN'S STATEMENT

The fifty-seventh annual general meeting of The Alliance Trust Company, Limited, was held on the 27th instant, at the Company's Office, Meadow House, 64, Reform Street, Dundee, Mr. James Prain, LL.D. the chairman) presiding.

The chairman's statement, which had been circulated with the report and accounts, was taken as read and was as follows.

You will observe from the annual report that your directors have invited Mr. T. H. H. Walker to join the board. The company is fortunate in securing Mr. Walker's services and I am confident that his wide experience will be of great value to us.

YEAR'S RESULTS AND DIVIDEND

The accounts for the past year show a further improvement in gross revenue, which at £699,700 is higher by some £32,000 than the amount collected in the previous year. Against this the amount we have set aside to meet future taxation is greater by some £40,000, with the result that net revenue is somewhat below that of a year ago. On this question of taxation I might explain that owing to our remaining interests in mortgages and land, apart from investments in stocks and shares, the basis on which this company is assessed for tax is one which brings into account items of a capital nature. This has afforded the Company certain benefits in the past, but in the current year it is not anticipated that any relief from this source will be forthcoming. The result then is that after making full provision under this head and for the prior claims of the debenture and preference stockholders, there is available out of the revenue of the year an amount equivalent to 35 per cent on the ordinary stock, which shows the proposed dividend of 25 per cent to be amply covered by earnings.

VALUE OF SECURITIES

Market values of securities have again risen substantially during the year and are now at a level comparable with the boom period of 1928/1929. There is no doubt, therefore, that a valuation of the company's investments at 31st January would show a very large surplus over the book value. I must repeat what I have remarked on earlier occasions that this appreciation, impressive though it might be on paper, does not have any great significance for us as it does not offer any promise of increasing returns.

QUESTION OF CAPITAL FOR POST-WAR INDUSTRY

In all probability industry as a whole will be in the transition stage to peace-time conditions in the near future. Whether the country emerges from that stage successfully will depend on the degree of realism we bring to bear on our problems. It will be admitted that for a highly industrialised country such as this, dependent for our existence on our export trade, the maintenance of productive efficiency is of the first importance; it follows that if industry is to succeed in producing wealth sufficient to maintain the present or a higher standard of living, capital must be forthcoming to provide the most modern equipment. Too little attention is paid to this aspect, I think, in our post-war planning which so far has been concerned more with unproductive expenditure, surely a matter of secondary importance. The necessity for a constant flow of capital into industry has been made much more clearly by those who are likely to be our principal competitors.

ALLOWANCES FOR DEPRECIATION

The higher production per man-hour which obtains for example in American industries in general is the result, to some extent, of a larger expenditure on and more intelligent employment of modern labour-saving machinery. In this country the effect of legislation has been to starve industry of the funds it should have retained for its maintenance and development and to discourage capital investment. Recently, it is true, there has been some recognition of the inadequacy of the existing allowances for depreciation but such recognition is both tardy and insufficient. Something much more far-reaching and constructive is called for. As a first step I would wish to see a more equitable and less crippling form of taxation in place of the present Excess Profits Tax, which bears so unfairly on those industries without the allowance of a reasonable standard of profits in the years arbitrarily fixed on for that purpose and whose equipment has been exhausted in Government service and other necessary work. This tax may have been thought expedient six years ago in time of crisis, but now I feel expediency should give way to something much more equitable.

CORPORATION FOR FINANCING INDUSTRY

I might mention one recent development which has for its object the provision of finance for industry—the formation of a corporation for that purpose. It is proposed that the funds be subscribed by financial institutions including the Investment Trusts. It is, as I have remarked, of the first importance that capital should be available for industry and on that ground it is right that this company should support such an undertaking. That it should be thought necessary—and I believe it is necessary—to form this corporation, must bring it home to us how serious this question of the industrial equipment of this country which is more concerned with dividing the golden eggs than with keeping the goose alive.

With these uncertainties in mind one cannot make any forecast, but I am hopeful that in our next annual report the results will compare not unfavourably with those of the past year.

The report and accounts were unanimously accepted.

CAMP BIRD, LIMITED

The forty-third ordinary general meeting of Camp Bird, Limited, was held, on the 25th instant, in London, Mr F. W. Baker (the chairman) presiding.

The following is an extract from the chairman's review circulated with the accounts: The profits for the year amounted to £21,824. The break-up value of the company's shares at December 31st last was 11s. 9d. per share.

West Witwatersrand Areas, Limited, announces that a mining lease has been granted, and a new company, West Driefontein Gold Mining Company, Limited, has been registered in South Africa. The operating subsidiary of Lake George Mining Corporation, Limited, reported a successful year to June 30, 1944. During the year the Fresnillo Company paid two dividends, and Mexican Corporation, Limited, in turn, paid one dividend of 1s. per share. The Yukon Consolidated Gold Corporation, Limited, reports that the resumption of dividend payments depends entirely on the date at which the scale of operations can be increased.

INTERNATIONAL NICKEL COMPANY, OF CANADA, LIMITED

EFFECT OF LABOUR SHORTAGE

The annual general meeting of this company was held, on the 25th instant, at Toronto.

Mr Robert C. Stanley (chairman and president), in the course of his address, said: During 1944 we produced 284,701,556 lbs. of nickel in all forms from all sources, which compares with 296,438,177 lbs. in 1943. The decrease from 1943 was due entirely to lack of manpower in Canada, which amounted at times to approximately 2,000 men or about 13 per cent. of the requisite force.

COPPER OUTPUT

Copper produced in 1944 in all forms and from all sources was 310,468,465 lbs. comparable with 318,598,596 lbs. in 1943, and now that the war with Germany is closing, the revival of commercial business with the United Kingdom and Continental Europe, must be actively pushed. It is indeed unfortunate that except for war-time arrangements, Canada's copper is barred from the United States, our adjacent and economic market, by a duty of 4 cents per pound. It is in Canada's interest that the Government at Ottawa should endeavour to bring about a removal of this trade barrier.

At the close of 1944, current assets totalled £132,861,790, and after deducting therefrom current liabilities of £26,151,119, working capital was £106,710,671, compared with working capital of £96,935,202 on 31st Dec., 1943, an increase of £9,775,469. Of this increase £6,861,423 is represented by higher holdings of cash, short-term securities and Government securities which aggregated £70,947,443 on 31st Dec., 1944, compared with £64,086,020 at the end of 1943.

Capital expenditures in 1944 were £4,652,127, as compared with \$5,445,248 in 1943 and with \$12,009,497 in 1942. The amount required for 1945 will approximate \$6,000,000. Of the 1944 expenditure, approximating \$3,000,000 was applied in the War Expansion Programme of the Canadian plants. In order to complete this entire work there remains to be expended approximately \$4,000,000, principally required for mine development and mine equipment. In this connection it will be recalled that by agreement with the Government of the Dominion of Canada we are amortising \$25,000,000 of these expenditures over a five-year period. Of this amount \$20,000,000 had been applied by the end of 1944.

VENEZUELAN EXPLORATION

As I have previously reported to you, nickel is one of the most widely disseminated elements in the earth's crust, but compared with other metals the workable concentrations are limited. It is essential that the uses which research has created for nickel throughout the world be assured of stable and adequate sources of supply for many years to come. In the circumstances, this company is constantly on the alert to detect nickel ore deposits of sufficient importance to justify commercial development.

During the year one of the deposits inspected by the company's geologists gave evidence of justifying exploration. We have secured the exclusive exploration and mining rights and are making the necessary investigations by core drilling and trenching to determine whether the deposit, which is located in Venezuela, South America, is suitable for commercial development.

In conclusion, I am able to say that we face the future with confidence and that we believe the "trend of sales growth in the nickel industry" will continue, and with proper research, advertising and selling activities will assure satisfactory consumption of our many products in a world at peace.

SELFREDGE (HOLDINGS), LIMITED

MR H. A. HOLMES'S STATEMENT

The annual general meeting of Selfridge (Holdings) Limited was held, on the 27th instant, at the company's offices, Oxford Street, London, W., Mr H. A. Holmes (chairman of the company) presiding.

The following is an extract from the chairman's statement, circulated with the report and accounts, which was taken as read:—

The trading profit of Selfridges Limited, as shown in the attached accounts, after making provision for depreciation of leaseholds, fixtures and plant and £25,000 for deferred repairs, is £400,766 as compared with £426,611, and in the circumstances this result should not be considered unsatisfactory. The deductions for interest and sinking funds for the redemption of Debenture stocks of £53,409 and £35,268 respectively are about the same as previously and leave a net profit (subject to taxation) of £312,089—a decrease of £26,585 for the year.

Provision for income tax and National Defence Contribution amounting to £215,000 represents the estimated tax liability on the profits for the year under review. No further charge against profits in respect of future income tax has been made as it is estimated that the reserves are now sufficient to meet all such liabilities. The sum of £10,000 has been applied to staff benevolent account and a dividend of 12½ per cent, less tax, the same as in the two previous years, amounting to £62,500, has been declared and paid to Selfridge (Holdings) Limited. The balance of profit for the year of £24,589 has increased the amount carried forward to £46,744.

INCREASED RESERVES

On referring to the balance sheet it will be noticed that the reserves have increased during the year by £100,000. Under the heading current assets, cash and tax reserve certificates appear at £1,245,046 against £988,938. Investments have increased from £37,874 to £86,261. On the other hand the figure for stock-in-trade has fallen from £496,441 to £457,675, a feature to be regretted but a quite unavoidable position in this sixth year of the war.

The very strong liquid position disclosed by the accounts should enable the company to take every advantage of the many opportunities which in due course should come along when labour and materials become available following the relaxation and, we hope, abandonment of too many forms of control. Considerable expenditure will be necessary for the modernisation of the interior of our premises—a programme which is likely to take longer than we had hoped owing to the more pressing claims there will be for the very urgent needs of housing, which must have priority. In addition considerable war damage will have to be made good, and it will be noted from the accounts that no adjustment has been made in respect of the damage sustained. Stocks will have to be built up as opportunities offer, but I am afraid this can only be achieved very gradually.

STAFF SHORTAGE A MAJOR PROBLEM

Staff shortage during the year has, of course, been a problem of major importance. Much praise is due to those of our members who have, as a consequence, been carrying increased responsibilities, and I would like particularly to refer to their devotion during conditions amounting to real hardship immediately following the last bomb damage. We look forward to the return of many hundreds of our young men and women from the forces and various war-time activities. In this connection it is interesting to note that in response to a questionnaire sent to these members last summer 97 per cent. of the replies indicated in no uncertain manner their desire to return to us.

I now turn to the accounts of Selfridge (Holdings) Limited in which you are

directly interested. These show the same dividend of £62,500 received on the shares in Selfridges Limited and a reduction of £7,356 in rents receivable, which a year ago benefited by the sum of £7,119 in respect of earlier years. After crediting certain income tax refunds amounting to £8,784, the total receipts amount to £96,065, or an increase of £1,989. After deducting outgoings the net profit is £65,702 against £63,040. Of this balance there has been appropriated £25,881 for redemption of "A" secured income redemption stock, £7,764 for redemption of "B" secured income redemption stock, and £12,046 towards reduction of mortgages, leaving, with the amount of £49,743 brought forward from last year, a balance of £69,154.

REDUCTION OF INCOME DEBENTURE STOCK

It is perhaps pertinent here to note that after the £25,881 referred to has been applied to the reduction of the "A" secured income redemption stock the balance of this stock outstanding will be £31,596, an amount which we hope to be able to take care of within a measurable period. The effect of this will be that once the "A" stock is out of the way the proportion of income available under the scheme of arrangement for the stockholders will be considerably increased. With this prospect in view and having regard to the balance of profit carried forward, which for the present it would seem imprudent to distribute by way of dividend, the Board considers that the time has come when the capital structure of the company and the position as to the large accumulation of arrears of dividends should be examined. I feel some reference should now be made to this matter, although in view of the numerous interests involved, some time must elapse before it will be possible to submit definite proposals to the stockholders.

The report and accounts were adopted.

TELEGRAPH CONSTRUCTION AND MAINTENANCE COMPANY, LIMITED

STRONG FINANCIAL POSITION

The eighty-first ordinary general meeting of this company was held, on the 24th instant, in London, Mr Colin F. Campbell, the chairman, presiding.

The following is an extract from the chairman's statement, which was circulated with the report and accounts, and was taken as read: The liability for taxation, which is now so large a figure, amounts to the sum of £322,591. This amount includes the necessary provision for income-tax on profits earned to date.

The value of the company's investments, £325,416, is an increase of £32,799 over last year, and we also hold tax reserve certificates amounting to £175,000 towards provision for subsequent tax payments. The market value of the investments, it will be noted, is £11,232 in excess of the book value.

The balance of the trading account is £304,952, which compares with £375,115 last year. The difference in this balance was principally due to reduction of prices on Government contracts. The board now recommend a final dividend of 5 per cent., making a total of 10 per cent. for the year, the same as for 1943, leaving £42,296 17s. 8d. to be carried forward.

While our efforts are still confined 100 per cent. to the war effort, post-war problems and technical development are being closely studied, and I feel confident that when peace returns and we regain our liberty of action, we shall not be unprepared to cope with these problems.

Despite the present burden of taxation, a strong financial position has been maintained, which will be of inestimable value when we are called upon to satisfy the peace-time demands of the home and export markets.

The report and accounts were unanimously adopted.

CRAVEN BROTHERS (MANCHESTER) LIMITED

A FULL ORDER BOOK

The annual general meeting of this company was held, on 25th instant, at Stockport, Mr J. R. Greenwood (chairman and managing director) presiding.

In the course of his speech the Chairman said: The reduction in profit on operations from £163,160 to £104,567, or £58,593, is due in the main to changing conditions which are inevitable as the war in Europe approaches its final stage. They are (1) part cancellation of the contracts for two types of special machine tools which we were producing in quantity at the Government's request; (2) continued increase in manufacturing costs; and (3) during the period of the war we have suffered a steady reduction in our labour force, both skilled and unskilled. After making all necessary reserves, the net profit for the year is £70,366 as against £69,235 in 1943, an increase of £1,131, and, after providing for a final dividend of 15 per cent., making 20 per cent. for the year (the same as last year), we carry forward £166,191 as against £157,025 last year, an increase in the carry forward of £9,166. In arriving at these figures I wish to emphasise the fact that full provision has been made for all taxation in respect of profits earned to the end of the year under review.

DEMAND MAINTAINED

Some time ago we held the view that, having regard to the enormous quantity of standard machine tools which have been produced in this country and the large quantity which have been imported from the U.S.A., the machine tool industry might find it difficult after the war to obtain a sufficient volume of business to continue normal working capacity and, although our position is somewhat unique in that we manufacture so few standard machine tools, we thought the demand for our own product might be curtailed. Our fears in this respect have proved completely unjustified.

Our present most urgent requirement is additional labour—skilled and unskilled—and in these days, when we hear so much about redundancy and when we realise, as I suggest we must, that with the end of the war there must inevitably be a redistribution of labour from the enormous production of war equipment to peace-time requirements at home and the production of necessities for the reconstruction and rebuilding of devastated Europe, the greatest difficulty your company is facing is shortage of manpower, and we can take into our service upwards of 600 additional workpeople as soon as they become available, and we know that we can offer full employment for some years.

EXPANSION OF BUSINESS INDICATED

We are again fortunate that we have no necessity to make changes in our organisation to deal with post-war production, so that we can get right on with our normal work. Most of the business on our books at present is for home customers, which is gratifying to us because it indicates that important companies are preparing to play a big part in the reconstruction of the world and in our export trade after the war. We have also received indications of an unprecedented demand for our products from overseas, practically all over the world, so that some expansion of the business is indicated, and it is a matter for regret that high taxation and E.P.T. have deprived industry of the opportunity of building up some reserves which could have been used for re-equipment, replacement of obsolescence, and for normal expansion.

The plant and machinery of the company have been maintained in first-class condition. We have a full order book, and your Board looks to the future with every confidence.

The report was unanimously adopted.

(Continued from page 560)

The Federation is to promote scientific and research and the "rationalisation and modernisation of plant and production." It will have to be judged by its acts.

Diamond Position

The continuation of the wartime boom in diamonds has compelled the mining companies, which have been for several years living largely on their stocks, to resume mining operations on a larger scale. In 1943, diamonds to the total value of some £20 million were sold, of which it is estimated that only £7 million worth were produced. Comparative figures for 1944 are not available, but it is likely that both total production and the proportion currently mined were substantially larger. The full accounts for 1944 of De Beers show a great increase in mining expenditure from £417,513 to £1,008,918. Operations at the company's Bultfontein mine have been resumed. Similarly, Consolidated Diamond Mines of South-West Africa announce a substantial increase in operations, which were facilitated by a rise in the native labour complement and the acquisition of extra petrol-driven lorries.

The cost of resuming normal mining operations must bring down profits from their inflated wartime levels, although the very need to replace stocks should ensure to the industry a period of prosperity. The 1944 diamond receipts of De Beers, again including the sale of a portion of the company's quota, is actually slightly higher at £4,627,000, and the fall of £400,000 in net profit is much more than accounted for by the rise in mining expenditure. The dividend on deferred shares is reduced from 70 to 60 per cent. Nevertheless, the company's net liquid assets

have been heavily strengthened from £404,000 to £760,000. General reserve has received a book profit of £3 million, arising from the sale of the company's interest in African Explosives and Chemical Industries in exchange for the whole of the £4 million issued ordinary capital of the new company, De Beers Industrial Corporation.

The demand for industrial diamonds has at least trebled during wartime, but the "pegging" of their prices at pre-war levels means that the major part of profits is still derived from the sale of gem stones. Demand for gem stones fluctuates widely, but has maintained an upward trend throughout the war and at the moment seems to be approaching a new high level. The coming series of London "sights" is likely to find many more buyers than sellers. The reopening of the Antwerp diamond market, which has already re-absorbed a quarter of its pre-war labour force, should greatly help the selling syndicate in meeting this year's world demand for gem stones. The immediate outlook is thus excellent, but the more distant one remains obscure.

Shorter Note

The 1944 consolidated trading profits of United Molasses show a very large rise of some £125,000, and total £960,163 against £834,781, although it is not revealed how much profit from past years is included. Taxation, not unexpectedly, requires more, but depreciation actually takes less, so that net profit is still higher by £100,000. The company is increasing its final dividend by 2½ per cent, making a total distribution for the year of 22½ per cent against 20 per cent; in addition, a tax-free bonus of 2½ per cent is again to be paid out of capital reserve.

RECORDS and STATISTICS

INVESTMENT Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Cortes. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Ord. Consols	Ord. Shares
April 19...	6,242	4,897	117.0	137.8	3.00	3.66
" 20...	6,273	4,679	117.0	137.8	3.00	3.65
" 23...	7,907	6,120	117.0	137.8	3.00	3.65
" 24...	6,314	5,074	117.3	137.8	2.99	3.65
" 25...	6,197	4,954	118.0	137.8	2.99	3.62

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1945: highest, 118.0 (April 25); lowest, 111.5 (Jan. 23). 20 Fixed Int., 1945: highest, 137.8 (April 20); lowest, 136.3 (Jan. 2).

New York

STANDARD AND POOR'S CORPORATION INDICES DAILY INDEX OF 50 COMMON STOCKS (1925=100)

1945	Average	Transactions	1945	Average	Transactions
April 18...	136.8	1,060,000	April 16...	140.7	2,500,000
" 19...	138.0	1,800,000	" 17...	140.9	2,070,000
" 20...	Closed	Closed	" 18...	142.2	1,710,000

1945: High, 142.2 (April 18). Low, 129.2 (June 23). 2-hour Session.

(WEEKLY INDICES) (1935-39=100)

1945	Low	High	April 4, 1945	April 11, 1945	April 18, 1945
354 Industrials	108.6	119.0	112.8	114.8	119.0
20 Rails	116.1	132.7	122.7	126.4	132.7
28 Utilities	93.2	99.8	95.9	9.65	99.8

1945	Low	High	April 4, 1945	April 11, 1945	April 18, 1945
402 Stocks	106.7	116.9	110.8	112.7	116.9
Av. yield %†	4.63	4.22	4.47	4.38	4.22

† 50 Industrial Com. Stocks.

Capital Issues

Year (to date)	Week ending April 28, 1945	Nominal Capital £	Con- versions	New Money £
1945				
1944				
1943				
1942				
1941				
1940				
1939				
1938				
1937				
1936				
1935				
1934				
1933				
1932				
1931				
1930				
1929				
1928				
1927				
1926				
1925				

Destination* Nature of Borrowing

Year† (to date)	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1945	422,248,690	34,177	125,250	420,334,419	1,186,250	887,448
1944	444,056,559	330,721	Nil	440,783,836	2,015,289	1,588,155

* Conversion excluded. † Includes Government issues to April 18, 1945, only. Above figures include all new capital in which permission to deal has been granted.

A QUARTER'S CAPITAL ISSUES

The following tables give quarterly figures for capital issues, on both "new" and "old" basis, with the usual comparisons.

TABLE I—TOTAL BORROWING (MILLION £)

First Quarter of Years	British		Others*	Total Home	Empire	Foreign	Total Issues	Indices
	Government	*Home Corporations						
1928	85.8	1.0	47.6	134.4	21.6	13.0	169.0	100
1929	493.1	Nil	Nil	493.1	Nil	Nil	493.1	292
1930	459.0	Nil	0.2	459.2	Nil	Nil	459.2	271
1931	315.0	Nil	0.9	315.9	0.1	Nil	316.0	187
1932	337.3	Nil	0.4	337.7	Nil	Nil	337.7	199
1933	3.0	3.8	57.4	64.2	9.1	1.4	74.7	100
1934	493.1	Nil	1.8	494.9	0.2	0.1	495.2	663
1935	459.0	Nil	5.8	464.8	0.8	Nil	465.6	623
1936	315.0	Nil	1.5	316.5	0.1	Nil	316.6	423
1937	337.3	Nil	2.0	339.3	Nil	0.1	339.4	454

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES* (MILLION £)

First Quarter of Years	Old Basis				New Basis			
	1942	1943	1944	1945	1942	1943	1944	1945
Debentures	Nil	Nil	0.6	Nil	0.1	1.7	0.6	1.3
Preference	Nil	Nil	0.1	Nil	0.2	0.6	0.5	0.2
Ordinary	Nil	0.1	0.5	0.5	1.8	4.2	0.8	0.6
Total	Nil	0.1	1.2	0.5	2.1	6.5	1.9	1.8

(Continued on page 570)

GOVERNMENT RETURNS

For the week ended April 21, 1945, total ordinary revenue was £51,063,000, against ordinary expenditure of £112,103,000 and issues to sinking funds of £255,000. Thus, including sinking fund allocations of £361,993, the deficit accrued since April 1st is £161,487,000 against £201,886,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to April 22, 1944	April 1 to April 21, 1945	Week ended April 22, 1944	Week ended April 21, 1945
ORDINARY REVENUE				
Income Tax	45,070	49,807	10,651	19,620
Sur-tax	2,950	3,280	600	860
Estate, etc.	6,928	6,675	1,553	2,150
Duties	230	880	80	880
N.D.C.	1,116	2,369	254	654
E.P.T.	22,799	24,330	6,635	7,148
Other Inland Rev.	...	...	...	...
Total Inland Rev.	79,093	87,341	19,773	31,312
Customs	31,620	31,003	12,872	13,352
Excise	13,000	12,500	6,500	5,300
Total Customs & Excise	44,620	43,503	19,372	18,652
Motor Duties	992	1,091	108	117
Post Office (Net Receipts)	...	250	...	250
Wireless Licences	...	...	...	...
Crown Lands	...	...	...	...
Receipts from Sundry Loans	61	60	...	...
Miscellaneous Receipts	3,201	840	1,456	732
Total Ord. Rev.	127,966	133,085	40,708	51,063
SELF-BALANCING P.O. & Brdcastg.	5,600	5,450	2,200	2,150
Total	133,566	138,535	42,908	53,213

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to April 22, 1944	April 1 to April 21, 1945	Week ended April 22, 1944	Week ended April 21, 1945
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	37,563	37,474	2,024	13,998
Payments to N. Ireland	...	...	...	...
Other Cons. Fund Services	33	257	...	224
Total	37,596	37,731	2,024	14,223
Supply Services	291,830	256,480	105,130	97,880
Total	329,426	294,211	107,154	112,103
SELF-BALANCING P.O. & Brdcastg.	5,600	5,450	2,200	2,150
Total	335,026	299,661	109,354	114,253

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £238,337 to £2,893,024, the other operations for the week (no longer shown separately) increased the gross National Debt by £62,687,492 to £22,563 million after allowing for £16 million of sinking funds in 1944-45.

NET ISSUES (£ thousands)	
P.O. and Telegraph	150
Overseas Trade Guarantees	5
Housing (Temporary Accommodation) Act, 1944	1,000
Total	1,155

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of Eng- land		
1944						
April 22	1180.0		Not available			
1945						
Jan. 20	1460.0		Not available			
" 27	1450.0	2341.8	489.3	1799.5	6080.6	
Feb. 3	1440.0		Not available			
" 10	1430.0		"	"		
" 17	1430.0		"	"		
" 24	1430.0	2309.2	542.4	1801.0	6082.6	
Mar. 3	1430.0		Not available			
" 10	1430.0		"	"		
" 17	1430.0		"	"		
" 24	1430.0		"	"		
" 31	1430.0	3680.7	575.7	1859.0	6116.1	
April 7	1430.0		Not available			
" 14	1430.0		"	"		
" 21	1430.0		"	"		

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate of Allot- ment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
April 21	110.0	216.8	110.0	20 2-83	35
1945					
Jan. 19	110.0	216.3	110.0	20 1-19	32
" 26	110.0	207.8	110.0	20 0-31	39
Feb. 2	110.0	225.0	110.0	20 0-26	29
" 9	110.0	218.0	110.0	20 0-13	31
" 16	110.0	207.3	110.0	20 0-53	37
" 23	110.0	208.6	110.0	20 0-99	17
Mar. 2	110.0	237.6	110.0	19 11-37	21
" 9	110.0	239.2	110.0	19 11-50	21
" 16	110.0	236.1	110.0	19 11-77	27
" 23	110.0	225.3	110.0	19 11-85	25
" 29	110.0	225.6	110.0	19 10-06	30
April 6	110.0	235.1	110.0	20 1-86	20
" 13	110.0	244.4	110.0	20 2-28	24
" 20	110.0	244.3	110.0	20 2-24	24

On April 20, applications at 99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of the following week, were accepted as to about 24 per cent. of the amount applied for, and applications as higher prices in full. £110 millions of Treasury Bills are being offered for April 27. For the week ended April 28 the banks will be asked for all Treasury deposits at a maximum amount of £70 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION

(£ thousands)				
Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
1945				
Feb. 13	5,344	1,941	7,052	11,573
" 20	5,197	1,849	7,655	13,401
" 27	4,841	1,767	5,857	16,201
Mar. 6	4,394	1,923	10,312	18,160
" 13	4,387	1,789	15,134	15,258
" 20	4,107	1,816	8,142	19,285
" 28	3,292	1,686	7,537	12,546
Apr. 3	6,485	1,243	6,351	14,041
" 10	3,626	2,156	7,241	13,370
" 17	3,891	2,145	10,666	12,938
" 24	...	...	7,137	11,432
Totals to date	1,357,337*	805,687*	1,943,529†	250,661‡

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	April 20, 1944	April 5, 1945	April 12, 1945	April 19, 1945
12 U.S.F.R. BANKS	19,022	17,616	17,607	17,582
Gold certifs. on hand and due from Treasury	19,594	18,518	18,507	18,482
Total reserves	285	255	254	251
Total U.S. Govt. secs.	12,833	19,804	20,418	20,498
Total loans and secs.	34,604	40,429	40,872	41,285

	April 20, 1944	April 5, 1945	April 12, 1945	April 19, 1945
LIABILITIES				
F.R. notes in circ.	17,762	22,321	22,368	22,504
Excess mr. bank res.	900	900	900	800
Mr. bank res. dep.	12,704	14,353	14,593	14,582
Govt. deposits	204	335	409	430
Total deposits	14,881	16,108	16,555	16,606
Total liabilities	34,604	40,429	40,872	41,285
Reserve ratio	60.0%	48.2%	47.2%	47.3%

	April 20, 1944	April 5, 1945	April 12, 1945	April 19, 1945
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,469	20,418	20,417	20,396
Treasury & bank currency	4,093	4,117	4,118	4,117
LIABILITIES				
Money in circulation	21,334	25,865	25,944	26,068
Treasury cash and dep.	2,525	2,714	2,768	2,804

RESERVE BANK OF INDIA

Million rupees

	April 7, 1944	Mar. 16, 1945	Mar. 23, 1945	Mar. 30, 1945	April 6, 1945
Gold coin & bullion	444	444	444	444	444
Rupee coin	164	163	167	171	207
Balances abroad	1,607	3,835	3,884	3,851	3,851
Sterling securities	7,848	9,753	9,753	9,783	9,883
Ind. Govt. rup. secs.	583	578	578	585	589
Investments	88	145	168	181	245
LIABILITIES					
Notes in circulation	8,936	10,792	10,817	10,849	11,003
Deposits: Govt.	885	2,721	2,809	2,839	2,859
Banks	513	956	891	855	859
Reserve ratio	91.8%	91.4%	93.4%	93.4%	93.1%

(Continued from page 568)

TABLE III—ANALYSIS OF NEW CAPITAL APPLICATIONS
(Excluding Conversions)

	First Quarter (Old Basis)		First Quarter (New Basis)	
	1944	1945	1944	1945
British Govt. Loans	315,001,800	337,287,400	315,001,800	337,287,400
Exploration, Financial and Invest. Trusts	Nil	44,200	Nil	44,200
Coal, Iron and Steel	Nil	100,000	63,000	225,200
Breweries	Nil	Nil	Nil	40,000
Motors	31,000	Nil	31,000	Nil
Electric Light, Power and Telegraph	Nil	Nil	Nil	1,235,700
Hotels, Theatres, etc.	Nil	Nil	70,000	Nil
Manufg. and Misc.	968,200	313,000	1,477,600	610,300
Total	316,001,000	337,744,600	316,643,400	339,442,800

FINANCE AND BANKING

THE MONEY MARKET.—The discount market this week was mainly concerned with the monthly making up operations of the banks. Though the net TDR call from the banks, after allowing for prior encashments, was reduced by about £35 millions to just over £20 millions, the displacement of credit for "window-dressing" purposes resulted in a marked shortage of credit on Tuesday. Though additional balances came through at the end of the session, the Bank's agent had to intervene with special buying on a small to fair scale before the books of the discount houses could be balanced. Later in the week, however, money became more plentiful and, by Thursday, there was a marked widening in the banks' purchases of bills. The discount market's quota of Treasury Bills for the week remained at 24 per cent with the results of the tender showing singularly little change from the previous week. The raising of the tender issue of Treasury Bills next week is discussed on page 556.

The Bank Return shows Bankers' Deposits as high as £229.6 millions on Wednesday reflecting the easing of conditions after Tuesday's special assistance and the return of making-up balances to the market. The rise on the week amounted to £38.4 millions. The special assistance probably accounts, too, for part of the rise of £26.1 millions to a total of £256.3 millions in Government Securities but Ways and Means advances seem likely to have been chiefly responsible for this expansion.

MONEY RATES, LONDON.—The following rates remained unchanged between April 19th and April 26th:—
Bank rate, 3% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 3 months, 1½%; 3 months, 1½%. Day-to-day

BANK OF FRANCE

Million Francs

	Mar. 15, 1945	Mar. 22, 1945	Mar. 29, 1945	Apr. 5, 1945
ASSETS				
Gold	75,151	75,151	75,151	75,151
Private discounts and advances	34,089	33,076	33,422	33,766
Advances to State:				
(a) In occupation costs	492,108	494,808	498,058	499,158
(b) Treasury advances	426,000	426,000	426,000	426,000
(c) Fixed advances	11,600	14,300	17,550	18,650
LIABILITIES				
Notes	54,508	54,508	54,508	54,508
Deposits:				
(a) Government accs.	573,932	574,796	580,122	583,508
(b) Other accounts	33,196	34,522	37,718	33,645
Other	730	743	756	756

* Excluding the Debt Redemption Fund Current Account which on March 22 amounted to 735 Million Francs.

BANK OF BELGIUM

Million Belgian Frs.

	Mar. 22, 1945	Mar. 28, 1945	Apr. 5, 1945	Apr. 12, 1945
ASSETS				
Gold	31,414	31,327	31,327	31,327
Foreign exchange	2,856	2,833	2,992	2,969
Private loans and discounts	667	677	667	667
Loans to State	39,509	40,073	41,551	41,697
LIABILITIES				
Notes	50,861	51,273	52,408	52,811
Current accounts:				
(a) Govt. accounts	6	3	2	2
(b) Private accounts	3,378	4,131	3,973	3,884

CENTRAL BANK OF IRELAND

Million £'s

	April 15, 1944	Mar. 31, 1945	April 7, 1945	April 14, 1945
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	23.89	28.22	28.42	28.72
Sterling balances	1.74	1.88	1.83	1.41
LIABILITIES				
Notes in circulation	28.50	32.87	33.05	32.98

CENTRAL BANK OF ARGENTINA

Million paper pesos

	Feb. 29, 1944	Jan. 31, 1945	Feb. 12, 1945	Feb. 28, 1945
ASSETS				
Gold at home	1,117	1,242	1,242	1,242
Other gold and for. exch.	2,331	2,579	2,587	2,628
Non-Int. Govt. bonds	101	89	89	88
Treasury bonds	786	763	763	763
LIABILITIES				
Notes in circulation	1,964	2,316	2,323	2,353
Deposits:				
Government	504	525	561	578
Banks	1,312	1,410	1,372	1,356
Certs. of participation	337	126	128	128
Reserve ratio	86.1%	83.7%	83.7%	83.8%

SWISS NATIONAL BANK

Million Swiss Frs.

	Mar. 31, 1944	Feb. 15, 1945	Feb. 23, 1945	Mar. 29, 1945
ASSETS				
Gold	429.4	459.3	459.3	459.3
Foreign exchange	88.6	101.3	107.6	111.7
Discounts, etc.	260.1	193.0	207.5	335.4
Advances	14.5	14.3	15.9	15.5
Securities	64.3	64.4	64.4	63.8
LIABILITIES				
Notes in circulation	2980.3	3350.9	3401.9	3563.7
Other sight liab.	1272.4	1350.1	1338.0	1353.1

BANK OF CANADA

Million Can. \$'s

	Mar. 29, 1944	Feb. 21, 1945	Feb. 28, 1945	Mar. 14, 1945
ASSETS				
Reserve: Gold	0.05	181.61	170.39	175.89
Other				
LIABILITIES				
Securities	1339.98	1500.37	1497.03	1518.89
Note circulation	894.46	1021.03	1028.56	1037.13
Deposits: Dom. Govt.	73.10	31.12	27.90	26.66
Chartered banks	363.32	410.61	397.63	386.78

† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

COMPANY RESULTS (April 1, 1945, to April 25, 1945)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Charrington & Co.	Dec. 31	1,351,588	£	£461,633	807,108	103,778	350,831	18	£	+ 7,024	1,119,483	404,428	16
Flower & Sons	Dec. 31	299,452	7,177	61,910	121,135	4,500	40,500	18	15,000	+ 1,910	279,439	58,592	18
Wilson's Brewery	Feb. 28	144,501		64,635	164,772	9,150	44,730	18	10,000	+ 755	144,178	71,872	17½
Coal, Iron and Steel													
Cargo Fleet Iron Co.	Sept. 30	157,939	65,000	175	99,408					+ 175	204,528	664	Nil
Citizens Iron Co.	Dec. 31	367,553		164,402	426,065	25,750	118,125	20	20,000	+ 527	329,491	151,340	18½
North's Navigation Collieries	Dec. 31	58,948		8,948	82,642	2,500				+ 6,448	76,687	11,194	Nil
Nunmery Colliery Co.	Dec. 31	69,061	18,500	24,755	36,130	4,500	12,320	8	8,000	+ 65	69,219	29,714	7½
R. & O. & Steel Works	June 30	180,169	31,212	29,941	66,551	3,000	15,000	6	20,000	+ 8,059	204,077	54,452	6
South Durham Steel & Iron	Sept. 30	409,854	100,000	62,564	186,746	18,000	44,445	8½ & 2½		+ 119	482,080	63,041	8½ & 2½
Trussed Concrete Steel	Dec. 31	26,709	11,950	5,640	8,372	1,500	6,020	5		+ 1,880	30,428	6,848	5
Vulcan Foundry	Dec. 31	327,072		26,014	70,540	2,729	22,360	5		+ 925	272,587	24,280	5
Welsh Navigation Steam Coal	Dec. 31	57,742		2,717	18,820					+ 2,717	52,589	2,637	Nil
Wharfedale Silstone Colliery	Dec. 31	41,910	5,000	13,660	26,578	1,478	5,972	10	5,000	+ 1,210	37,904	8,284	7½
Food, Land, &c.													
British South Africa Co.	Sept. 30	801,900		374,338	1,127,732		365,021	8½		+ 9,317	821,021	344,489	8½
Kassala Cotton Co.	June 30	115,820		34,314	75,084		19,760	12	13,000	+ 1,554	169,786	28,654	12
Matador Land & Cattle	Dec. 31	142,272		22,673	106,662		12,877	15		+ 7,996	162,958	18,107	15
Nat. Mortgage & Agency of N. Zealand	Sept. 30	220,037		16,644	32,201		17,078	5½		+ 434	210,170	18,799	5½
Property & Reversionary Investment	Dec. 31	55,112	905	4,259	19,551	3,750				+ 509	51,941	6,605	Nil
Selridge (Holdings) Limited	Jan. 31	96,065		19,411	69,154					+ 19,411	94,076	18,612	Nil
Sudan Plantations Syndicate	June 30	647,109		274,642	738,064		270,179	20		+ 4,463	795,826	238,648	12
Wharfedale Dwellings	Dec. 31	4,442		1,405	7,212	1,688	375	1		+ 658	4,515	1,515	1
Hotels, Restaurants, &c.													
Carlton Hotel	Aug. 31	85,971		24,996	28,490	22,000				+ 2,996	85,837	15,013	Nil
Rubber													
Amber Estates (Selangor) Rubber	Dec. 31	225		Dr. 9,985	5,249					+ 9,985	153	Dr. 1,004	Nil
Amput (Sumatra) Rubber	Sept. 30	811		811	9,060					+ 811	872	872	Nil
Berang (Selangor) Rubber	June 30	30		Dr. 230	Dr. 1,584					+ 230	35	Dr. 528	Nil
Besold Plantations	Dec. 31	551		Dr. 460	141					+ 460	558	Dr. 576	Nil
Brooklands (Selangor) Rubber	June 30	1,503		122	20,960					+ 122	1,625	Dr. 1,390	Nil
Central Travancore Rubber	Dec. 31	26,772		15,898	16,967	1,294				+ 14,604	28,107	5,447	5½
Eow Seng Rubber	Dec. 31	147		Dr. 479	6,110					+ 479	136	Dr. 582	Nil
Holyrood Rubber	Dec. 31	1,131		736	7,593					+ 736	2,014	2,014	Nil
Hongkong (S. Langor) Rubber	Dec. 31	1,304		423	13,642					+ 423	2,860	2,860	Nil
Java United Plantations	Dec. 31	356		Dr. 2,995	Dr. 3,919					+ 1,995	370	Dr. 3,173	Nil
Jitra Rubber	Sept. 30	796		46	11,124					+ 46	1,192	469	Nil
Johore River Rubber	Dec. 31	4,956		3,779	8,242					+ 3,779	4,005	2,569	Nil
K. P. P. Rubber	Dec. 31	1,129		Dr. 174	16,279					+ 174	1,062	Dr. 49	Nil
Kang Rubber	Dec. 31	1,306		118	25,421					+ 118	1,306	124	Nil
Kabong (Malacca) Rubber	Sept. 30	63		Dr. 302	1,081					+ 302	53	Dr. 419	Nil
K. B. B. Rubber	Dec. 31	496		Dr. 1,088	2,571					+ 1,088	365	Dr. 1,215	Nil
K. B. B. Rubber	Dec. 31	438		Dr. 235	Dr. 235				Dr. 235	252	Dr. 454	Nil	
K. B. B. Rubber	Dec. 31	99		Dr. 544	Dr. 813					+ 544	95	Dr. 742	Nil
K. B. B. Rubber	Dec. 31	143		Dr. 1,063	Dr. 1,063				Dr. 1,063	144	Dr. 1,212	Nil	
K. B. B. Rubber	Dec. 31	777		Dr. 836	3,283					+ 836	75	Dr. 84	Nil
K. B. B. Rubber	Dec. 31	1,125		Dr. 1,104	Dr. 3,038					+ 1,104	206	Dr. 1,445	Nil
K. B. B. Rubber	Sept. 30	261		Dr. 414	24,984					+ 414	1,112	629	Nil
K. B. B. Rubber	Sept. 30	1,308		Dr. 322	762					+ 322	156	Dr. 462	Nil
K. B. B. Rubber	Sept. 30	265		Dr. 1,957	8,871					+ 1,957	1,256	Dr. 199	Nil
K. B. B. Rubber	Sept. 30	1,977		33	450					+ 33	151	Dr. 108	Nil
K. B. B. Rubber	Dec. 31	173											Nil
Shipping													
Cunard Steamship	Dec. 31	1,043,797	19,964	383,881	582,214	67,500	208,884	7½		+ 107,497	1,027,924	312,127	6
Shops and Stores													
Bradley's (Chester)	Jan. 31	54,211		25,811	57,671	6,300	31,250	12½		+ 11,739	53,266	36,266	12½
Civil Service Supply Association	Feb. 28	82,418		25,683	77,116		21,236	6	5,000	+ 553	82,233	35,180	6
Hope Brothers	Feb. 28	60,396	5,850	38,924	105,833	16,500	24,000	6		+ 1,576	60,477	41,538	6
Upsons Limited	Dec. 31	228,285		79,000	122,200	34,048	38,250	12	5,000	+ 1,702	219,621	80,048	12
Wallis (Thomas) & Co.	Jan. 31	29,510	860	12,968	35,395	m9,000			5,000	+ 1,032	38,356	21,104	Nil
Telegraphs, &c.													
Automatic Telephone & Electric	Dec. 31	299,800	65,963	97,771	228,119	7,088	66,097	12½	30,000	+ 5,414	280,952	84,834	12½
Orion Telephone & Electric	Dec. 31	31,542		20,482	101,532		22,808	4		+ 2,326	31,903	19,431	4
Textiles													
Brookthurst-Whitson Amalgamated	Dec. 31	135,480	23,797	29,526	40,306	10,500	7,500	2½		+ 11,526	112,989	Dr. 22,362	Nil
Pull-Fashioned Hosiery Co.	Dec. 31	63,196		10,066	29,188		8,438	7½		+ 1,628	82,850	10,680	7½
Mallinson (George) & Sons	Feb. 17	91,254	5,276	36,962	111,066	2,062	24,375	32½		+ 10,525	92,294	41,894	32½
Trusts													
Alliance Trust Co.	Jan. 31	699,749		246,656	319,425	51,060	137,811	25	60,000	+ 2,215	667,962	256,642	25
Edinburgh Investment Trust	Mar. 15	62,347		62,347	248,139	14,175	33,600	10		+ 14,572	59,870	59,870	10
Ever Ready Trust Co.	Mar. 31	33,332		31,834	44,252		30,000	10		+ 1,834	33,814	31,762	10
Fourth Conversion Investment Trust	Jan. 31	52,693		27,810	52,519		20,790	4		+ 7,020	52,354	26,156	4
Friars Investment Trust	Feb. 15	81,063		22,754	39,093		15,500	4	10,000	+ 2,746	78,629	21,495	4
Grant Trust Limited	Dec. 31	8,460		6,741	16,576		6,542	2		+ 199	8,048	6,549	2
Scottish Capital Investment Co.	Mar. 1	115,431		32,116	50,349	15,500	9,300	4½	15,000	+ 7,684	112,630	30,705	4½
Other Companies													
Abdulla & Co.	Dec. 31	182,884		50,117	74,736	20,000	30,000	10		+ 117	183,643	50,771	10
Alexander, Fergusson & Co.	Dec. 31	15,281	4,500	10,781	26,407	1,961	8,750	12½		+ 70	12,648	8,148	9½
Birmingham Rly. Carriage & Wagon	Dec. 31	85,016		79,834	173,078	3,000	37,162	7½	40,000	+ 328	78,894	73,712	7½
Blithie (William) & Co.	Dec. 31	54,596	3,014	19,578	24,349	4,426	13,206	20		+ 1,946	67,202	36,937	15
British Insulated Cables	Oct. 31	1,104,558	249,264	348,133	738,617	28,750	200,000	20	100,000	+ 9,983	1,130,253	291,812	20
British Canning Co.	Dec. 31	103,364	21,318	27,831	40,283	9,375	14,721	8A, 61B	5,000	+ 1,265	102,658	25,555	8A, 61B
British Canning Co.	Dec. 31	1,379,645	68,830	462,802	603,377	12,266	372,595	13½		+ 77,941	1,325,782	473,883	13½
British Shoe Machinery	Dec. 31	30,429		12,460	34,001	3,125	7,500	5½		+ 1,835	19,400	10,440	5½
Byant & Eagle	Mar. 31	449,706	30,000	399,706	582,514	67,200	316,450	18½		+ 16,056	454,910	404,910	18½
Chain (Richard)	Dec. 31	129,816		78,120	98,292	15,304	40,639	8	15,000	+ 7,177	87,335	40,959	4
Even Bros. (Manchester)	Dec. 31	104,567	15,000	70,366	226,191		60,000	20		+ 10,366	163,160	69,235	15
F. & Timmins	Dec. 31	81,867		40,202	92,142		28,500	30		+ 5,202	72,167	38,733	30
F. & Timmins	Jan. 31	30,759		24,149	59,831	6,500	12,000	5		+ 149	28,685	24,075	5
F. & Timmins	Dec. 31	96,986	28,860	52,132	14,046	17,500	25,000	5		+ 9,632	116,570	58,402	5
F. & Timmins	Dec. 31	61,234		61,234	90,094	15,000	43,136	10		+ 3,108	58,818	58,818	10
F. & Timmins	Dec. 31	61,234		115,894	131,270	15,000	100,000	12½		+ 894	161,998	21,338	12½
F. & Timmins	Dec. 31	214,815	37,409	22,752	125,564		21,875	17½		+ 777	31,928	Dr. 3,037	10
F. & Timmins	Dec. 31	65,475	903	10,518	12,553	3,750	6,000	10		+ 868	38,623	Dr. 3,037	10
F. & Timmins	Dec. 31	48,244	527	138,120	423,365	9,000	128,000	16½		+ 1,120	145,055	145,055	17½
Goodlyre Tyre & Rubber (Gt. Britain)	Dec. 31	138,120		9,697	25,748	1,800	3,500	10		+ 4,397	14,535	6,364	8
Griew Ltd.	Dec. 31	26,845	2,385	1,064	6,311		3,437	5		+ 2,373	9,895	4,201	5
Griffiths (William) & Co.	Oct. 31	4,262		47,209	52,745		20,160	12½	20,000	+ 7,049	832,608	28,261	12½
H. T. A. Limited (A.) & Co.	Dec. 31	530,250	21,261	25,061	37,755	4,570	7,500	12½	10,500	+ 2,491	28,707	23,090	12½
Hillhead Hughes	Dec. 31	150,655	1,408	109,278	198,134	40,000	40,000	5		+ 29,278	116,736	50,079	5
Houndslitch Warehouse Co.	Feb. 28	189,373	4,419	15,422	25,896	1,250	14,479	15		+ 307	158,796	13,592	12½
Howard & Wyndham	Dec. 31	174,775	20,678	30,898	47,161	3,798	37,844	25		+ 10,744	256,436	57,905	25
Manganess Bronze & Brass	Nov. 30	30,924	98	5,330	9,493	2,250	3,000	4					

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000**RESERVE FUND - £3,000,000**Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIATHE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies
The Bank offers a complete Banking Service and provides
exceptional facilities for financing every description of trade with
the East.Deposits for Fixed Periods or repayable at call or at short notice
are received at rates which may be ascertained on application.
The Bank also undertakes Trusteeships and Executorships.**Head Office: 38, BISHOPSGATE, LONDON, E.C.2**

West End Branch:

88, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter 1833)

Paid-up Capital	£4,500,000
Reserve Fund	2,500,000
Currency Reserve	2,000,000
Reserve Liability of Proprietors under the Charter	4,500,000
	£13,500,000

Court of Directors:

D. F. ANDERSON, Esq., HON. GHOFFREY C. GIBBS

J. P. G. GILLIAT, Esq., EDMUND GODWARD, Esq.

C. G. HAMILTON, Esq.

F. V. D. LIVINGSTONE-LEARMONTH, Esq., D.S.O.

DAVID J. ROBERTS, Esq.

ARTHUR WITTHORTH, Esq.

HEAD OFFICE: 4, Threadneedle Street, London, E.C.2.

Manager: G. C. COWAN.

Branches throughout the States of VICTORIA,
NEW SOUTH WALES, QUEENSLAND, SOUTH AUSTRALIA,
WESTERN AUSTRALIA, TASMANIA, and the DOMINION
of NEW ZEALAND.The Bank offers facilities for the transaction of every description
of business in Australia and New Zealand. Negotiations or
refinancing, etc., by Telegraphic Transfers, Letters of Credit and
Cheques, also Cheques (Credit and Travellers' Cheques). Deposits
accepted at interest on fixed periods on terms which may be
ascertained on application.

THE UNION BANK OF AUSTRALIA LIMITED

Established 1837

A network of branches throughout every
important pastoral, agricultural, commercial and
industrial area in**AUSTRALIA and NEW ZEALAND**and with Agents in the principal cities throughout the
world. The Union Bank of Australia Limited is able
to offer the facilities of a most comprehensive banking
service.

Head Office

71, CORNHILL, LONDON, E.C.3.

West End Agency

15, CARLOS PLACE, LONDON, W.1.

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability).

Established 1832.

General Office: Toronto, Canada.

Paid-up Capital	\$12,000,000
Reserve Fund	\$34,000,000
Total Assets over	\$460,000,000

Special facilities are available to the public through the Branches
of this Bank for the transaction of business with Canada, Newfound-
land, Cuba, Puerto Rico, Dominican Republic, Jamaica, and the
United States at New York.

Address enquiries to

London Branch:

108, OLD BROAD STREET, E.C.2.

E. C. Macdon, Manager.

BANK OF SCOTLAND

Constituted by Act of Parliament 1695

AUTHORISED CAPITAL	£4,500,000
CAPITAL FULLY PAID	£2,400,000
RESERVE FUND & BALANCE carried forward	£2,334,704
DEPOSITS & CREDIT BALANCES	
as at 28th February, 1945	

Head Office: THE MOUND, EDI.

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30, BISHOPSGATE, E.C.**PICCADILLY CIRCUS BRANCH, 16/18, PICCADILLY, W.**

YOUR WILL

Have you thought of the anxiety which may be caused
your dependants if for any reason your affairs have not been
satisfactorily arranged?In these days when life is so uncertain, the advisability
appointing a corporation rather than an individual as
Executor of your Will or in the capacity of Trustee is
little emphasis. By so doing, continuity is preserved
you are assured of efficient administration.Full details can be obtained, whether you are a custo-
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Gangsters' End

MUSSOLINI is dead. So, according to general belief, is Hitler, though the world has not yet been given the spectacle of his corpse being kicked around the streets as proof of death. Whether he has really cheated justice, or is merely trying to escape it; whether he met a soldier's death or the gibbering dissolution of a lunatic; whether he died of natural causes, or by his own hand or shot by some other member of the gang—all these are questions that for a few more days will have to go without answers. There are mysteries also about the appointment of Admiral Doenitz as the second, and last, Führer of the Nazi Reich. Was he really appointed by Hitler or did he seize the pathetic tatters of power? And what does his promotion mean, a desire to find a head of the state whose surrender will be accepted, or an attempt to use the last Nazi assets—the U-boats and the garrison of Norway—in fighting on to the final inescapable slaughter? What game was Himmler playing? And Goebbels? And Keitel? These questions, too, will find their answers very soon.

One thing, however, is certain. The Third Reich is dead. The end has been an indescribably sordid welter of blood and betrayal. Total in all things, the Nazis have brought upon their countrymen a defeat as complete as it is

possible to conceive. Even the final unconditional surrender, when it comes, will be little more than a formality, for there is very little left to surrender. In the North, Field Marshal Montgomery has reached the Baltic and occupied both Bremen and Hamburg. Berlin has fallen. The Americans and Russians are lining up on both banks of the Elbe. Bavaria has been overrun. Northern Italy and most of Austria have been surrendered. The garrisons in Norway, in Denmark, in Holland are left without a homeland. By the end of the week there will be hardly an acre of German soil unoccupied. It is not the Nazi Reich that will last for a thousand years, but the awful echo of its fall.

The slow asymptotic approach of the end during these last few months, always nearer but never quite reached, will make the hour of acknowledged victory, when it arrives, something of an anti-climax. This will be no grand climactic like November 11, 1918, but one more stage reached and overcome in a world crisis that has been raging for thirty years and still has many storms ahead. The moment of rejoicing will be brief, and the rejoicing itself will be restrained by the knowledge of efforts and sacrifices still to come. But a moment there will be, and though verdicts must be left to history, this, the hour of

surrenders and capitulations, of liberation and victory, is the time for tributes.

The story has been often told that Marshal Stalin once distinguished the contributions of the three great Allies; Russia, he said, had given blood, and America material wealth, while Britain had contributed time. It is a true saying and a compliment, for though the world will endlessly dispute who won the war, there can be no doubt who prevented it from being lost, irrevocably and absolutely, without hope of reversal or revenge. That palm goes to two people. One is Winston Churchill, who, more fully than his great ancestor, has been the Captain-General of England. The other is the ordinary British citizen, of both sexes and all ages, in and out of uniform. Nor were these two ever quite without support, for the record of these years cannot be surveyed by even the most sceptical mind without the hand of Providence being visible in many of its miraculous turns of fate.

It is a providence, however, that has granted opportunities rather than ready-made victories, and the best tribute that can be paid to the managers of Britain's war is that

they have not let slip any of the opportunities that the enemy's many mistakes have given them. The war has been fought with skill as well as with courage. Just as in its personal aspects, the sordid end of the gangsters caught like rats in a trap, is one of History's morose vindications of the moralities, so in its political the end of the war is an irrefutable proof of the value of liberty. Once again, demonstration has been given of the immense moral and physical resources upon which a free and tolerant and honest society can call. The British people have fought this war longer than most, more continuously, harder than many. They have fought it, field and at home, at sea and in the air, with technical and physical courage and great human qualities of imagination. Hitler called them military imbeciles; and why once again they have made magnificent soldiers.

When Stonewall Jackson lay dying on the victor's field of Chancellorsville, on another May 3rd, eight years ago, he was approached by an unknown private in his army. "General," said the soldier, "to-night, when you meet Caesar, tell him we still know how to make war."

A New Risorgimento

THE unconditional surrender of the German South West Command has given the Allies complete control in Northern Italy and in large areas of Austria. The surrender crowns a long and arduous campaign, and it is appropriate that Field Marshal Alexander and the men fighting under him should end so sensationally a struggle which has not always commanded its share of public attention. It would, however, be unfortunate if the speed of the final collapse were to mask the hard fighting that preceded it. In particular, it should not be forgotten that the prime factor in the freeing of Northern Italy was not the German surrender but the successful using of the partisans. Long before the Germans ceased fighting and long before the Allied armies reached the great cities—Milan, Turin, Genoa, Piacenza—the partisan armies and their political leaders were in full control.

In spite of the crowds who hissed and booed round the exposed bodies of Mussolini, his mistress and his party bosses, discipline, not anarchy and violence, is the most striking feature of the movement of liberation. Field-Marshal Alexander and General Clark have both praised the partisans for the skill and efficiency with which they followed the instructions of the General Staff and worked out their own tactical plans. In almost every town in the North they managed to prevent the destruction of power stations, reservoirs, public utilities and railways. In the factories, they knew exactly when to strike and did so in the most effective way of occupying, not deserting, the factories. In each community, a Committee of Liberation was already in being, ready to take over the civil administration until the arrival of the Allied armies.

The Central National Committee of Liberation for North Italy is based on a coalition of the principal political parties. It appears at present to include two Communists, two members of the Action Party, two Christian Democrats, two members of the Italian Liberation Party and two Socialists. It is impossible to say what is the balance of power between the different groups. The three strongest are undoubtedly the Communists, whose numbers have grown very considerably in recent months, the Socialists and the Christian Democrats. They are all of them committed to radical reforms in Italian society—a large measure of socialisation and the establishment of a Republic. Their prestige as the liberators and rulers of the richest, most populous and most highly developed areas in Italy will enormously reinforce the power of their parties throughout the country. The Bonomi Government has already agreed that the National Liberation Committees of Rome and of the North shall meet and there is talk of summoning a conference of all the provincial committees. The Committees will undoubtedly demand a reshuffle of the Government with an active resister as Prime Minister. The question mark over Italy's future is whether this

new government, representing a strong coalition of the Left, can guide the Italian people towards the free and progressive society which a great mass of them undoubtedly desire. As a result of liberation, there have been "spring-times of the people" in other countries, particularly in France. But in each case the ensuing months have seen the weakening and disillusionment of the popular forces and the resurgence of old, compromised groups and interests. In Italy, there is perhaps a greater chance of successful political evolution. The resistance movement is not a heterogeneous medley of groups united by loyalty to one man. The parties which compose it have proved themselves capable of mass action on a scale achieved nowhere else—only in Northern Italy have strikes been used effectively as a weapon of resistance. They appear to be united on the major issues of national reconstruction. On the vexed question of public ownership, the fact that Mussolini's Fascist Republic nationalised the whole industrial system in North Italy may make the achievement of public control elsewhere and its maintenance in the North less difficult. Above all, the Liberation Movement, thanks to its great part in the actual fighting, must now enjoy that supremely important political asset—self-confidence.

It would, however, be very misleading to underestimate the potential opposition. The Fascists are defeated but not wiped out. It is not so long ago that the escape of General Roatta deeply disturbed the people of Rome by the evidence it gave of a quite widespread Fascist underground movement. The Monarchists are far more active and vocal in Southern and Central Italy than they were a year ago. Industry is predominantly in private hands and there are reports in the Swiss press of the close contact maintained by such industrial leaders as Count Volpi with British circles in Switzerland. The basis for the usual coalition of frightened and compromised people exists in Italy as in any other liberated country. Accusations and disputes among the progressive parties may yet undo the first enthusiasm of freedom and sap the political initiative and drive necessary to carry through a really radical programme.

It is too early to forecast the strength of the opposing groups. But it is not too soon to see clearly how influ-

A special Section on

THE NATIONAL FINANCES,

which appears on pages 589 to 599 of this issue, covering the great majority of the statistical tables in the recent Budget White Paper, together with a commentary on the figures and a collection of tables on the Revenue and Expenditure.

ential must be the policy of the Allies in Italy. It is entirely in their interests that a radical and democratic Italy should emerge from this war. The voice of the people in North Italy is raised today in favour of peaceful relations with their neighbours, and of union between the states of Europe; in short, the new Italy denounces everything that made Fascist Italy an endless disturber of the peace. An Italy based on a coalition of the anti-progressive parties might be tempted to return in foreign policy to the fractious, grabbing, war-mongering mood of Mussolini's regime. There is at the moment a very good chance that a peace-loving and progressive Italy will be the result of liberation; but it is also true that a wrongly conceived policy could frustrate the Italians' proper development.

First of all it is surely time to recognise the Italians' part in their own liberation by bringing democratic Italy back into the comity of nations. It is surely ludicrous that Argentina should sit at San Francisco while the men who liberated Northern Italy are unrepresented. If, when the new government is formed, it were to receive a formal invitation to attend the Conference, its prestige would be enormously enhanced and that fact alone would strengthen it against an opposition in which extremist nationalists are bound to play an active part.

It is equally important that Allied supervision and control should be reduced to a minimum. It has already been stated that the period of AMG in the North will be short. At the first moment possible, the relative freedom of action restored to central and southern Italy should be extended to the politically far more mature north. It is very likely that the use of the new government will make of its powers will not be altogether acceptable to conservative circles either in Italy or this country. The question of the monarchy's future is an obvious example. The British Government has acquired in Europe—not without some justification—the reputation of intervening only in favour of the Right. It would be disastrous if the new political situation in Italy were, during the next crucial months, to be influenced or manipulated by the occupying Powers.

Some of the gravest problems awaiting the united Italian government lie in the economic field. There is a hope that most of this year's harvest will be gathered in, but there are some hungry months ahead. Coal was one of Italy's chief imports. Very little will be available from abroad for some time to come. Anything that the Control Commission can do to relieve the desperate economic situation will contribute directly to political stability. Even if the straitened supply position and a heavy list of priorities make large-scale deliveries impossible, the Allies could take a load off the minds of the people by lightening the economic clauses of the armistice. The partisans, by saving thousands of lives and millions of dollars worth of equipment, have at least earned this.

Finally, the Allies can probably make or mar the democratic future of Italy by the policies they permit on the part of Italy's neighbours. Nothing so weakens the pres-

tige of a government as to sit by helplessly while undisputed national territory is unjustly given away. Nothing could give a better entry point for nationalist and fascist propaganda. Nothing would so confuse and divide the progressive parties themselves. Marshal Tito has demanded the Italian town of Trieste. His troops are in its outskirts. No Italian government could consent to the transfer of an Italian town to Croat control. Most Italians are ready for a very drastic redrawing of the Italo-Yugoslav frontier in order to transfer as many Slavs as possible to Slav rule. They would also admit that the hinterland of Trieste is largely Slav. The compromise which probably offers most hope of a solution is the creation of a Free City of Trieste, under Italian administration, but acting as a port and depot for Yugoslav, Italian and Austrian trade. The Slav areas behind the city could then be transferred without endangering the rights of the Italian community and without condemning Trieste to share the economic decline of Fiume.

This question already threatens to divide the unity of the Italian liberation movement. Moscow has given its blessing to Marshal Tito's plan of annexation. Thus the Italian Communists cannot openly oppose it. The Christian Democrats and Socialists have already spoken firmly against the proposal. If the Communists are forced to take an unpopular line, it is of course the right wing, nationalist opposition that would stand to gain from their discomfiture.

There is a possibility of conflict on Italy's western frontiers as well. French forces have crossed the Italian frontier and appear to be marching on Turin. It seems that they have already advanced beyond the line of occupation fixed for them by the Supreme Command. The purpose of this advance is difficult to understand. The Italian partisans certainly regard it with alarm and suspicion, and if the French were to enter Turin, an armed clash might be the result. One of the most encouraging features in the last nine months has been General de Gaulle's readiness to see in liberated Italy a regime as different from that of Mussolini as is his own from that of Pétain. It would be disastrous if now, for no reason at all, Franco-Italian relations were to drift back into the bickering animosity of the twenties and thirties.

The Allies' Italian policy presents them with a very grave responsibility. There are in Italy today fairer hopes of a genuine revival of freedom and social progress than anywhere else in Central Europe. The movement of liberation faces difficult months. It has enough economic and political problems to daunt the most self-confident leadership. Its task will become impossible if, over and above the difficulties inherent in the situation, the Allies by indifference, clumsiness, stupidity or self-interest, weaken in any way the new regime. On the other hand, a successful experiment in co-operation might lead not only to a new creative relationship between Italy and the Allies but to a genuine renewal of freedom and responsibility throughout the Latin world.

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Education and Business

A COMMITTEE, under Sir Arnold McNair's chairmanship, representing the Universities on the one hand and the Accountancy profession on the other, has prepared a scheme by which accountants can accomplish some of their professional training in the Universities. A candidate who graduates after pursuing a stated course of study, will be excused the Intermediate professional examination and will be able to gain both a degree and a professional qualification in a period of 5½ years from start to finish. It is wisely provided that the periods of serving articles in an office and those of studying at the University shall alternate rather than overlap, so that no excessive strain should be involved. The special course is to consist of two main subjects—economics and accountancy—and three minor subjects—law, a modern language (or some other recognised degree subject), and a course in "the study of Government." The purpose of the scheme is to attract into the profession "men and women of the highest character and intellectual attainments."

This initiative deserves to be warmly welcomed. Accountancy has hitherto tended to be one of those professions—banking, insurance and the solicitor's branch of the law are other examples—which have, by the force of circumstances and their own professional requirements, held themselves somewhat aloof from the main stream of the nation's intellectual life. There has, of course, been in no sense a ban on university graduates in the profession, but the graduate, so far from being given any credit for his higher education, has been put under the severe handicap of age if he wished to enter the profession. Not all these handicaps are now removed. The process of acquiring the double qualification is still to be a long one. Moreover, the boy who is going to enter the profession by the academic door now opened cannot start his 5½ years much before his eighteenth birthday, or finish them until he is nearly 24, while the boy who serves his articles in the normal way will probably continue to leave school at 16 and be qualified by the time he is 21.

It would be wrong to criticise too severely what is doubtless only a first step. But there is evidence in the document that the Committee has drawn up of a certain ambiguity about the purposes that the scheme is intended to serve. It is an ambiguity that has, in recent years, been obscuring a number of walks of the national life; it is the confusion between education and vocational training, and matters of far greater moment than the welfare of the accountancy profession depend upon its being clarified. What is good in the present scheme is its recognition that a university education is of value to a man or woman entering even a technical profession. This is a great advance, both in the particular context and in the general. Accountants have, in recent decades, been working themselves into a more and more commanding position in all sections of the business world, and it is clearly imperative, as was said in another connection, that we should educate our masters. And in general, this move back towards the virtues of a broad education and a catholic competence are a refreshing change from the contrary tendency so frequently exemplified in recent years, to set up ever more watertight compartments, each jealously guarded by a set of exclusive "professional" qualifications. This protectionist tendency was most recently illustrated by the Royal Statistical Society's proposal to grant Diplomas in Statistics and thus to make a start with professionalising a calling that has hitherto been open to general ability and common sense.

What is less reassuring is that the accountancy profession is not prepared—at least not yet—to grant facilities of entry to their ranks to the university graduate in general. Of the prescribed course, one part is to be in accountancy itself—not hitherto generally regarded as a university subject—and the other major part is to be in the general subject that is most akin to accountancy. This, no doubt, is the concession that had to be made to the

section of the profession which still holds that the best training for an accountant is accountancy. But it invites the retort that, on the contrary, the best preliminary training for any profession is to learn how to think, which is not to be learned exclusively—if indeed it is to be learned at all—from any particular combination of vocational and semi-vocational studies.

It may be that the traditional English education of the last century leaned far too heavily in the direction of the general and the abstract and neglected too completely the technical and the scientific, that it produced far too many highly literate amateurs. This may be true—though the considerable fame that the English have won for themselves in the world, out of all proportion to their numbers, would not suggest that there was anything very basically wrong with their methods of bringing up their young. But however this may be, the pendulum is now swinging far too violently in the other direction and, with the impending up-grading of "technical" and "modern" secondary schools, it will probably swing still further. The clamour now is to treat the educational system as a means of acquiring "useful knowledge." But knowledge is not the proper end of education, least of all the memorising of technical facts. The only thing to do about facts is to look them up. The proper end of education is the ability to use knowledge, and the most "useful" subject—that is, the subject that leads most quickly to a well-paid job—is usually, for this purpose, in the long run the most useless.

There is another related clamour, which found expression in the debates on the Education Bill, for compulsory instruction in any number of subjects, ranging from sex hygiene to patriotism, about which the educated citizen "ought to know something." No doubt it would be an excellent thing if the citizen, once he was educated, had a passing acquaintance with some of these subjects. But if the all too short educational years are more and more encroached upon for these adventitious purposes, to the exclusion of education itself, the citizen will grow up without any ability to use any of his knowledge, or any will to retain it. Indeed, some would hold that the damage already goes further and that there is an alarming decline, among those who are regarded as well educated, in the essential elements of basic literacy, the ability to write or speak the language, to distinguish truth from falsehood, to see the present in the perspective of the past and to follow a straight line of logic. The educators have been crying alarm for years; but the pressure of opinion is often too strong for them. The Joint Advisory Committee on Agricultural Education was roundly abused the other day for suggesting that even future agricultural workers should be given an opportunity to lift their eyes from the soil and to regard their brains as something other than the untilled seed-bed of the hair. The pressure of parents, as every schoolmaster can confirm, is very heavily towards the "useful" and away from the "theoretical." Yet Sir William Goodenough's Committee on Medical Schools was unquestionably right in holding that "the ideal educational background to the training in medicine is undoubtedly a course of study for a university degree in another faculty." And if the medical profession can build safely, and for preference, on the basis of a sound general education, other less exacting professions can surely do likewise.

So the argument comes back to the accountants. It would be ridiculous to carry it so far as to say that any university graduate, no matter what the faculty in which his degree has been gained, or the class of honours he has attained, should be accepted without further ado as proficient in any profession. The tricks of the trade have to be acquired, and time must be allowed for the purpose, though perhaps not nearly so much time as the professional bodies insist upon. Nor should the university graduate grumble if he is late in reaching the stage of earning his living, for he reaches it with greater treasures in his keeping.

But it is of some importance that the distinction between education and vocational training, and between their different purposes, should be clearly seen. If the process of drawing the universities and the professional bodies closer together merely results in accountancy being taught in a quadrangle rather than in an office, then it is unlikely that either the universities or the profession will gain very much. Followed a few steps further, this process leads to the doctrine that everybody should stay for many more years in an educational establishment, but that the teaching he gets there should be more and more vocational. This, very largely, is what has happened in America, and though there are many excellences in the American educational system, the Americans themselves are at present in a mood of deep disappointment over its intellectual results. The dangers that such a system runs are that the professional training is delayed and diluted, while the basic educational process, the stretching of the mental muscles, is ignored. It may be true that the traditional English system produced too many literate amateurs. But that is better than to produce skilled illiterates—better, at any rate, for a social system which finally relies on the wisdom of the common man.

The British community has recently committed itself to a very large increase in its expenditure on education. But it has devoted remarkably little thought to the purposes, other than the employment of teachers, for which this public money is to be spent. It is very necessary to insist that it should be spent on education—that is, on producing a generation who know how to use their brains—and not as a subsidy to industry and the professions in aid of their vocational training. There is no unanimity about the methods by which education can best serve this end. In particular, there is controversy about the extent to which the "new" subjects can stretch and exercise the mind as successfully as the old standbys of classics and

Elections in France

ON Sunday, April 29th, some 23 million French electors—men and women—had the opportunity of choosing 600,000 Municipal Councillors for France's 30,000 Communes. French journalists have described these elections as the most confused in French history. Different methods of voting were used—proportional representation for Paris, the old double ballot elsewhere. The electoral lists were confusing. Some were presented by the old parties, some by resistance groups, some were *listes uniques*, including both groups and parties. The political programmes on which the elections were supposedly fought were themselves confused. As *Combat* put it:

Political groups are no longer differentiated by ideals and to-day it would be impossible even to distinguish one from the other by the class or social group from which it claims to draw its support, for they appeal to all.

With the exception of the *Fédération Républicaine*, all parties and movements have gone to the country on a generally radical programme, "Who does not claim to be a bit of a Socialist these days, and who does not profess to be anti-capitalist?" Such distinctions as remain must certainly have been overshadowed in many communes by the personality of the candidate or by entirely local issues. Several of the parties also showed a tendency in the weeks before the elections to play up secondary issues, for instance the question of the religious schools.

Yet in spite of these elements of confusion and in spite of the fact that the returns are still far from complete, the first results of the municipal elections are being generally described in the British press as "a great swing to the Left." In the towns, the Radicals have lost ground to the Communists. In Paris, the Communists have secured their most striking success, winning at least 25 per cent of the

votes and 27 out of the 90 seats on the municipal council. Another six have gone to the *Front National* groups, which are very close to the Communists. It is true that the results from the countryside will certainly be much more conservative, yet when all allowance is made for these divergences, the evidence suggests strongly that the people are more to the Left than at any previous election.

Is this, however, a fair index of France's present political mood? The comparison with the last election, in 1936, can be misleading. The electorate is different. Few prisoners and deportees have voted this year; about two million men were thus excluded from the ballot. Women voted for the first time and made up perhaps 60 per cent of the electorate. The comparison with 1936 is also irrelevant. To gauge the real change in public opinion in France it is useless to go back to 1936, before the war, before the occupation, before resistance and liberation. The comparison should be not with May 1936 but with August and September 1944. If this is the standard of comparison, it is not so easy to assert that the municipal elections represent a "swing to the Left." It can be argued with some force that in spite of the heavy Communist vote, in spite of the general appearance of radicalism, they represent a resurgence of the Right.

In the first weeks of liberation, France undoubtedly passed through a short revolutionary phase. The collapse of the authority both of Vichy and of the Germans created a political vacuum which could at that time have been filled by a Left-wing government possessing sufficient authority to carry through those "changes in the structure of society" for which most of the Left-wing groups have been pressing ever since. On the basis of the local Committees of Liberation, a genuinely new regime could have been established, and revolutionary changes carried

through. These changes were foreshadowed in the programme of the Council of National Resistance—the nationalisation of banking and insurance, public ownership of heavy industry, power and transport, and the expropriation of collaborators.

The revolutionary phase passed and no fundamental changes were achieved. The chief reason was, of course, the policy of General de Gaulle himself, who while accepting the national and patriotic content of the Resistance, has given little evidence of accepting its economic and social aspirations. He based his carefully balanced Cabinet upon all resistance groups, but his closest associates were mainly drawn from the right of the Resistance, the right wing Christian Democrats. He has consistently set his face against all radical economic change on the grounds that it must await the sanction of a constituent assembly.

The General's relative conservatism was reinforced by two elements within the Resistance itself. The Communists had discipline and organisation enough to make an effective political force; but they were committed from the first to backing the leader recognised by Moscow, and since the signing of the Franco-Soviet Pact, they have studiously avoided such "controversial" issues as the nationalisation of key industries or the taking of drastic financial measures to check inflation and the Black Market. On the other hand, the genuine radicals in the Resistance—sections of the Socialist Party, the members of the *Mouvement de Libération Nationale* without party affiliations, *Ceux de la Résistance* and many other smaller groupings—lacked a clear political programme and had little sense of political strategy. They were easily isolated, either returning disconsolately to the old parties or sinking into critical apathy. Against this background of political stalemate, France has passed through nine uneasy months. The economic situation has been and is still deplorable. At the root of it is the lack of supplies. The Allies have not yet been able to release enough shipping to satisfy even a small proportion of French civilian requirements. In France itself, industry still works at about a fifth of its pre-war capacity, for even where some raw materials are available the lack of coal is so severe that it may be necessary when present stocks are exhausted to reduce supplies to industry still further. Yet so long as only a dribble of goods appears upon the market, it is impossible, short of revolutionary methods, to check either inflation or the Black Market. In the long-drawn-out duel between the Minister of Finance, M. Plevin, and the Minister of National Economy, M. Mendès-France, the latter proposed sterner measures for dealing with the economic crisis—the blocking of currency, a measure of nationalisation and the expropriation of war profits. M. Plevin is also taking steps to secure a more effective control over the nation's finances. For instance, shares are to be registered and all treasury bills held by financial institutions must be deposited with the Bank of France. It may be doubted whether M. Mendès-France's proposals would have had the desired

effect; nevertheless his policy, coupled with the resignation of M. Mendès-France, is regarded as concessions to the wealthy classes, a *politique de confiance* to reassure the timid bourgeoisie and coax them into co-operation.

The supply position is complicated further by the French Army's absolute priority. A very large percentage of everything produced in France—lorries, for example, or footwear—goes to the Army. Most Frenchmen accept this. Indeed, the need for a very large, very powerful, highly modernised army has no keener advocates than the Communists. Yet some observers are already uneasy about the possible future conflict between the needs of civilian reconstruction and the economic demands which the upkeep of a large modern army must represent. There are also signs of uneasiness over the composition of the armed forces and over the rôle in France's national life to which they are apparently assigned. It is disconcerting for radical opinion, eager for collective security and in particular for a closer integration of Western Europe, to find official French newspapers such as *Le Monde* claiming that France's chief security must be its own military strength and a frontier on the Rhine. The reiteration of French greatness is beginning to pall a little. The average Frenchman does not want it to be thought that he "protests too much." The note of militarism and nationalism evokes unfortunate analogies—Mussolini after the last war, Boulanger after the war of 1870. Just at a time when, after five years of waiting and fighting, General de Gaulle's superb faith in the strength of the democratic alliance is bearing fruit in victory, many Frenchmen find it disconcerting to hear in official propaganda more than an echo of Pétain's *France Seule*.

It is not the only sign of Pétainism. The return of the aged Marshal has brought many submerged fears to the surface. In the administration, part of the Vichy structure remains. In the countryside, the peasants are voting for men who voted for Pétain in 1940. Above all, in the army, which is to so great an extent the centre of General de Gaulle's interest, men who served Pétain hold high rank and a great majority of the officer corps were loyal to Vichy at least until the German occupation of 1942 destroyed the last remnant of Pétain's independence. In the nine months since the fall of Paris, the Vichy state, which was totally submerged in the flood of liberation, has begun to emerge a little, not as a state, not even as an administrative structure, but still as an attitude of mind, as a political tendency, as a potential centre of resistance or power.

The elections of last Sunday are to a very great extent a protest against the last nine months. The townspeople are voting against desperate economic conditions, against bread queues, short rations and the ubiquitous black market. The resisters are voting against the unpurged collaborators, the suspected supporters of Pétain's *Etat Français*, the effective conservatism of the bourgeoisie. It is wrong to call this a "swing to the Left." It is a protest from the Left because they fear that the pendulum has begun to swing the other way. Equally, the country voting is a protest—against the supposed predominance of the Left—but nine months ago in the first weeks of liberation the countryside was in the mood to respect and not resent the radicalism of the cities.

How effective will be this protest from the Left? It is weakened by the atmosphere of confusion in which the elections have taken place, but the chief obstacle is the lack of coherence and unity among the groups which are most critical of General de Gaulle's caution and ambiguity. They neither can nor wish to form an alternative administration. The most likely result is therefore a broadening of the present Cabinet to include more representations of the Left, probably of the Communists. General de Gaulle may make some concessions in the sphere of economic policy—another experiment in nationalisation, perhaps, or new measures against war fortunes; but any concession is likely to be balanced by reassurances to the conservative elements so as to maintain the present equilibrium. It does not seem, therefore, that the elections will influence decisively the present evolution of France. They register a fear and a protest. But since both are equivocal, they are not likely to have any immediate effect.

NOTES OF THE WEEK

San Francisco

A few weeks ago it was still fairly widely assumed that the controversy between Great Powers and small nations would provide the chief dramatic element at the San Francisco Conference. The problem of the voting procedure on the Security Council, which secures an extensive right of veto to the Great Powers, was expected to become the storm centre of the debates. A terrifying picture of the four powerful policemen, whom nobody would dare to police and who would in perfect harmony bully the timid public at San Francisco, struck fear into the heart of many a critic.

How very different has been the actual picture of the Conference so far. The four "policemen" have shown all too few signs of solidarity. On the contrary, ever since the Conference started the Foreign Secretaries of the Big Three have been engaged in almost constant jockeying and skirmishing. The clients of the Great Powers, far from being afraid of the four policemen's truncheons, have been able every now and then to intervene with a certain freedom in their diplomatic duels.

The bad temper to which some of the leading Allied diplomats have at times given vent can hardly have been caused by the issues discussed at the Conference. Taken by themselves, some of these issues even appear almost irrelevant. The debate over the chairmanship of the Conference generated far more heat than the importance of the issue would justify—there are really no great principles involved in the choice between having the American "host," Mr Stettinius, as permanent chairman and the setting up of a system of chairmanship by rotation. That the dispute over this should have been able to create the first "crisis" of the Conference was, nevertheless, a disturbing sign of insufficient confidence and co-ordination among the Big Three.

It was to be expected that Mr Molotov's relentless demands for the admission of the Lublin Administration would trouble the atmosphere at San Francisco. It is difficult to see what he hoped to achieve by raising the demand over and over again. Was it his intention to appeal from the British and American verdict against Lublin to world public opinion? Any such intention would by itself be a striking—and let us hope premature—confession that in the Big Three cannot hope to speak a common language. In addition, Mr Molotov's appeal to world opinion has been utterly ineffective. However, this setback to Russian diplomacy was to some extent offset by the ready admission of the Ukraine and of White Russia to the Assembly and the Conference.

Argentina and Poland

The "policemen's" disagreement became even deeper when the proposal for the admission of Argentina was made. Mr Molotov countered this by the renewal of his demand for the admission of Lublin. It would be futile to deny that at this stage Mr Molotov's opposition to the British and American viewpoint became much more convincing and effective. If the representative character of a Government and its participation in the war against the Axis are genuinely held to be the conditions entitling a nation to admission, it is really inconsistent to sponsor Argentina and to reject Lublin. Both governments are unrepresentative; and Argentina's adherence to the United Nations has been very recent indeed. Mr Molotov was able to quote extensively President Roosevelt's and Mr Hull's castigations of the Buenos Aires Government and to remark ironically:

Perhaps since last September Argentina has changed from a Fascist to a democratic government. We should be happy to receive information on this. At any rate, when the documentation is received on Argentina's policies to-day, the Soviet Union will be able to take suitable steps.

Argentina has been admitted, nevertheless. But the ambiguity of the case has caused some of the delegations—the French and the Chinese—to abstain from voting. And the Russians—and perhaps not only the Russians—must have received the impression that the democratic objections to the admission of Lublin were, after all, less genuine than they were supposed to be.

Mr Molotov is about to leave San Francisco; and Mr Eden, too, is expected to cross the Atlantic soon. This need not be taken to mean that the Conference is meeting with failure—it will probably go on with the participation of all the United Nations. But the attempt to set up the world organisation will undoubtedly fail if there is no real agreement between the Great Allied Powers on the crucial issues of the peace.

The Electorate

Chelmsford was the first constituency in England to vote on an up-to-date register. Unlike the other three constituencies that have used the new register, it was a Conservative seat and a perfectly ordinary constituency. The result was all the more startling. In a heavy poll (69 per cent), a Conservative majority of 16,624 was turned into a Common Wealth majority of 6,431. Part of this startling reversal may be due to the personality of the winner, a young bomber pilot—though the Conservative candidate is also an officer in the RAF. Part may also be due to the Conservative tactics of deploring the necessity to fight the election. But these special explanations are not enough to explain so large a turnover. Unquestionably, Chelmsford quite deliberately and definitely voted against the Tories.

On the other hand, the application of this fact to the General Election can be overstated. It has long been apparent that there are two trends in public opinion to-day, a strong anti-Tory trend and a strong pro-Churchill trend. The Chelmsford result shows that the former is even stronger than was believed. But the second is not properly at issue in any by-election, which cannot affect who is Prime Minister. Which of the tendencies will be stronger at the General Election it is still very difficult to guess.

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There is much wisdom in the American saying that you can't beat somebody with nobody, and there can rarely have been a ease when the somebody was more of a somebody and the nobody more of a nobody. The odds, probably, are still on Mr Churchill. But they are not long odds.

In the other by-election of the week, a Liberal candidate, Mr D. R. Seaborne Davies, accomplished the feat of increasing both Lloyd George's poll and his majority at Caernarvon Boroughs.

Variations on a Theme

The week-end's political speeches brought a number of variations on the theme of public versus private enterprise, which seems, by general consent, to be regarded as the main issue at the coming election. The co-appearance of Mr Herbert Morrison and Sir Stafford Cripps at Bristol on Saturday is a sign that Sir Stafford has been promoted from the wilderness to become one of Labour's chief spokesmen in the election campaign.

Mr Morrison, elaborating the Labour party's views on public ownership, explained that they were not advocating nationalisation for its own sake, but as a means for improving efficiency in industries such as coal, where the case for transfer to public ownership had been established, and that each case would be judged by its merits. Industrial efficiency was also Sir Stafford's theme at a meeting in Kingswood. Speaking of efficiency in the engineering industry, of which he has considerable experience as Minister of Aircraft Production, he outlined four essential conditions for efficient production—up-to-date machinery and methods; improved status and standards of management; co-operation of the workers in the planning and organisation of production; and improved factory buildings and welfare facilities. Both Mr Morrison's and Sir Stafford's speeches contained constructive suggestions. Indeed, if other Labour speakers would follow their example and spend more time in thinking about industrial efficiency and less time in sloganising, they might gain considerable support from circles outside the Labour party.

The most refreshing speech, however, was that of Mr Amery to Birmingham Conservatives, which at least had the merit of courage. He is reported as saying that the Conservative party's last two triumphs had really been disasters. After winning the 1924 election on the Zinoviev letter, they threw overboard all positive economic policy, and were helpless in the face of mounting unemployment, while in 1935 they went to the country on sanctions, while disavowing any intention of rearming to face the consequences of driving Mussolini into Hitler's arms. Like Lord Baldwin, Mr Amery, it appears, believes in admitting his party's election tactics, only he has done so before and not after the election. There is room, in all parties, for honesty like Mr Amery's.

The Food Problem

A preliminary statement about the Washington conference on world food supplies recently held between representatives of Great Britain, Canada and the United States was issued early this week. It is the most authoritative statement yet made, and it is far from being an optimistic

one. It states quite clearly that "the problem of food is one of the most urgent now facing the United Nations." For the rest of this year, and for part of next, requirements will be greater than ever, and they must be met, unfortunately, out of reduced supplies. The larger commitments arise, of course, from military needs—for the feeding of prisoners, liberated peoples, and displaced persons. Supplies are smaller because of reduced agricultural manpower, shortage of fertilisers, the devastation of agricultural land in battle areas, and poor harvests. The problem is further aggravated by transport difficulties.

The three countries agree that liberated areas must be fed until they can re-establish their own agriculture; and to do this they will require transport, fuel, fertilisers, feeding-stuffs, and machinery.

The most important task now facing the western Allies is to find some immediate solution to the critical transport problem. So complete is the chaos and dislocation left behind by the defeated enemy that ordinary traffic lines will take years to reconstruct. Even a framework of reconstruction cannot be achieved in time to save large areas of liberated Europe from destitution. In this dilemma all the resources of improvisation should be pressed into service without delay. Holland is being kept alive by ministering bombers. Much more is possible.

New Regime in Austria

The birth of the "second Austrian republic" was announced from Moscow last Sunday with the news of the formation of an Austrian Government under Dr Karl Renner. Dr Renner was the first Chancellor of the first Austrian republic and represented his country at the Peace Conference of Versailles. The old leader of the Social Democrats thus represents the living link between the two republics. On the whole, the composition of his Government is also calculated to emphasise the continuity of Austria's independence. Of its fourteen members, five are Social Democrats, four Christian Socialists, three Communists and two non-party men. The parties that played a leading rôle in Austrian politics before the rise of the authoritarian movement have reappeared on the stage under their old leaders. The only newcomers are the Communists who played a negligible part in the first Republic but whose influence has grown rapidly in recent years.

Whether it has become strong enough to justify the appointment of Herr Franz Honner, the Communist leader, to the Ministry of the Interior is, at least, open to doubt. This appointment is certainly inspired by Russian "considerations of security." Provided that those considerations are not interpreted in such a way that they reduce the Governmental coalition to a deceptive façade of virtual one-party rule, even this feature of the new Government can be defended. Apart from this reservation, which is, admittedly, a weighty one, it would be difficult to find any fault with Dr Renner's administration.

What has given cause for objections both in Washington and London is the fact that the Austrian Government has been set up without any prior consultation between Russia and the western Allies. The creation of the Government was attributed by Russian sources to the initiative of the Austrians themselves; but this story can hardly be accepted at its face value. The Russians have hardly any excuse for unilateral action in Austria—joint occupation and joint responsibility for the country's political outlook have been accepted by the Big Three. The State Department has therefore bluntly refused to recognise Dr Renner's Administration, while the British Government has voiced its objections in a more discreet way. It would be disastrous if Austria now became a new bone of contention between the Allies. It should be possible to reach agreement, especially in view of the moderate and all-inclusive character of Dr Renner's Government.

The Budget Debate

The debate on the Budget produced very little criticism of it, probably, as the Chancellor himself said, because there was so very little in it. Members used the occasion for a general debate on the country's economic and financial position rather than the fiscal policy outlined in the Budget speech.

Sir John Anderson's reply was equally unremarkable, save in two respects. He gave some additional information on the

cost of food subsidies, discussed in an article in *The Economist* of April 21st (page 503). Of the total of £225,000,000, £65,000,000 is in respect of imported food, £15,500,000 is attributable to the National Milk Scheme, and £5,500,000 to the milk-in-schools scheme. The remaining £139,000,000 is paid in respect of home-produced food—but whether this should be regarded as a subsidy to the farmer or an aid to the consumer could not be determined in present circumstances when food was being produced on marginal land. In an accounting sense, it is possible to distinguish between the sums paid through the Ministry of Agriculture and those paid through the Ministry of Food, but the distinction of channel is not necessarily a distinction of purpose.

More important were the Chancellor's remarks on the future of the income tax. In his Budget speech he claimed that pay-as-you-earn was a success. In his reply to the Budget debate, he stated the cost—so long as PAYE was in force, he doubted if it would be possible to introduce changes in the rates and structure of income tax to come into force immediately. If this is so, then the cost of the present version of PAYE must be judged too high. So long is it since there was any change at all in the standard rate—and it is eleven years since the change was downwards—that the far-reaching effects of a change tend to be forgotten. If a Chancellor wishes to stimulate consumption, he has no easier and more effective weapon to hand than a reduction in the standard rate, but in future, it appears, its effects will be delayed for a full year. The psychological effect, both of rises and falls, will be similarly lost. Whether income tax is regarded, in Mr Gladstone's words, as a "colossal engine of finance," or, in Mr Benson's words in last week's debate, as "a fundamental interference with the life of the people," to the extent to which the British people are indebted to it for their freedom from the constant financial difficulties that beset other nations cannot be over-estimated. If PAYE is obstructing its elasticity, then PAYE will have to be amended.

Dearer Coal

The Minister of Fuel's decision to raise the price of coal by 3s. 6d. a ton, as from May 1st, appears to have come as a surprise to many Members of Parliament, who appealed for delay in effecting the increase until the House had had an opportunity to discuss it. But there is surely very little ground for surprise. The recent White Paper on the Coal Charges Account showed that the industry was in debt to the Treasury to the tune of £25,750,000 and that during last year, the Exchequer had made advances to the Account amounting to 1s. 5d. per ton. The decision to increase the price to the consumer marks the Government's determination to discontinue the policy of indefinite subvention and of allowing the Treasury to become a widow's cruse to the coal industry.

It may be a hard decision for the consumer, who was already paying so much for his coal supplies. The White Paper showed that national increases in price from the beginning of the war to the end of 1944 amounted to 15s. 11d. a ton, and, with certain adjustments and variations, the average increase should be estimated at 18s. a ton, to which must now be added a further 3s. 6d. The increase will inevitably be reflected in higher prices for manufactures, especially in the iron and steel industry, which is already labouring under the burden of dear fuel. But it is better that the consumer should have the facts brought home to him in this very direct manner, than that they should be obscured by the provision of unlimited subsidies to a single industry, which can only have a damaging effect on the national economy.

There is only one answer to the problem, and it is so obvious that it hardly needs repeating. The ultimate solution is to improve the productivity of the industry by achieving the thorough technical reorganisation recommended by the Reid committee and by securing a full week's work from the industry's labour force. The fundamental cause for the present state of affairs is declining production, and it can only be remedied by tackling the problem at the production end. Not only have progressive wage increases (wages have increased by 126 per cent over 1939, compared with 73 per cent for other costs) failed to produce the hoped-for increases in output, but higher wages have resulted in lower production, whatever the causes and whoever is to blame. Reorganisation and reconstruction are admittedly part of the long-term policy, but that is no reason for further postponing measures which should have been taken at the beginning of the war.

Labour and San Francisco

Sir Walter Citrine has voiced a rather odd grievance against the British Government, the Deputy Prime Minister and other Ministers. In a statement issued at the World Labour Conference at Oakland he said:

The Government is deliberately excluding the organised workers. We cannot accept this position. We regret very much that Mr Attlee and other Labour Ministers who are members of the British delegation assent to the Government's attitude. We do not believe this attitude represents the desires of the millions of organised workers, and we feel this necessitates raising this matter at the forthcoming Labour Party Conference.

Does Sir Walter suggest in all earnestness that the Labour ministers do not represent "millions of organised workers"? His grievance, based on the non-admission of the TUC to the San Francisco Conference, is very unconvincing. The Conference has been called by Governments and not by social institutions.

What Sir Walter unknowingly demands is a root-and-branch revision of the Yalta scheme. It may well be that he looks with some envy at M. Kuznetsov, his Russian opposite number, who has been included in the Soviet delegation to San Francisco. But then the Soviet Trade Unions, as a whole, have been "included" in Russia's governmental machinery. Would Sir Walter like the TUC, too, to enjoy a similar privilege? Or he is perhaps only looking for a topic with which to enliven the pre-election conference of the Labour Party?

Revolt in Argentina

All the Latin American republics supported the United States' request that Argentina should be admitted to San Francisco. Three of them, Brazil, Mexico and Chile, are represented on the Executive Committee of UNCIO, and the original request for an Argentine place at San Francisco came from St. Padilla of Mexico, who claimed to speak for all the other republics. Peace within the hemisphere and the hope of a seat on the Security Council for a representative of "the inter-American region" may both be

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held, in the Latin American view, to have gained strength from Argentina's presence at San Francisco.

How much this Latin American view has misjudged the wider issues was seen in Mr Molotov's trenchant arguments for Argentina's exclusion, at least for the time being, from San Francisco. These arguments are not likely to pass unheeded by Argentina's neighbours. It is Argentina's internal regime, not its failure to declare war, that has caused them most anxiety. At Mexico City, their fears of Argentine aggression within the hemisphere were somewhat allayed by Argentina's signature of a non-aggression pact. But for the democratic opposition in Argentina, as elsewhere, a change of heart could only come with a change of Government. President Farrell's nationalist regime, at the price of a long withheld declaration of war against Germany and Japan, had secured a place in regional counsels and recognition by many of the United Nations. Last week, on the eve of its entry to San Francisco, it was forced to meet what may have been a very real attempt to overthrow it in favour of a representative and democratic regime. In a wave of arrests the former less nationalistic Presidents, General Rawson and Ramirez, were detained presumably because of their Army influence, which has not entirely shifted to the present rulers. More important, arrests of "extremists" (Communists and other Left-wing leaders) and "reactionaries" (Conservatives, including those who have forsaken or disappointed the Farrell-Peron Cabinet) indicate that the broad political front, in which these elements have been knit under the control of exiles in Montevideo, had decided to act.

The activities of this "underground movement" are described in detail on page 587. It is doubtful whether they will be given much chance to influence the political development of Argentina in the immediate future. Vice-President Peron has said that the country is in a state of "pre-electoral reorganisation," and has, more recently, disclaimed any intention of being a candidate for the Presidency. But last week's political arrests point away from the freedom of speech and press that has prefaced the electoral campaign in Brazil.

Elections in Brazil

In Brazil the stage is set for presidential elections to take place before the end of the month. Relaxation of the press censorship has shown wide support for General Gomes, who opposes the principles of President Vargas's authoritarian *Estado Novo* and is the principal opposition candidate. He is being opposed by General Gaspar Dutra, Minister of War in the present regime and a Vargas nominee. General Gomes was until a few months ago the head of the Brazilian Air Force, and General Gaspar Dutra's nomination is said to be an attempt to split his support from this influential quarter. The Communists, however, represent another important faction whose allegiance is by no means clearly defined. Although in his *Estado Novo* President Vargas suppressed them, his recent amnesty for political prisoners followed a Leftist manifesto pledging support to his regime in return for concessions which were to include the release of the jailed Communist leader, Luiz Carlos Prestes.

Although General Gomes promises a return to democratic government and is reported to be without political ambitions, he is a Conservative. This fact, together with Vargas's war record, his establishment of diplomatic relations with Russia, and his release of political prisoners, may split Left-wing support between the two leading candidates who are simply fighting on pro-Vargas and anti-Vargas platforms. In the event, the influence of President Vargas himself, who is not a candidate at this stage, but who still controls the machinery of government, will certainly play a decisive part in shaping the result of the polls.

The BBC and the Orchestras

The long-standing dispute between the BBC and the National Association of Symphony Orchestras over the fee payable for the relay of outside concerts has not yet been settled. It now threatens to deprive the listening public of the music of such orchestras as the Hallé, the London Symphony and the Liverpool Philharmonic.

The financial side of the dispute is relatively unimportant. For each concert relay the BBC is willing to pay £120 and claims that this sum affords about £45 profit—an increase of 66 per cent over the pre-war figure—to the promoters. The promoters maintain that their profit, part of which goes

to the conductor and the soloist, is quite inadequate. It is altogether surprising that the BBC, which is known to remunerate its so-called "comics" very generously, should quibble about an additional £30 for a symphony concert—especially since the Corporation's past record in the encouragement of good music is so praiseworthy. The hint of obtuseness in the Corporation's handling of this dispute will be taken as another sign of the deadening influence of its monopoly control.

Sooner or later a problem of this nature was bound to arise. The BBC, with a monopoly of broadcasting in Great Britain, is a law unto itself so far as fees are concerned. Its rates could be effectively disputed only by combinations or associations of performers equally monopolistic. But in the world of entertainment such organisations are hardly practical, for the BBC is itself a purveyor of entertainment, with its own team of performers. The BBC is thus in a privileged and protected position however the matter is regarded. And it is a position that is not at all to the public advantage. The only solution, short of the abrogation of the Corporation's charter and the experimental introduction of a system of limited competition in broadcasting, is that such disputes shall be decided by arbitration. Since the present dispute is unlikely to be the last of its kind the setting up of a permanent arbitration authority might be justified—as a safeguard against the abuse of monopoly powers.

The Port of Cardiff

During the war the western ports have been active. Many of them have acquired a new importance as naval stations; others have been called upon to handle the bulk of the nation's overseas trade. This reorientation of trade was dictated primarily by strategic considerations, but the development of armament industries in the west would, in any case, have provided a powerful argument for it. Now, very naturally, the ports are wondering how much of this new activity can be made permanent. Will the economic advantage be lost when conditions of peace return? Or will it be preserved as the mainspring of successful reconstruction?

Before the war Cardiff ranked thirteenth, by the value of its trade, in the ports of the United Kingdom. It was pre-eminently a coal port, dependent upon world demand for the steam coal of Rhondda. It had only a small share of the export trade in manufactured goods and its imports of food and raw materials were largely for local consumption. The trouble with Cardiff was that its hinterland—its effective inland trading area—was severely limited; and this geographic disadvantage was exaggerated by the inadequacy of the port's communications. In a report, published on Monday, the city's Chamber of Commerce stresses the need for a more equitable distribution of general cargo tonnage than obtained before the war and suggests that part of the traffic of London and Liverpool should be diverted to the Bristol Channel ports. To this end it recommends that the port facilities should be improved and that railway and shipping companies should offer an incentive of specially favourable freight and storage rates to importers and exporters.

This would be all very well for Cardiff. But if the diversion of traffic was not to be artificial and economically damaging, it would have to be justified by real economies in handling and inland transport costs. In the short period geographic and economic disadvantages can be neutralised by preferential traffic rates. But they could only be abolished by an extension and enrichment of the port's trading orbit; and special rates could be justified only if they contributed to this development. The report argues that for the Midlands Cardiff is a more economical port of entry for meat supplies than London, and it strongly urges the retention of the Ministry of Food's 10,000 ton cold storage plant as a substantial first move in the establishment of an imported meat trade.

Winding Up Civil Defence

The air-raid warning system has ceased to exist; London evacuees are to be given facilities for returning home—to begin in a month's time; and the "appointed day" for the end of the civil defence general services was Wednesday of this week. The first revocation of a defence regulation giving the Government powers over the persons and services of British citizens has taken place. There is now no legal obligation on anyone to perform part-time civil defence duties, and all part-time members of the service, except for those

who volunteer to assist in the winding-up, will be released. Wholtime members are being given a month's notice. Many of these are volunteers, some from the leisured classes and some with their own businesses to return to, who will not need assistance in resettlement. But some were conscripts under the National Service Act of 1941, and the Ministry of Labour will be supplied with particulars of all members under notice so that they can be assisted to find suitable employment.

The Royal Observer Corps is being stood down simultaneously with the civil defence service. Cuts in the whole-time strength of the National Fire Service are also taking place, and its part-time members are no longer liable for compulsory service.

No decision has been taken on whether there will be a peacetime civil defence service. But those released will be asked whether they would volunteer for such a service if it were established. It is difficult to say whether any useful purpose would be served by retaining the cadres of civil defence. If some form of compulsory national service is imposed on all citizens after the war, there are certain branches of civil defence which might fit in with such a policy—for instance, the fire and ambulance services. But as a precaution against the next war's air-raids, a skeleton civil defence service does not at this stage seem worth while. Rockets rendered precautionary measures ineffective, and if a refinement of this form of air attack is to be the civilians' fate in the next war, the civil defence service will have to be considerably adapted. It might be more effective to retain, instead of the local authority staffs, the regional machinery which had to be evolved in the course of the war for dealing with the longer-term problems of air-raids.

Vital Statistics for 1944

Last year's vital statistics continued the favourable trend of most of the war years. The infant mortality rate was 46 per 1,000 live births, a new low record, compared with 49 per 1,000 in 1943, the previous lowest rate. The stillbirth rate, at 28 per 1,000 total births, compared with 30 in 1943

and established another low record. The death rate was 11.9 per 1,000 of the population; this was 0.2 below the rate in 1943 but 0.3 higher than that in 1942. There were 302,046 marriages, which was 6,632 more than in 1943 when the total was the lowest recorded since 1926.

The most important figure, for considering the future population, is the net reproduction rate. What the Registrar-General calls the effective reproduction rate is provisionally estimated at 0.990—1 per cent below the full replacement level. This is not what demographers call the net reproduction rate, but is the Registrar-General's own fancy variant of it, which leads him to take a favourable view of the future infant mortality rate and to ignore possible unfavourable factors such as wars or 1918 influenza epidemics. In any case, as he himself points out, it is too early to rejoice. The birthrate last year may well have been influenced by the Second Front, which grew more and more imminent from the spring of 1943 onwards. Similarly, it is likely to show another bump upwards next year and perhaps in 1947 as a result of demobilisation. But it is the years after that that will count.

Shorter Notes

A note in the current issue of the *Economic Journal* records the fact that Lord Keynes, after 34 years, has resigned the editorship and secretaryship of the Royal Economic Society. Mr Austin Robinson, who has in recent years been joint editor, is to be the new secretary, while Mr R. F. Harrod becomes the second joint editor. It is the intention of the Council of the Society to nominate Lord Keynes as president, and certainly no man was ever more clearly singled out to preside over his profession.

Information about the rocket attacks on Southern England was released last week-end. The total number of rockets that reached this country was 1,050, and total casualties were 2,754 killed and 6,523 seriously injured.

AMERICAN SURVEY

Producers' Country and the Tariff

(From a Correspondent in Colorado)

THE architects of a brave new post-war world, including those in Washington, might be well advised to take more seriously than they seem so far to have done, the more serious dissent that is mounting among farmers and other producers of raw materials, and particularly in the interior two-thirds of the United States. The people there desire peace as genuinely as do any. They, and most of their representatives in the Senate, favour international co-operation on the political side, to a degree that would have been unthinkable only a few years ago.

But they are not, as yet, persuaded of the need to accompany such political co-operation with economic co-operation that would promote trading between nations, and more specifically would permit large-scale imports into the United States to accompany exports—unless it can be demonstrated that such a policy will be at someone else's expense, or at least not at theirs.

There has been no such clear-cut line of argument and education on this economic front as there has been in behalf of political co-operation. Instead, the reverse is true. Political isolationism, accepting at least temporary defeat, has gone into disguise as economic nationalism. And it has succeeded in persuading many people who genuinely favour political co-operation for the sake of lasting peace that in the interests of their very livelihood they must oppose any further lowering of trade barriers, but must work instead for even higher tariffs, if anything, than those reached in the Hawley-Smoot Tariff Act. Most Senators and representatives from producers' country will work against any further lowering of trade barriers. The simple reason is that, politically, they dare not go back home and face the wrath of producers of raw materials who may feel that their immediate interest, livelihood and profits have been be-

trayed in behalf of "foreigners," with the excuse only of what will seem to them, at best, a vague assurance that they will in the long run be better off.

It would take a page just to list the producers' associations, local, state and regional, which in the past year have gone on record in favour of international peace and accord—some of them in favour of international trade—but always with the proviso tucked in somewhere, that such a policy shall not cancel present tariff protection for their members. Wool growers want an import quota—and ask for it largely because they are pretty sure they cannot get the 50 per cent tariff increase they really want. Sugar people want protection against a thriving Far Eastern sugar-growing industry. Non-ferrous miners want import barriers to enable them to build the suggested post-war stockpile of strategic metals at comfortable profits entirely from low-grade American ores. Gold and silver mine operators inveigh against the agenda of Bretton Woods as meaning a "managed currency" and the definite and final demotion of gold and silver to a commodity status. Cattlemen favour international accord, but simultaneously demand a continued tariff system to protect "all American producers," and a continuance of the embargo against Argentine raw beef.

Three years ago the director of one of these big producers' associations said to the writer that the end of this war, like that of the last, would be followed by a wave of internationalism against which American producers would be forced to unite in their mutual self-defence. That is exactly what is happening now. National organisations follow the same trend. For example, the National Grange, at its recent convention, called for international peace—but at the same time for a two-price system by which American farmers would be paid high prices for enough of their products

to supply the home market—plus anything they could get from the world, outside the American tariff barrier, for the surplus, dumped on the rest of the world.

The influential *Country Gentleman* recently printed an article, complete with charts and elaborate data, providing an ideological or mystic basis for the preachings of economic nationalism. This article has been reprinted by thousands, and sown through producers' country along with similar articles, and many, many speeches. Briefly, it argues that agricultural income is always one-seventh or thereabouts of gross national income, the two going up and down together. The only way to ensure permanent, automatic, self-protective prosperity for the United States is simply to keep on raising farmers' prices, and protecting their domestic market by whatever means available, whereupon the entire national income will automatically go up, in the proportion of seven to one—that is to say, an increase of a billion dollars yearly in farm income will automatically result in a seven billion dollar increase in gross national income. Naturally, this calls for the complete protection of the home market for the farmer, by means of "parity tariffs," whatever they may be. The other half of the argument is that the importation of a billion dollars' worth of agricultural products—whether they can be produced here or not—will reduce the American gross national income by seven billion dollars.

A variant of this argument to enlist mining operators of the West is that the proportion of the income of all raw material producers to gross national income is one to five, therefore for national prosperity all producers of raw materials must likewise be protected against imports by a "parity" tariff. Wherever this word appears, it apparently means, to those who utter it, a tariff high enough to serve as a virtual embargo. The March issue of the *Engineering and Mining Journal* suggests of the post-war tariff question that producers of raw materials should "form a defensive alliance to prevent their being sacrificed to manufacturing interests, whose viewpoints dominate Washington thinking." In the same issue—only two pages away, in fact—is a double-page editorial in which the president of the McGraw-Hill Corporation, publisher of this and some 25 other business and trade magazines, calls for acceptance of an era of co-operation in international trade.

Of course, economists shoot this theory full of holes, but their explanations fall on deaf ears. It "sounds good"; it puts "foreigners" in their place, a political advantage in most of the American producers' country; and it gives producers the joyous feeling that in serving themselves they are, after all, serving the best interests of the country. And owing to the make-up of the American Senate—where two senators from Nevada, with a population of 110,000, have exactly the same voting strength as two from New York, with its population of 13,479,000, or Pennsylvania with its 9,600,000—producers of raw material have a political strength far beyond their numbers. If there is a Senator from those regions who has contradicted this theory, the writer has not heard of him. Whatever its merits or lack of them, this theory and its variants—including a considerable residue of political isolationism—present the most formidable obstacle to-day to American participation in international trade on any large give-and-take postwar basis which would require the sacrifice of any degree of tariff protection, on the part of any considerable group of American producers.

The overt currents of American opinion perhaps justify *The Economist's* recent ironic comment on the "acceptance of the principles of free trade by the more articulate (American) public." The undertow is setting in a far different direction, and for the future of international trade and concord may have far more meaning.

The conflict may not wait until the end of the war. Even while the San Francisco conference is debating political ways to world peace, Congress is debating the renewal of the Reciprocal Trade Agreement Act, which expires in June. The Administration, in the interests of post-war trade accord, wishes to increase the President's powers to permit tariff reductions upon proclamation by as much as 75 per cent, as against the present 50 per cent. Senators and representatives from producers' country are overwhelmingly against renewal of the Act, unless on some such terms as that one-third the House and one-third the Senate may, by veto, kill any specific reciprocal agreement. This would, for all practical purposes, put veto power in the hands of those representing the producers' interests most directly affected. The observer who wishes to chart the true trend of American post-war action would do well to watch the outcome of this contest in Washington as well as San Francisco.

American Notes

A Guaranteed Annual Wage

There was much speculation over President Roosevelt's motives when, shortly before his death, he called for a study of the practicability of an annual wage plan—that is, of guaranteeing annual wages—but to most of labour the President's motives were irrelevant. If, as some thought, the President wanted the inquiry to be made now to divert labour from its increasingly vigorous campaign to raise hourly rates, it still was most important to labour that the inquiry should be made.

The original impetus came from the National War Labour Board, which only last year found "unworkable" the United Steelworkers' demand that 86 steel companies grant a guaranteed annual wage to 400,000 steel workers. The members of the Board decided unanimously, however, that the whole question of guaranteed wage plans and the part they could play in helping to stabilise employment and regularise production, should now be studied on a national scale. This they recommended to the President.

President Roosevelt, because he saw the problem as "closely connected with the problems of reconversion and the transition from war economy to a peace economy," handed it to the advisory board of the Office of War Mobilisation and Reconversion. An annual guaranteed wage has been a major post-war goal of the CIO. So far the American Federation of Labour has displayed little interest in guaranteed annual wages and, in the past, Mr John L. Lewis has disapprovingly referred to such plans as "socialistic."

No comprehensive study has ever been made of the 50 or 60 individual plans now in existence and of their effects on employment, production and profits. A recent survey of wage and hour contracts completed by the Department of Labour shows that out of 8,000,000 wage earners only 42,500 have any form of wage guarantee. And according to the WLB, no plans have ever been tried in a durable goods industry like steel, where demand fluctuates widely and is dependent on the changing needs of other industries.

The critics say that such planning is impractical for any consumer industry and that such adjustments, being none of the government's business in any case, should not be crammed down the throats of labour and management as law. Labour is quite willing to have "such adjustments" crammed down its throat and is zealously at work mobilising the public support and pressure needed before Congress would pass legislation. Meanwhile, Senator Kilgore, of West Virginia, probably the CIO's best friend in the Senate, is reported to be planning to ask for a Congressional study of guaranteed annual wages to supplement the executive project.

Another Axis

A barometer of American earnestness about the San Francisco Conference is the mail that the State Department is receiving from the public, which has jumped from its usual average of 400 letters a day to an average of 6,000. In general, the press has given the public fair and soberly critical news of the Conference, although it is difficult to see why there should be so much surprise over inevitable differences in method, tactics and points of view between the Western Powers and the Soviet Union. An interesting point is made by Mr Walter Lippmann, who sees Soviet suspicions of the United States and Great Britain growing out of a concern that the two Western Powers really are interested in setting up an organisation to police the Soviet Union. This, he points out, would inevitably involve restoring Germany "first as a buffer and then as a spearhead." A wide section of the press takes a similar view, stressing that too much time, patience and goodwill cannot be used to overcome Russia's deeply rooted doubts and suspicions. The fact that she is as desperately in need of peace as Britain and the United States is seen as hopeful.

It is the attitude of the "diehard" section of the press, however, that has caused many good people in America concern. These are the isolationists to the end, the publishers who cannot be convinced by mechanical bombs or Buchenwald that what they insistently call the "American way of life" has any context in the world outside America's physical boundaries. The most unpalatable comment is concentrated in the group of papers that

President Roosevelt once called an "Axis," in which one of the leading figures is the widely read Mr John O'Donnell, who writes something of a gossip column on political themes for the *New York Daily News*. "Bed-fuddled experts who are master-minding the confusion circus known as UNCIO," Mr O'Donnell says, "are trying to figure out a way of winding it up as swiftly as possible before the big boys start saying in public some of the dirty cracks they are circulating in private, before they start World War Three right here." In another column he predicts that the "United States, backed by Britain, is in for a showdown fight—diplomatically as yet—with Russia." He says Britain, faced with a Communist Europe, is asking Americans in San Francisco, "as big-shot bank-rollers of Pal Joey, to cool off the Russian heat."

These are not isolated examples; they are examples of many thousands of words that are being written, and it is a tribute to the good sense of the American people that, although they read the words, they continue seriously to seek an alternative to violence as a means of settling international disputes.

Universal Military Training

The very delicate question of post-war universal compulsory military training is by no means dead or even sleeping. It has merely been allowed to rest while the various wartime manpower bills were thrashed out. Very shortly now, the House and Senate Military Affairs Committees are expected to air this controversy again, probably using as a springboard the May-Gurney Bill, which provides that every male in the age range of 18 to 21 should serve in the armed forces for one year. The hard issue has often been obscured in the past by a public opinion which took refuge in the objection that the discussions were "premature." But the future is now rapidly approaching.

Before the war there was some support for conscription from the super-nationalist section of opinion, from those with imperialistic dreams and, more simply, from those who loved a parade. The great majority, however, was opposed. Now the issue cannot be so easily decided. The huge task of re-employing millions of demobilised men can very easily affect the answer. And certainly it is complicated by how a military training plan would be interpreted by friendly nations. Would they see in it a sign that America is prepared to back up peace agreements with force, or a sign that she is not placing much faith in such agreements?

Quite naturally, the most clear-cut stand is taken by army and navy officials, who, in general, are supported by the civilian members of the Administration. Mr Forrestal, the Secretary of the Navy, has said, "It no more means that we are looking for war than getting vaccinated means a man is looking for smallpox." Early this year President Roosevelt, in a message to Congress, said "We must have universal military training after this war" as an essential factor in the maintenance of peace in the future.

Church groups, both Catholic and Protestant, have either opposed such legislation or would postpone it. Educators are divided and apparently determined to remain so. All polls of public opinion indicate that the American people favour universal military conscription. The trend is well revealed by a Gallup poll taken last November, which showed that 67 per cent of men approve and 60 per cent of women approve (in 1939 only 37 per cent of men and women approved). War Department surveys of servicemen show that between 65 and 70 per cent favour universal training. This is natural in wartime, but perhaps it will be far less natural in time of peace.

One of the best and most thoughtful cases for conscription was recently put by Mr Charles Guy Bolte, chairman of the new American Veterans Committee, who is impatient with all the elevated social, moral, character-building, health and educational arguments that becloud the real issue which must be squarely faced. In a world where one of the most important elements in the shaping of foreign policy is the fact of rocket or stratospheric bombs and troop-carrying aircraft, will or will not universal military training contribute to the future security of the United States? Although it is difficult to determine any alignment of forces at present, if the issue can be so clearly cut and squarely faced the answer will probably be "yes."

Away From Normalcy

President Truman made two significant appointments last week. The recipient of both was Mr Henry Wallace the Secretary of Commerce. The President transferred to Mr Wallace and the Department of Commerce the constantly growing surplus property disposal activities of the Treasury Department. Mr Wallace's views on surplus property disposal are no secret and at least some of his ideas on how such disposal could aid small business were developed in his testimony before the Senate Committee during hearings on his nomination for the office he now holds. The other job was an authorisation by the President to conduct an investigation into alleged monopolistic practices under existing patent laws. Mr Wallace has been extremely vocal in his view that patent laws have been used to strengthen cartels, restrict competition, suppress new inventions and weaken the country's security. Mr Truman made similar charges during his campaign and now apparently is giving Mr Wallace a chance to prove their case.

These are interesting appointments in that they are almost the first positive steps Mr Truman has taken completely on his own, with no course clearly marked out by President Roosevelt. For the first time the new President has made himself vulnerable to criticism, for in no sense can these appointments be interpreted as trends in the direction of the "normalcy" for which the opposition yearns.

The Department of Commerce, in taking over the Treasury's disposal functions, will be one of seven agencies through which the vast accumulation of government-owned surpluses will funnel. It will be the agent for all categories of consumer goods, in prodigious quantities: automobiles, textiles, wearing apparel, machinery, furniture, hardware, medicine, paper and office supplies, photographic equipment, livestock, electrical supplies, etc. About \$15 billion worth of stocks that civilians can use are involved, and probably \$6 billion are ready now for the domestic market.

The job of investigating the uses to which patent laws are being put is not unconnected with the surplus property assignment. After the last war, German patents were included in the mass of surplus materials that were turned over to private interests and were the basis of a whole new chemical industry.

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THE WORLD OVERSEAS

The Russian Budget

LAST week the Soviet Commissar of Finance, M. Zverev, made his Budget speech to the Supreme Soviet. This was his second wartime report on the Budget—none was made in 1942 or 1943. The financial figures for 1944 and 1945 are by no means complete, but they do seem to offer a guide to some of the economic processes in Russia in the last year of the European war. The gaps in the picture are due to several factors. Not all the figures of revenue and expenditure are available. It is, further, impossible to relate the figures in roubles to the real values which they represent, because no price indices have been published in Russia for at least twelve years. It is, in particular, impossible to say to what extent prices (especially in industry) have changed in the course of the war. It is certain that increases in revenue and expenditure do not represent corresponding increases in the volume of real goods at the disposal of the Government. And—last but not least—it is never quite certain how far the Russian financial accounts are real, how far their publication is a mere legal formality, or how far it is calculated to serve special political purposes. It is in the light of all these, perhaps somewhat over-sceptical, reservations that the table below ought to be analysed. The table compares the chief items in this year's estimates with the Budgets of the two preceding years, as well as with the last two Budgets which were planned in peace-time (1940 and 1941):—

(In billions of roubles)					
	1940	1941*	1943	1944†	1945
Revenue	180.2	216.8	210.0	268.0	305.3
Turnover tax.....	105.8	124.5	71.1	116.0	137.7
Levies on profits.....	§	§	§	§	§
Expenditure	174.3	216.0	210.0	263.0	305.3
Defence.....	56.0	78.9	124.0	137.0	137.9
National economy.....	57.1	73.2	31.1	49.0	64.6
Social and cultural development.....	43.0	47.9	37.2	51.1	66.1

* The figures for 1941 are taken from the estimates for that year.
† Preliminary figures for last year's actual revenue and expenditure.
§ Not available.

The first striking feature is that the estimates for the current year provide for a higher Budget than in all previous years. A casual comparison between the estimates for 1945 and those for 1941 shows that up to a point this must be a purely inflationary increase. This year's global figures are 43 per cent higher than those of 1941. In any other economy in which the Budget is merely a fraction of the national income a similar or even a much higher increase in the Budget is quite normal. The Russian Budget, however, represents the bulk of the national income. A very large increase in the former presupposes a correspondingly large increase in the latter. As it is impossible to assume that Russia's national income—after all the devastation caused by the war—will be higher this year by 40 or even by 30 per cent than her planned income for 1941, the conclusion must be drawn that the rise in the budgets over the years of the war reflects an indefinable element of price inflation; and that that inflation has developed even in the most rigidly controlled sectors of the Soviet economy, where the Government's price-fixing machinery is, in theory, supposed to work perfectly and smoothly, meeting no economic resistance.

This, however, does not mean that the increase in the budgetary figures for 1945 over those of 1944 necessarily have an inflationary character. There are some indications that the inflationary trend came to something like a standstill last year. If the price-fixing machinery is now able definitely to reassert itself, then the increased volume of revenue and expenditure will reflect real economic expansion. The new material basis for that expansion has been created by the liberation of all Soviet territories from German occupation.

The most striking political feature of the 1945 estimates is that the expenditure on defence has been maintained on the high level of the previous year. Commissar Zverev called for a "further intensification of the war effort." Unlike his British counterpart, he gave no hint of an "interim budget."

The decision not to cut defence expenditure may well have been made as a political gesture. Though the Budget year in Russia starts in January, and the cost of the war in the first half of the year is certain to be heavy, there has certainly been scope for a substantial reduction in defence expenditure. The meaning of the political gesture can only be guessed at; it may spell a warning to Japan; it may reflect the Russian Government's uneasiness about the general prospects of stable peace; and it may also be calculated to prevent a sudden slackening of morale at home.

Finance for Industry

The other striking feature is the increase in the budgetary allocation for "national economy," which has risen from 49 to 64.6 billion roubles, and is thus nominally higher than the corresponding allocation for 1940, though lower than that for 1941. Grants for national economy indicate the rhythm of industrial expansion, including expansion in armament industries. Thus, in 1944, 22 out of the 49 billion roubles spent on national economy were invested in new capital construction. The total investment in new plant was 29 billion roubles, which means that three-quarters of the cost of the building of new industrial enterprises was covered from the state budget, and only one-quarter was covered directly from the reserves of industry itself. The table below shows in greater detail how the grants for national economy are distributed between various branches:

(In billions of roubles)		
	1944	1945
TOTAL.....	49.0	64.6
Industry.....	27.3	35.9
Agriculture.....	7.0	9.2
Transport and communications.....	7.7	9.8
Trade and stocks.....	1.2	1.7
Municipal services and housing.....	1.8	2.9

Investment in heavy industry is still being given first priority. It is striking that budgetary grants for housing are unexpectedly low, though the lack of housing throughout the former occupied provinces is reliably reported to be appalling. Undoubtedly, the republican budgets of the Ukraine and Byelorussia will also provide some grants for housing. But, on the whole, the tendency seems to be to make the inhabitants of the liberated provinces build houses from their private resources. The Government's building programme provides, on the other hand, for large-scale construction of public buildings, schools, clubs, etc. The following table gives the detailed items of expenditure on "social and cultural development":

(In billions of roubles)		
	1944	1945
Education.....	20.440	28.591
Health and physical culture.....	10.210	13.194
Social insurance.....	3.800	5.200
Large family grants.....	0.872	1.407
Social welfare.....	15.600	17.700

On the revenue side, the turnover tax and taxes on industrial profits provide jointly the largest single item. It is, however, not yet known what was the actual yield of the turnover tax alone in 1944, or what is the estimated yield for 1945. The turnover tax—the indirect tax on consumers' goods—used to provide more than a half and at times even two-thirds of the total revenue. The decrease in the yield of the tax throughout the years of the war reflected shrinking consumption. The Commissar of Finance has now foreshadowed an increase of revenue from this source, which indicates that a substantial expansion in consumers' industries is planned for the current year. The yield from the turnover tax and from levies on industrial profits is expected to cover "nearly half of this year's expenditure." The yield from the turnover tax alone is, however, not likely to exceed 30-35 per cent of the expenditure. It may be of the order of 110 billion roubles. A very steep rise in consumption is thus expected, compared with the volume of consumption

in 1943, when the yield of the turnover tax did not exceed 71 billion roubles. This year's yield may be on a par with or even higher than that of 1940. But this would not imply that consumption, too, has reached the same level, because both the prices of consumers' goods and the rates of the tax have gone up in the meantime.

No attempt has been made to compare the Russian war expenditure with Lend-Lease deliveries, and to show the proportionate rôle which Lend-Lease supplies have played in the total defence expenditure. Similarly, on the revenue side the yield of reparations from the satellite countries has been altogether omitted. Yet reparations as well as requisitions made on enemy territory are certain to create quite important budgetary surpluses. In the absence of any extraordinary political and military complications, the estimates of defence expenditure will, in addition, prove to be very much higher than the actual expenditure. From Commissar Zverev's Report it would therefore appear that by overstating expenditure and understating revenue he has greatly over-budgeted this year, probably in order to create a large reserve for next year's work of reconstruction.

The Argentine Emigration

[FROM A CORRESPONDENT IN MONTEVIDEO]

LAST year Montevideo became the assembly point of Argentina's outstanding political exiles, including the leaders of both resistance movements—the *Asociación de Mayo* and the *Patria Libre*. The former is the civilian wing of an essentially military group rather than the nucleus of any mass movement. It pinned its hopes on an insurrection among allegedly disaffected sections of the army. Exclusive in its outlook, it refused to associate with the Communists, although the latter had the best underground organisation and were influential in the "Unified Labour Command," which rallied the sections of labour that were in open opposition to the régime. The chief representatives of *Asociación de Mayo* in Montevideo are a former Socialist senator, Alfredo L. Palacios; two former Socialist deputies, Nicolás Repetto and Guillermo Korn; a former governor of Santa Fé province, Dr Luciano F. Molinas, who belonged to the Progressive Democrat Party; and José Gabriel, a journalist.

The *Patria Libre* is a more popular resistance movement both in outlook and organisation. It has its own underground press. Its chief representatives in Montevideo, who form its "Foreign Council," are a former governor of Buenos Aires province, Rodolfo Moreno, a Conservative; another Conservative in José Aguirre Cámara, a former president of the Finance Committee of the Chamber of Deputies; a former Socialist deputy, Julio González Iramain; a former Radical deputy, Silvano Santander; and the Communist publisher of the emigré fortnightly *Pueblo Argentino*, Rodolfo Ghioldi.

When the Latin American Labour Confederation, whose chairman is Lombardo Toledano, held its last meeting, in Colombia, in December, 1944, the *Patria Libre* sent a special delegate. Afterwards he undertook a continental tour, visiting Cuba, Mexico and the United States, during which he played the part of unofficial ambassador of the underground. On his return he was able to assure the Argentine democratic opposition that its efforts were noted with sympathy by the democratic forces of the continent. Shortly afterwards the Latin American Committee of the Congress of Industrial Organisations in a memorandum to the State Department suggested that "the Argentine resistance movement be regarded in the same way as the European underground and . . . be rendered all necessary aid."

About the middle of February the two resistance groups in Uruguay achieved some measure of unity. In a joint statement they pledged to work together for a return to normal constitutional processes; to carry out international obligations and to co-operate with the United Nations; to fight totalitarianism; and to expose the real situation in Argentina. This programme was endorsed by Nicolás Repetto and Guillermo Korn, of the *Asociación de Mayo* (but not by Palacios or Molinas) and by all the supporters of *Patria Libre*. It was hoped that a similar rapprochement would take place within Argentina. Mr Stettinius's much publicised statement about "the military Fascist gang in control of power in Argentina" indicated that an agreement between the United States and the present Argentine

Government was impossible and was considered to be an encouragement to the opposition.

Blow to the Opposition

Thus the "Argentine resolution" of the Mexico City Conference came as a complete shock to the opposition forces, and was held to be inconsistent with the former attitude of the United States. Moreover, the fear at once arose that the Argentine Government would seize the opportunity to obtain recognition by taking a few minimum steps without changing any of its essential characteristics.

In a statement addressed to the Pan-American Council for Democracy the Foreign Council of *Patria Libre* described the resolution as "a dangerous concession" to the forces of appeasement. In an editorial Rodolfo Ghioldi expressed as follows the general opinion of most of the exiles:

It is not for the first time that US diplomacy has let us down. This occurred in Paraguay, where a military-Nazi group controls all key positions. In Bolivia, owing to the Warren report [the report of a US committee of investigation which led to recognition of the Bolivian revolutionary régime], the pro-Nazi Victor Paz Estenssoro [Minister of Finance in the present government] was retained, although his personal background is only too well known by the State Department. And now a completely wrong policy will be applied to Colonel Perón, who must be appeased just as Hitler was appeased.

Ghioldi, the Communist, was joined by Aguirre Cámara, Conservative, who in *Voz Argentina*, a radio programme of the Argentine exiles, voiced his anxiety about the effects of a recognition of the Argentine Government:

The dictatorship does a right-about turn in order to disarm and weaken the internal opposition. This is the moment for the resistance movement to rise to its climax. It must remain firm, because the slightest weakness might have sorry results. We prefer genuine illegality to faked legality subject to military control.

Two facts were not in doubt: first, that a recognition of the present Argentine Government would tend to consolidate its position and thus be a momentary setback to the resistance movement; secondly, that the sudden switch of US diplomacy weakened the confidence of the very currents

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in Latin America on which it must mainly rely for the maintenance of the Good Neighbour policy. These currents are overwhelmingly opposed to the Argentine régime, and consider that US diplomacy "let them down" in exchange for the dubious friendship of the Argentine Colonels.

In Argentina itself the international problem was complicated by the Government's knowledge that, should it decide to declare war on Germany, the United Nations would not fail to stake out their claims to German funds.

Eire's Building Programme

[FROM OUR DUBLIN CORRESPONDENT]

THE building industry in Eire has been gravely handicapped by the war. Many essential building materials have to be imported and serious shortages were experienced quite early in the war. Large arrears of housing and other essential building work have accumulated, and it is clear that abnormal demands will be made on the industry in the immediate post-war period. To prepare for this contingency the Department of Industry and Commerce established a special branch last year to undertake a survey of the country's probable requirements for a period up to five years from the conclusion of the war, and to ensure that the social, economic and cultural value of the work proposed is taken into account before building resources are utilised. The new organisation has assembled all available information about building and constructional projects contemplated by Government Departments, local authorities, public bodies and private businesses. Larger undertakings were asked to estimate their expenditure during five years and important public bodies have co-operated by planning to spread their expenditure over a period of years. The results of these investigations have been published in a White Paper entitled *The Post-War Building Programme*.

The total estimated cost, at current prices, of the building projects notified to the Department is £73,166,888 and of constructional projects involving the use of building materials £26,400,715. The major items among the building projects are as follows:—Housing by Government Depart-

ments and local authorities £26,913,300; housing by private enterprise £14,292,330; hospitals £9,388,000; factories £4,797,780; and churches and convents £4,323,413. The major constructional works are: roads £13,722,500; water and sewerage £3,361,695; electricity £2,807,000; and aviation £2,799,850. The sum proposed to be spent on housing amounts to no less than 56.3 per cent of all building activities. An estimate of the local distribution of the projects shows that 56.1 per cent of the total expenditure will be incurred in Dublin. This emphasises the centralising tendency that has marked the Irish economic system since the Treaty. It is noteworthy that no expenditure seems to be contemplated on capital works relating to agriculture. Doubtless agricultural exports will be indirectly helped by some of the projected works and the tourist industry will be encouraged by the improved roads and hotels, but, generally speaking, the buildings and constructions in contemplation will do little to increase exports. The necessary expansion of imports can, however, be paid for out of the large sterling balances accumulated during the war, provided that supplies are available in exporting countries.

It is estimated that, when due allowance is made for increased building costs, the annual volume of post-war work will be at least two-thirds greater than that carried out in a normal pre-war year. In the period immediately after the war the building industry will be completely unable to meet the demands made on it unless a rigid scheme of priorities is established. Imports of timber and other essential materials will be scarce. The supply of labour will depend upon the rate at which skilled craftsmen who have emigrated to Great Britain will return. The great demand for labour in Great Britain during the war has gravely depleted the supply of skilled labour in Eire, and there is every reason to believe that the post-war period will also witness considerable building activity. British wages and social services may tempt many Irish workers not to return to Eire and the training of new labour may be necessary. The expansion of the building industry is desirable, not only because of the shortage of houses, but because of the amount of well-paid employment that it affords.

Priorities

The function of the Government in directing the building programme is, to a large extent, negative. The Government can prohibit the erection of buildings but, apart from works by public authorities, cannot order them to be erected. Moreover, it is exceedingly difficult to decide upon what principle the social desirability of competing projects should be determined. In an individualist society the ultimate arbiter of desirable activity is the satisfaction of consumer demand, and, except in the abnormal conditions of war, preventing the public from satisfying their legitimate wants can hardly be justified. The Department accepts this view and states, therefore, that any necessary restriction should apply proportionately to every class of project. In other words, it is the rate and not the direction of the building programme that needs to be regulated. Certain principles are laid down to determine the allocation of priorities. Promoters who are ready to proceed should be facilitated; preference should be given to private enterprise; work requiring much labour and little timber should be preferred to work requiring much timber and little labour; work should be encouraged in areas where labour is plentiful; and some publicly financed schemes should be held in reserve for periods of depression.

On the basis of these principles, a provisional plan has been prepared. The plan assigns work in the following amounts in the post-war years: first year, £7,834,890; second year, £10,575,340; third year, £13,016,210; fourth year, £13,616,640; fifth year, £12,728,475; sixth, seventh and eighth years, a total of £15,395,333. The sum of £7,834,890 to be spent in the first year includes £2,500,000 for housing by local authorities, £1,500,000 for housing by private enterprise, £600,000 for factories, £562,000 for schools, and £530,000 for hospitals. In later years a good deal of elasticity must be allowed in determining the priorities of particular projects. The various Government Departments directly concerned will have to make these decisions in the light of the supplies of labour and materials available. Obviously, building which does not comply with the Government's programme will have to be prevented, and it is proposed that no building exceeding a specified cost should be undertaken except under licence. To aid in the execution of the post-war building programme, five special advisory committees have been set up representative of employers and labour in the building and allied industries, and a committee has been established to deal with research in the building industry with particular reference to the use of the country's natural resources in building materials.

THE NATIONAL FINANCES

The purpose of this special section is to provide a conspectus of the statistical material that is available on the national finances. It is divided into three parts:—

1. The National Economy.—A summary of the figures contained in the Budget White Paper ("An Analysis of the Sources of War Finance and Estimates of the National Income and Expenditure in the years 1938 to 1944"; Cmd. 6623; 1s. net) and a commentary upon the results. This section contains the majority of the tables from the White Paper (other than the main tables reprinted in full in Section 2). But it also contains a number of independent estimates by THE ECONOMIST. The official tables are printed at the foot of each page and are numbered as they appear in the White Paper (where two tables are summarised in one, the numbers of both are given). THE ECONOMIST's own estimates appear in the text and, as a further safeguard, any figure containing an element of private estimation is given in brackets.

2. The National Income.—The four main tables from the White Paper reprinted in full.

3. The Budget.—A collection of tables relating to the revenue and expenditure of the Exchequer and to the National Debt. This replaces the Budget Supplement that has been published for many years. All the figures are derived from official sources.

All figures (other than percentages) are in £ millions, unless otherwise stated.

I The National Economy

The Budget White Paper is divided into five chapters. Of these the fifth consists of the main tables, reprinted in full on pages 595-6, and the fourth is a comparison of this year's estimates with those of last year's Budget White Paper, which is mainly of technical interest. The discussion below summarises and comments upon the first three chapters. Between the second and third, however, there is interposed a discussion on "The Cost of the War," based largely on estimates by THE ECONOMIST.

I—INTRODUCTION

THE introduction is mainly concerned with defining the terms used in national income studies, illustrating them from the figures of the single year 1938. The discussion starts with the familiar concept of incomes received by individuals and their disposal in the three main categories of consumption, taxes and saving. These figures are shown in Table 1, and Table 2 adds figures for other income which, while it is private, does not accrue to individuals; this consists mainly of the undivided profits of companies. The total of these two tables is Private Income. Table 3 sets out both the Private Income and the Outlay resulting from it in a different way. The income is differentiated according as it arises from economic activity—that is, as payment for some contribution to the economic process—or from transfers from public authorities which are made without regard to any economic activity. Pensions and social security payments generally are clearly "transfer payments," while interest on the national debt is customarily so included. The third category of personal income is remittances from abroad. In this table also, the outlay of personal incomes on consumption is sub-divided according to the economic nature of the different payments. Out of every £1 of private income in 1938 2s. 2d. went in direct taxes and 1s. 5d. was saved, leaving 16s. 5d. to be spent on consumption. Of this 16s. 5d., a further 2s. 2½d. went in indirect taxes (making a total of 4s. 4½d. for taxes), 10s. 6d. went to pay wages, salaries, rent, interest and profit to British persons and companies, 1s. 0½d. was set aside to meet the costs of replacing the capital equipment used in producing the consumption goods, and 2s. 8d. went in payment for imports and in remittances overseas.

The foregoing tables exclude both the income and the outlay of the central government and local authorities, which is shown in Table 4. The major items in income are naturally the taxation levied on private income; but there is also income from public trading and from taxes

levied by one public authority on another. Expenditure is divided under heads similar to those in Table 3.

Items of saving and of depreciation and maintenance appear among the expenditure items both of Table 3 and Table 4. Together these amount to the gross saving of the community, its expenditure on the maintenance, replacement and increase of its capital. These sums also were, in the main, expended on goods and services (i.e., new capital equipment and labour for maintenance and repair), and they too can therefore be divided up according as they were spent on salaries, wages, rent, interest and profits; on depreciation (i.e., the maintenance and replacement of the capital used to make capital goods); on indirect taxes; or on imports. These figures are given in Table 5, which also includes an item for the net increase or reduction in the total of British claims on other countries. This item is the net resultant of a large number of transactions between the United Kingdom and the rest of the world, usually known as the balance of payments, and shown in Table 6.

The figures of private income given up to this point have included transfer payments—that is, payments such as pensions which are made to persons for reasons other than in payment for economic activity. For some purposes—for example, discussions of taxable capacity—it is right that these payments should be included. But in the main, national income figures are used as measures of economic activity, and for these purposes transfer payments are best excluded. A nation that went in for gigantic social security schemes and greatly increased its national debt would thereby increase the total of its private incomes. But, as a community, it would not be any richer, and for the measurement of real wealth it is therefore necessary to have figures from which these items are omitted.

There are three main national income concepts in general use: net national income at factor cost, net national income at market price, and gross national income at market price (usually called gross national product). The

The Crown Colonist

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CEYLON	SOMALILAND	BRITISH GUIANA	SEYCHELLES	BERMUDA
BAHAMAS	PALESTINE	F. MALAY STATES	NYASALAND	TRINIDAD
BARBADOS	MAURITIUS	STR. SETTLEMENTS	ST. HELENA	LEEWARD IS.
GIBRALTAR	SARAWAK	WEST PACIFIC IS.	ZANZIBAR	HONG-KONG
GOLD COAST	JAMAICA	BRITISH HONDURAS	NIGERIA	A-E SUDAN
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difference between net and gross consists of depreciation and maintenance expenditures. For some purposes, such as ascertaining the total resources available for use in wartime, it is the whole flow of output of the community that has to be measured, irrespective of whether some of it ought to be devoted to replacing the capital used up in producing it. For a number of years the community can neglect its capital equipment and consume, either for private or for governmental purposes, the whole of its output. But for determining longer-term issues, which require the maintenance of capital as a first charge on output, it is the net income that is relevant. Hitherto, discussion in this country has mainly concentrated on the net figures, chiefly because no others were available. It is one of the advances recorded in this year's White Paper that a figure for depreciation and maintenance allowances is now shown for every year, so that a continuous series of gross figures can be given. The difference between "factor cost" and "market price" depends upon whether the goods and services of which the national income is composed are valued at their market price, which includes indirect taxes, or at the payments made to the various factors of production that went into them. Shall each packet of 20 cigarettes be counted at 2s. 4d. (market price) or at 7d. (the wages, salaries, rent, interest, profits and import costs that went into it)? The more correct way, of course, is "factor cost," since the imposition of indirect taxes does not in any real sense increase the productivity of the community and should not therefore inflate the estimates of national income. But it is not always possible to separate out the indirect tax portion of different items of expenditure, and it is then necessary to use "market price" figures.

Table 10 gives, for each of the last seven years, figures for personal income, for total private income, and for the three versions of national income. It also shows the relation between these various figures.

II—CENTRAL GOVERNMENT EXPENDITURE AND THE NATIONAL ECONOMY

In wartime a very large proportion of the total output of the community has to be pre-empted by the Government. Table 11 is an attempt to show how much. The total expenditure of public authorities on goods and services, reduced to a "factor cost" basis, is compared with the net national income at factor cost, and the proportion of the former to the latter is seen to rise from 20 per cent in 1938 to 61 per cent in 1943, with a slight fall to 59 per cent in 1944. The figures in this table are the first time that war expenditure has been distinguished from other public expenditure. It will be noticed that the distinction is not carried down to the final percentages, but if it can be assumed that indirect taxes amount to the same proportion of war expenditure as of other public expenditure, then the proportion of war expenditure to net national income would work out at 7½ per cent in 1938, 55 per cent in 1943 and 53½ per cent in 1944.

This is the comparison with *net* national income. But it is not certain that this is the most realistic comparison. Net national income is a purely accounting concept. It is not the value of the total national output, nor even the value of the total national output less those goods and services that *actually* are set aside to maintain and replace capital, but the value of the total national output less those goods and services that *would have to be* set aside if the national capital were to be fully maintained—which it is not in wartime. If the comparison is made with the *gross* national income at factor cost, then the proportion borne by total public expenditure is 18 per cent in 1938, 57½ per cent in 1943, and 56 per cent in 1944.

There are three ways in which resources have been provided in such large volume for the Government's use. The first is through a rise in the total output of the community. The total number of men employed in the country (including the Armed Forces and whole-time Civil

Defence) rose from 13.2 million in 1938 to 15.1 million in 1942, and has since fallen only to 14.9 million. The total for women rose from 4.6 million in 1938 to 7.2 million in 1943 and 7.1 million in 1944 (counting each part-timer as a half). At the same time average hours worked per week rose from 46½ in October, 1938, to 50 in July, 1943, and have since fallen back only slightly. On the vexed question of output per man-hour, the White Paper says that "some rise has taken place" but that "the main sources of increased output per man-hour are to be found in the shift of employment from industries with a relatively low to those with a relatively high output per head and in the economies that have arisen through the greatly increased scale of war industries."

The second way in which goods and services have been provided for the war is through a contraction in consumption. Figures bearing on this are given in Table 14. The physical volume of consumption, as can be seen from the last line, was reduced by 22 per cent in 1943, with a slight relaxation in 1944. The Chancellor of the Exchequer explained in his Budget speech that this increase in consumption was almost wholly explained by the incidence of clothes rationing periods.

The third method of mobilising resources has been by drafts on capital at home and overseas—the expression including, in the latter case, not only the realisation of assets but the incurring of debts. The figures are given in Table 15, but it should be realised that these figures include no allowance for loss or damage due to enemy action on the one hand or for any capital assets, on the

other, of permanent value arising from Government expenditure for war purposes.

This is a description of the economic processes involved in mobilisation for war. But, cloaking and facilitating the economic processes, there are also the financial processes. The Government does not take goods or services without paying for them, and it must raise the money to do so. The figures of Government expenditure hitherto quoted are not those for which the Chancellor of the Exchequer has to make provision. On the one hand, they have been limited to Government expenditure on goods and services—that is, they have excluded expenditure on social services and the national debt. On the other hand, they have included expenditure by public authorities other than the central government. The double adjustment is made in Tables 16 and 17.

The means of collecting revenue are familiar. But the borrowing process can be analysed in two ways. Table 19 shows the economic origin of the funds available to be borrowed—that is, whether they derive from saving or from the encashment of capital assets at home or overseas. Table 20 shows the form of securities by which the borrowing has been done.

The fact that these two tables add up to the amount of the Government's borrowing does not prove that there is no inflation. As the White Paper says

There can be no heading in any of them called "inflationary" sources because accounting knows nothing of such matters. A very high figure of personal saving may arise because consumers have foregone a

1.—PERSONAL INCOME AND OUTLAY, 1938	
1. Rent, interest and profit received by persons	1,612
2. Wages, salaries and the pay and allowances of the Forces	2,913
3. Transfer payments from public authorities other than national debt interest included in item 1 above	279
4. Remittances from abroad	25
5. Personal income before tax	4,829
6. Personal expenditure on consumers' goods and services	4,178
7. Direct taxes	468
8. Saving	183
9. Personal outlay	4,829
2.—OTHER PRIVATE INCOME AND OUTLAY, 1938	
1. Other private income before tax	259
2. Other private income before tax	259
3. Direct taxes	77
4. Saving	182
5. Other private outlay	259
3.—PRIVATE CURRENT ACCOUNT, 1938	
1. Income from economic activity	4,592
2. Transfers from public authorities	192
(a) National debt interest	192
(b) Other	279
3. Remittances from abroad	25
4. Private income before tax	5,088
5. Personal expenditure on consumers' goods and services	4,178
(a) Factor cost	2,670
(i) Home production	269
(b) Depreciation and maintenance	668
(ii) Imports	561
(c) Indirect taxes	10
6. Direct taxes	545
7. Saving	365
8. Private outlay	5,088
4.—CURRENT ACCOUNT OF PUBLIC AUTHORITIES, 1938	
9. Income from public property, trading, etc.	27
10. Direct taxes	545
11. Indirect taxes	545
(a) Private	561
(i) Current account	19
(ii) Capital account	28
(b) Public authority	28
(i) Current account	28
(ii) Capital account	28
(c) Overseas	22
12. Income of public authorities	1,210
13. Goods and services	1,210
(a) Factor cost	634
(i) Home production	62
(b) Depreciation and maintenance	80
(ii) Imports	28
(c) Indirect taxes	10
14. Subsidies	15
15. Transfers to the private sector	471
16. Saving	90
17. Outlay of public authorities	1,210

5.—COMBINED CAPITAL ACCOUNT, 1938	
18. Saving :—	£
(a) Private	365
(b) Public authority	90
19. Sums allowed for depreciation and maintenance	440
20. Saving and sums allowed for depreciation and maintenance	715
21. Domestic gross capital formation :—	
(a) Private :—	
(i) Factor cost :—	
(1) Home production :—	
(1) Current factor cost	410
(2) Depreciation and maintenance	41
(b) Imports	80
(ii) Indirect taxes	19
(b) Public authority :—	
(i) Factor cost :—	
(1) Home production :—	
(1) Current factor cost	188
(2) Depreciation and maintenance	19
(b) Imports	8
(ii) Indirect taxes	8
22. Net lending to or purchase of assets and financial claims from overseas	— 70
23. Gross capital formation	715
6.—OVERSEAS ACCOUNT, TRANSACTIONS OF THE REST OF THE WORLD WITH THE UNITED KINGDOM, 1938	
24. Receipts by countries abroad from the United Kingdom for merchandise, services and dues, including tourists' expenditure :—	£
(a) Private :—	
(i) Current	668
(ii) Capital	80
(b) Public authority :—	
(i) Current	80
(ii) Capital	20
(c) Overseas	100
25. Receipts by countries abroad from the United Kingdom government in respect of debt interest and other current payments	10
26. Remittances received from the United Kingdom	10
27. Receipts by countries abroad from the United Kingdom	988
28. Payments to the United Kingdom by countries abroad for merchandise, services and dues, including tourists' expenditure :—	£
(a) Factor cost :—	
(i) Home production :—	
(a) Current factor cost	497
(b) Depreciation and maintenance	49
(ii) Imports	100
(b) Indirect taxes	22
29. Interest and profits on United Kingdom overseas investments, less commercial interest and profits received by countries abroad from the United Kingdom	205
30. Remittances to the United Kingdom	25
31. Net lending to or purchase of assets and financial claims from the United Kingdom	70
32. Payments to the United Kingdom by countries abroad	988

great deal of consumption, because by increased effort they have raised their total income or because a general increase in prices has resulted in a rise in saving and everything else expressed in terms of money. . . . A better test, perhaps, is the extent to which the pressure on resources has driven up prices, rates of remuneration and incomes and in this way provided the source of the higher money saving.

Judged by this test, the position is not unsatisfactory. There has been a considerable fall in the value of money during the war years, but the greater part of it occurred in the earlier years and was probably due in the main to the fall in the exchange value of the pound sterling. The continued fall in the value of money, or rise in prices, in the later years has been small in relation to the enormous pressures at work. Unquestionably, there has been some inflation, but it has been commendably small in extent.

III—THE COST OF THE WAR

One serious defect of figures stated in money terms is that it is difficult to distinguish how much of the change in them is due to change in the real physical magnitude and how much is merely a reflection of shifts in the value of money. Thus the Gross National Product was £5,682 million in 1938 and £10,069 million in 1944, a growth of 78 per cent. How much of this growth is a real increase in the gross output of goods and services and how much mere price inflation? Before an accurate picture of the effect of the war on the national economy can be obtained, it is necessary to eliminate the effects of price changes.

The White Paper does this for consumption expendi-

tures (see Tables 14 and 22). But no figures of price changes are given that can be applied either to Government expenditure or to the capital items. The reason for this is presumably the great statistical difficulty of doing so. War expenditure goes very largely on things that did not exist a few years ago; how can a correction for price changes be made in such circumstances? The capital items are partly composed of purely financial entries; there is no "physical volume" to measure. These difficulties are quite enough to deter any statistician whose figures would carry an official stamp. But the advantages of having a series of figures from which the effect of price changes has been eliminated is so great that, as in previous years, *The Economist* has made its own estimates. No exactness is claimed for these, but they are believed to be of the right order of magnitude.

These estimates are based on the figures of the Gross National Product, or gross national income at market price. The consumption figures can be deflated by an index of market prices, calculated from Table 14. For the capital items, it seems best to use an index number of the factor cost of consumption goods, which can also be calculated from figures given in the official tables; it is unlikely that capital goods have been greatly affected by the war-time increases in indirect taxes or in subsidies, and for the purely financial items the only possible analogy is with capital goods. It seems probable that the price level of goods and services bought by the Government has risen less than the factor cost of consumption goods, since it is in the munition industries that the greatest gains in productivity have been recorded. Accordingly, an arbitrary series of index numbers has been used for the Govern-

21.—PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES AT CURRENT MARKET PRICES

	1938	1939	1940	1941	1942	1943	1944
1. Food:—							
(a) Household expenditure:—							
(i) Bread and cereals, etc.	165	220	244	246	225	232	
(ii) Meat, bacon, etc.	275	256	241	275	273	305	
(iii) Fish, fresh and canned	43	39	46	36	35	41	
(iv) Oils and fats	98	65	59	57	57	59	
(v) Sugar, preserves and confectionery	108	128	112	110	105	101	
(vi) Dairy products	189	183	194	213	203	202	
(vii) Fruit, fresh, canned and dried	79	62	32	41	35	43	
(viii) Potatoes and vegetables	84	85	119	125	126	134	
(ix) Beverages not included below	54	52	51	50	46	48	
(x) Other manufactured food	33	67	51	44	37	42	
(b) Other personal expenditure	77	78	90	109	121	119	135
2. Alcoholic beverages:—							
(a) Beer, etc.	180	195	253	319	374	428	457
(b) Other	88	94	100	116	121	138	130
3. Tobacco:—							
(a) Cigarettes	144	168	215	264	343	412	427
(b) Other	32	36	47	55	72	79	79
4. Rent, rates and water charges	491	510	520	515	510	508	508
5. Fuel and light:—							
(a) Coal	105	104	117	126	122	116	118
(b) Electricity	33	35	38	40	42	40	43
(c) Gas	39	40	46	48	52	55	59
(d) Other	15	17	19	20	21	21	24
6. Durable household goods:—							
(a) Furniture and furnishings	152	146	139	128	114	83	68
(b) Hardware	82	77	73	69	60	56	56
7. Clothing:—							
(a) Footwear	73	78	90	91	97	87	90
(b) All other clothing:—							
(i) Men's and boys' wear	127	131	137	116	123	101	125
(ii) Women's, girls' and infants' wear	246	249	269	246	267	241	279
8. Travel, including the purchase of privately-owned vehicles and their running expenses	284	263	181	200	214	222	223
9. Services not included above:—							
(a) Entertainment	68	64	61	83	111	131	140
(b) Postal, telephone and telegraph services	29	29	32	37	40	48	54
(c) Acquisition and transfer of property and life assurance	66	66	65	67	68	68	68
(d) Other	404	406	405	389	364	346	352
10. Other goods	280	285	297	307	300	311	325
11. Income in kind of the armed forces	17	29	81	135	146	185	199
12. Total of above items	4,160	4,269	4,423	4,628	4,879	4,937	5,166
13. Adjustment	-7	-5	...	5	30	50	50
14. Total	4,153	4,264	4,423	4,633	4,909	4,987	5,216

22.—PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES CORRECTED FOR PRICE CHANGES

	1938	1939	1940	1941	1942	1943	1944
1. Food:—	1,205	1,216	1,030	941	994	939	998
2. Alcoholic beverages:—							
(a) Beer, etc.	180	187	186	213	215	219	228
(b) Other	88	91	82	83	67	66	60
3. Tobacco:—							
(a) Cigarettes	144	150	149	165	174	174	175
(b) Other	32	32	30	32	32	29	28
4. Rent, rates and water charges	491	505	508	503	497	496	495
5. Fuel and light	192	194	197	198	194	183	183
6. Durable household goods:—							
(a) Furniture and furnishings	152	144	105	70	48	36	30
(b) Hardware	82	75	59	45	33	29	29
7. Clothing:—							
(a) Footwear	73	76	68	58	56	53	53
(b) All other clothing:—							
(i) Men's and boys' wear	127	127	103	70	69	57	69
(ii) Women's, girls' and infants' wear	246	241	201	147	148	137	153
8. Travel, including the purchase of privately-owned vehicles and their running expenses	284	262	164	168	180	186	187
9. Services not included above	567	563	492	450	423	403	403
10. Other goods	280	282	261	225	196	198	205

23.—PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES AT CURRENT PRICES ADJUSTED FOR INDIRECT TAXES AND SUBSIDIES

	1938	1939	1940	1941	1942	1943	1944
1. Food:—	1,138	1,172	1,209	1,261	1,328	1,317	1,398
2. Alcoholic beverages:—							
(a) Beer, etc.	110	115	119	150	161	167	168
(b) Other	48	49	52	62	62	68	66
3. Tobacco:—							
(a) Cigarettes	86	92	96	109	118	121	118
(b) Other	...	...	...	...	...	...	...
4. Rent, rates and water charges	335	345	348	344	342	344	347
5. Fuel and light	186	190	212	224	228	227	241
6. Durable household goods:—							
(a) Furniture and furnishings	145	139	133	103	89	65	55
(b) Hardware	78	74	69	57	47	44	45
7. Clothing:—							
(a) Footwear	70	75	87	79	85	80	84
(b) All other clothing	353	361	386	307	335	307	373
8. Travel, including the purchase of privately-owned vehicles and their running expenses	245	228	160	176	194	204	207
9. Services not included above:—							
(a) Entertainment	58	54	52	66	81	88	92
(b) All other	483	485	484	470	452	446	462
10. Other goods	263	270	278	269	258	264	277
11. Income in kind of the armed forces	16	28	77	131	143	185	200

ment sphere; it is here that the greatest margin of error lies. The index numbers used for deflation are as follows:

	1938	1939	1940	1941	1942	1943	1944
Government expenditure	100	(100)	(115)	(125)	(130)	(135)	(137½)
Consumption expenditure (market price)	100	102	119	135	142	148	151
Capital items (factor cost)	100	102	118	131	137½	141	145

With the official estimates corrected in this way, the following table can be constructed:—

GROSS NATIONAL EXPENDITURE
(millions of 1938 pounds)

	1938	1939	1940	1941	1942	1943	1944†
Government expenditure:—							
1. War purposes	358	(795)	(2,400)	(2,960)	(3,130)	(3,440)	(3,400)
2. Other*	496	(471)	(418)	(413)	(410)	(398)	(396)
3. Private expenditure on consumption	4,153	(4,180)	(3,710)	(3,480)	(3,450)	(3,370)	(3,450)
Expenditure on maintenance, replacement and increase of capital:—							
4. At home	785	(810)	(460)	(300)	(289)	(250)	(198)
5. Abroad	70	(246)	(-672)	(-608)	(-485)	(-486)	(-454)
6. Gross Nat. Product	5,682	(6,010)	(6,316)	(6,545)	(6,796)	(6,972)	(6,990)

* Excluding net capital formation of a non-war character, included in item 4.
† This column incorporates certain rearrangements and revisions of the figures given on page 534 of *The Economist*, of April 28, 1945.
‡ This line differs from the corresponding line of Table 14 because it is given at market price; it also differs from the total of Table 22 because it incorporates certain adjustments.

From this table it is possible to show the real cost of the war, and the relative real magnitudes of the sources from which it has been derived. Government expenditure on war purposes in 1944 was (£3,042 million) higher than in 1938. This figure can be regarded as the cost of the war in 1944. (There was, of course, a large rearmament element in the 1938 figure, but it is not possible to eliminate this.) It is also clear how the £3,042 million

24.—TAXATION ON PRIVATE INCOME

	1938	1939	1940	1941	1942	1943	1944
1. Private income	5,063	5,411	6,359	7,355	8,050	8,664	9,018
2. Direct taxes, etc., met out of private income	545	597	787	1,231	1,522	1,912	2,104
3. Indirect taxes, rates and war risks insurance premiums less subsidies met out of private income	565	613	690	856	959	1,036	1,016
4. Excess of tax liabilities over payments	23	117	284	327	343	147	102
5. Total of 2, 3 and 4	1,133	1,327	1,761	2,414	2,824	3,095	3,222
6. (5) as a percentage of (1)	22	25	28	33	35	36	36

25.—NUMBERS IN DIFFERENT RANGES OF NET INCOME

Range of income after tax	1938-39	1942-43
150-250	4,500,000	7,000,000
250-500	1,820,000	5,300,000
500-1,000	450,000	550,000
1,000-2,000	155,000	117,000
2,000-4,000	56,000	31,750
4,000-6,000	12,000	1,170
6,000 and over	7,000	80
Total of above	7,000,000	13,000,000

28.—PRIVATE SAVING

	1938	1939	1940	1941	1942	1943	1944
Gross personal saving	273	371	797	1,100	1,374	1,625	1,597
less Death duties, etc.	-90	-87	-85	-94	-100	-104	-113
Balance	183	284	712	1,006	1,274	1,521	1,484
Private non-personal gross saving	182	266	437	485	345	244	214
Total gross private saving	365	550	1,149	1,491	1,619	1,765	1,698
less Increase in allowance to meet accrued taxation	-23	-117	-284	-327	-343	-147	-102
Net private saving	342	433	865	1,164	1,276	1,618	1,596

was provided. To begin with, the total gross national product increased by (£1,308 million). Private consumption expenditure was reduced by (£703 million) and Government non-war expenditure by (£60 million). A reduction in the gross provision for domestic capital contributed (£587 million) and increased drafts on overseas capital (£384 million). A similar sum can be done for each of the years from 1939 to 1944, and the following table shows the results for the last two years and for the six years together:—

	1943		1944		1939-44	
	Millions of 1938 pounds	%	Millions of 1938 pounds	%	Millions of 1938 pounds	%
Cost of war (inc. in item 1)	(3,082)	(100)	(3,042)	(100)	(13,977)	(100)
Derived from:—						
Larger output (inc. in 6)	(1,290)	(42)	(1,308)	(43)	(5,537)	(39½)
Smaller consumption (red. in 3)	(783)	(25)	(703)	(23)	(3,278)	(23½)
Smaller Govt. non-war expenditure (red. in 2)	(58)	(2)	(60)	(2)	(230)	(1½)
Reduced provision for domestic capital (red. in 4)	(535)	(17½)	(587)	(19)	(2,403)	(17)
Larger drafts on overseas capital (inc. in negative figure in 5)	(416)	(13½)	(384)	(13)	(2,529)	(18)

The cost of the war has been equivalent to the whole gross output of the nation, at the 1938 standard, for 2½ years, and this cost has been met, in the rough proportion of 4:2½:3½ from greater productive effort; from economies in consumption and normal government expenditure; and from drafts on capital.

The American official figures permit a comparison to be made in this respect between the economic cost of the war in the United Kingdom and the United States. The following table gives the percentage distribution of the cost of the war in the peak year in each country (1943 in the United Kingdom, 1944 in the United States)

25.—DISTRIBUTION OF PRIVATE INCOME BY RANGES OF INCOME SHOWING THE EFFECT OF CHANGES IN INCOME TAX AND SURTAX United Kingdom, 1938

Range of income before tax	Number of incomes	Aggregate income before tax 1938	Aggregate income after income tax and surtax at		Proportion of income before tax retained after deduction of taxes at	
			1938-39 rates	1942-43 rates	1938-39 rates	1942-43 rates
£	000's	£m	£m	£m	%	%
Private income at the disposal of individuals which can be allocated to different ranges:—						
Under 250.....	...	2,706	2,701	2,641	99.8	97.6
250-500.....	1,745	595	578	499	97.1	83.9
500-1,000.....	500	350	311	244	88.9	69.7
1,000-2,000.....	195	270	224	160	83.0	59.3
2,000-10,000...	97	360	256	170	71.1	47.2
10,000 and over	8	170	84	35	49.4	20.6
Unallocated private income.....	...	612†	506	...	82.7	...
Total private income	...	5,063	4,660	...	92.0	...

United Kingdom, 1942

Range of income before tax	Number of incomes	Aggregate income before tax 1942	Aggregate income after income tax and surtax at		Proportion of income before tax retained after deduction of taxes at	
			1938-39 rates	1942-43 rates	1938-39 rates	1942-43 rates
£	000's	£m	£m	£m	%	%
Private income at the disposal of individuals:—						
Under 250		3,347	3,339	3,245	99·8	97·0
250-500	5,500	1,854	1,803	1,584	97·3	85·4
500-1,000	1,110	740	664	533	89·7	72·0
1,000-2,000	295	413	343	253	83·1	61·3
2,000-10,000	102	366	263	176	71·9	48·1
10,000 and over	8	170	84	35	49·4	20·6
Unallocated private income	...	1,160†	...	508	...	43·8
Total private income	...	8,050	...	6,334	...	78·7

with the peacetime year five years earlier, thus giving an identical period of mobilisation in the two countries:—

	United Kingdom	United States
Cost of war	100	100
Derived from:—		
Larger output	(39½)	(100)
Smaller consumption	(23½)	(-17)
Smaller Govt. non-war expenditures ..	(1½)	(3)
Reduced provision for, and drafts on, capital	(35)	(14)

The contrast is very striking. The whole real cost of the war to the United States has been met out of increased production. Economies in other Government expenditure and in provision for capital have been necessary only to meet the increased consumption—amounting to about one-fifth—brought about by the impact of high wartime earnings on an economy that is still substantially unrationed.

IV.—CHANGES IN THE COMPOSITION OF PRIVATE OUTLAY.

The chapter of the White Paper with this heading deals with the effect of the war on the incomes and expenditures of individuals. Private outlay comprises consumption, taxation and saving, and each of these components is treated separately.

(A) Consumers' Expenditure

Table 21 shows, in greater detail than has hitherto been available, the composition of personal expenditure,

	Increase or Decrease in 1944 compared with 1938	Proportion of Market Price in 1944 represented by net indirect taxation
Food	-17½	4
Alcoholic beverages	+7½	60
Tobacco	+15½	77
Rent, rates and water	+1	32
Fuel and light	-4½	1
Durable household goods	-75	19
Clothing	-38	7½
Travel	-34	7
Entertainments	-29	34
Other services	-29	2½
Other goods	-26½	15

* Net Subsidy.

at market prices. The adjustment in item 13 is to remove from the figures the expenditure of tourists or troops

27.—DIRECT TAXATION PAID IN EACH YEAR IN RESPECT OF THE POSSESSION OF DIFFERENT TYPES OF INCOME OR THE OWNERSHIP OF DIFFERENT TYPES OF PROPERTY

	1938	1939	1940	1941	1942	1943	1944
1. Arising out of the possession of income:—							
(a) Rent of land and buildings:—							
(i) Income tax	58	65	83	105	120	125	125
(ii) Surtax	7	7	8	8	8	8	8
(b) Interest and profits:—							
(i) Income tax	205	222	302	401	399*	537	595
(ii) Surtax	43	48	58	57	53	54	54
(iii) N.D.C., E.P.T., etc.	15	28	68	231	348	483	519
(c) Salaries:—							
(i) Income tax	43	54	79	130	219	267	310
(ii) Surtax	9	10	12	12	11	12	12
(iii) Employers' contributions ..	4	4	5	7	7	7	7
(d) Wages:—							
(i) Income tax	2	3	5	28	112	185	235
(ii) Surtax	51	53	56	61	65	64	64
(iii) Employers' contributions ..	...	...	...	...	...	...	...
2. Arising out of the ownership of property or claims thereto:—							
(a) Land and buildings:—							
(i) Estate duties (estate legacy and succession duties), corporation duty and land tax	10	10	10	11	11	12	13
(ii) War Damage Act contributions (Part I)	...	...	...	32	40	40	40
(b) Interest bearing securities, viz.:—							
Government and municipal stocks, bonds, mortgages, debentures:—							
Estate duties and corporation duty	22	22	23	27	29	30	35
(c) Stocks, shares, etc. (excluding debentures, mortgages, etc.) in all forms of productive, commercial, financial, etc., enterprise:—							
Estate duties and corporation duty	37	37	37	40	43	43	47
(d) Other forms of property:—							
Estate duties	9	9	9	10	11	11	12
3. Incapable of being allocated between the above headings:—							
(i) Other direct taxes, etc., paid to the central government	30	25	32	28	20	20	19
(ii) Direct taxes paid to extra-budgetary funds not specified above	...	...	...	43	26	14	9
4. Total direct taxes	545	597	787	1,231	1,522	1,912	2,104

* The introduction of Tax Reserve Certificates absorbed payments previously made in advance.

from overseas and to add in consumption expenditure abroad out of British personal income. Out of the total increase of £1,063 million, £649 million is attributable to expenditure on alcoholic beverages and tobacco. Table 22 shows the same items, in summarised form, at constant prices. Comparison of the last column with the first shows the variation in physical volume of the various items. Table 23 gives figures for expenditure on consumption goods with the effect both of indirect taxes and of subsidies removed. A comparison of Table 23 with Table 21 shows what proportion of the market price of the different categories is represented by indirect taxation less subsidies. These two comparisons are shown in the attached table.

(B) Taxation in Relation to Income

Table 24 shows the proportion of private income that is taken in taxation. Of the final percentage of 36 for 1944, the Chancellor of the Exchequer stated in his Budget speech that 3 per cent represents Excess Profits Tax.

Table 25 brings up-to-date figures given in previous years of the distribution of total private income between incomes of different sizes. These figures, in so far as they relate to *personal* income (i.e. excluding unallocated private income), can be summarised as follows:—

Range of Income before tax	1938			1942		
	Total No. of Incomes	Total Income before Tax	Total Income after Tax	Total No. of Incomes	Total Income before Tax	Total Income after Tax
Under 250. £	...	...	...	...	...	...
250—500	(89)	65	65	(72)	48½	56
500—1,000	(7½)	13	14	(21½)	27	27
1,000—2,000	(2)	8	7½	(4½)	10½	9
2,000—10,000	(0.8)	6	5½	(1.2)	6	4½
10,000 and over	(0.4)	8	6	(0.4)	5½	3
	(0.03)	4	2	(0.03)	2½	1½

A further illustration of the same social transformation shown by these figures is given in Table 26, which shows the number of net incomes of different sizes. (This Table is confined to persons assessed to income tax.) In Tables 25 and 26 each married couple is treated as having only one income.

Table 27 shows how direct taxation falls on the different economic categories of income.

Table 28 (reprinted here in summarised form) shows the composition of private savings.

2 The National Income

I.—ESTIMATES OF NET NATIONAL INCOME (OR PRODUCT) AND EXPENDITURE, 1938-1944 (£ million)

	1938	1939	1940	1941	1942	1943	1944		1938	1939	1940	1941	1942	1943	1944
1. Rent of land and buildings ..	380	388	388	385	384	384	384	7. Personal expenditure on consumers' goods and services including sums involved in the acquisition and transfer of property and life assurance at market prices	4,153	4,264	4,423	4,633	4,909	4,987	5,216
2. Interest and profits, including farming profits and professional earnings	1,326	1,482	1,818	2,119	2,276	2,346	2,376	8. Expenditure at home and abroad by public authorities on all goods and services other than those included in net non-war capital formation	814	1,266	3,056	4,217	4,597	5,185	5,221
3. Salaries	1,100	1,141	1,206	1,332	1,381	1,434	1,473	9. Net non-war capital formation of public authorities	125	94	25	-13	-20	-34	-42
4. Wages	1,735	1,835	2,115	2,419	2,708	2,916	2,930	10. Increase in work in progress on government account held under private finance	220	(283)	150	150	75	50	...
5. Pay and allowances (in cash and kind) of members of H.M. Forces and Auxiliary Services	78	124	386	622	805	999	1,171	11. Private net capital formation at home and war losses made good not included below	...	...	(-99)	(-247)	(-194)	(-188)	(-202)
6. Net national income (or product)	4,619	4,970	5,913	6,877	7,554	8,079	8,334	12. Expenditure incurred in making good war damage to buildings	...	...	...	29	61	49	56
								13. Net lending abroad and purchase of assets and financial claims from overseas	-70	-250	-796	-795	-666	-684	-655
								14. Subsidies	15	20	70	140	175	190	220
								15. Less Indirect taxes and rates	-584	-638	-734	-933	-1,111	-1,252	-1,349
								16. Less Employers' national insurance contributions ..	-54	-55	-58	-65	-73	-72	-72
								17. Less War risks insurance premiums	...	-14	-124	-239	-199	-152	-59
								18. Net national expenditure ..	4,619	4,970	5,913	6,877	7,554	8,079	8,334

II.—ESTIMATES OF PRIVATE INCOME AND OUTLAY, 1938-1944 (£ million)

(Personal Income)															
	1938	1939	1940	1941	1942	1943	1944		1938	1939	1940	1941	1942	1943	1944
19. Rent, interest (including National Debt interest and interest accrued on National Savings Certs.) and profits received by persons	1,612	1,671	1,769	1,784	1,907	2,025	2,132	27. Personal expenditure on consumers' goods and services, other than those included in the following item, adjusted for subsidies and indirect taxes, rates, etc.	3,541	3,606	3,696	3,746	3,885	3,904	4,115
20. Wages and salaries	2,835	2,976	3,321	3,751	4,089	4,350	4,403	28. Personal expenditure involved in the acquisition and transfer of property and life assurance	66	66	66	67	68	68	68
21. Pay and allowances (in cash and kind) of members of H.M. Forces and Auxiliary Services	78	124	386	622	805	999	1,171	29. Indirect taxes, rates, etc., less subsidies on consumers' goods and services	546	592	661	820	956	1,015	1,033
22. Pension payments	131	133	151	178	202	222	244	30. Direct tax payments including War Damage Act contributions and premiums met out of personal income but excluding income tax payments due for repayment after the war and death duties, etc.	378	407	524	693	680	902	1,025
23. Payments in respect of unemployment and the relief of poverty	112	97	64	30	18	17	18	31. Income tax payments due for repayment after the war	...	...	...	10	125	170	205
24. Health payments	35	35	35	33	40	45	51	32. Death duties and stamps on the transfer of property ..	90	87	85	94	100	104	113
25. Other transfer payments ..	1	6	18	38	27	26	24	33. Excess of direct tax liabilities on personal income over payments ..	11	31	37	37	198	108	93
26. Personal income before tax	4,804	5,042	5,744	6,436	7,088	7,684	8,043	34. Net personal saving after setting aside the excess of direct tax liabilities over payments	(172)	(253)	(675)	(969)	(1,076)	(1,413)	(1,391)
								35. Personal outlay	4,804	5,042	5,744	6,436	7,088	7,684	8,043
(Other Private Income)															
	1938	1939	1940	1941	1942	1943	1944		1938	1939	1940	1941	1942	1943	1944
36. Other private income before tax	259	369	615	919	962	980	975	38. National Defence Contribution and Excess Profits Tax payments	15	28	68	231	348	483	519
								39. Other direct tax payments including War Damage Act contributions and premiums met out of other private income ..	62	75	110	203	269	253	242
								40. Excess of direct tax liabilities on other private income over payments ..	12	86	247	290	145	39	9
								41. Other private net saving after setting aside the excess of direct tax liabilities over payments ..	170	180	190	195	200	205	205
37. Other private income before tax	259	369	615	919	962	980	975	42. Other private outlay	259	369	615	919	962	980	975
(Private Income)															
	1938	1939	1940	1941	1942	1943	1944		1938	1939	1940	1941	1942	1943	1944
43. Private income before tax (sum of items 26 and 37) ..	5,063	5,411	6,359	7,355	8,050	8,664	9,018	44. Private outlay (sum of items 35 and 42)	5,063	5,411	6,359	7,355	8,050	8,664	9,018

3 The Budget

Expenditure

The following table summarises the Exchequer returns for the last five financial years and shows the respective shares of

* Motor spirit duty, repealed 1921. † Including British wine, table waters, cider and perry, coffee and chicory, dried or preserved fruits, railway passenger duty, patent medicines, playing cards, other licences, and miscellaneous. ‡ Safeguarding, abnormal importations, hops, and (1936-37) onwards beef and veal. § Included in duties under the Imports Duties Act. ¶ Provisional figures for payments into Exchequer. Actual receipts are higher by £1,480,000.

DIRECT AND INDIRECT TAXES.

	Direct £ million	% of Total	Indirect £ million	% of Total
1913-14	78.0	47.8	85.0	52.2
1929-30	376.9	55.6	300.0	44.4
1938-39	499.3	55.6	397.1	44.4
1939-40	565.8	55.6	451.2	44.4
1940-41	778.0	57.3	580.7	42.7
1941-42	1,205.5	61.4	756.5	38.6
1942-43	1,554.0	62.6	928.6	37.4
1943-44	1,860.2	63.1	1,038.0	36.9
1944-45	2,012.4	64.2	1,122.3	35.8

The above table shows how the contribution of direct taxes (i.e., income tax, surtax, estate duties, National Defence Contribution, Excess Profits Tax, and other inland revenue) to total tax revenue has been rising steadily in the last few

REVENUE (EXCHEQUER RECEIPTS).

	(£ millions)										
	1913-14	1929-30	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46 (est.)
Income Tax	43.9	237.4	298.0	335.9	390.1	523.9	769.7	1,006.8	1,183.6	1,316.8	1,350.0
Surtax	3.3	56.6	57.0	62.5	69.8	76.1	74.9	75.4	76.0	73.5	80.0
Estate, etc., Duties	27.4	79.8	89.0	77.4	77.7	80.8	90.9	93.3	99.5	110.9	115.0
Stamps	10.0	25.7	24.2	21.0	17.1	13.7	14.1	15.3	17.7	17.0	19.0
National Defence Contribution	...	...	1.4	21.9	26.9	24.1	21.9	30.6	33.4	33.3	} 500.0
Excess Profits Tax	...	...	...	...	...	72.1	247.2	346.9	466.7	477.1	
Other Inland Revenue	3.4	3.2	1.7	1.6	1.3	1.0	0.9	0.9	1.0	0.8	1.0
Total Inland Revenue	88.0	402.7	471.3	520.3	582.9	791.7	1,219.5	1,569.3	1,877.9	2,029.5	2,065.0
Customs	35.5	119.9	221.6	226.3	262.1	304.9	378.4	459.5	560.8	579.4	589.0
Excise	39.5	127.5	113.7	114.2	137.9	224.1	325.6	425.3	482.2	496.9	541.0
Total	75.0	247.4	335.3	340.5	400.0	529.0	704.0	884.8	1,043.0	1,076.3	1,130.0
Motor Vehicle Duties†	...	26.8	34.6	35.6	34.1	38.0	38.4	28.5	27.3	29.0	30.0
Total Tax Revenue	163.0	677.0	841.2	896.4	1,017.0	1,358.7	1,961.9	2,482.6	2,948.2	3,134.8	3,225.5
Canadian Government Contribution	...	1.3	1.3	1.3	1.3	1.1	1.0	224.7	...	1.0	1.0
Crown Lands	0.6	36.6	5.2	5.7	4.9	2.6	5.2	4.1	6.5	7.5	11.2
Sundry Loans	2.3	32.4	13.5	12.9	20.4	31.2	92.2	90.5	77.7	90.0	23.0
Miscellaneous	6.2	9.0	11.3	10.9	5.6	15.3	13.7	12.4	0.4	...	...
Post Office, Net Receipts, and Fund	...	...	...	...	...	...	...	4.6	4.7	4.8	4.8
Wireless Licences†	...	...	...	...	...	...	...	...	...	...	...
Non-Tax Revenue	10.6	79.3	31.3	30.8	32.2	50.2	112.1	337.3	90.4	103.3	40.0
Total Ordinary Revenue	173.6	756.3	872.5	927.2	1,049.2	1,408.9	2,074.1	2,819.9	3,038.5	3,238.1	3,265.5
Self-balancing Revenue :— Post Office and Broadcasting	24.6	58.9	76.1	79.0	83.1	86.4	100.6	102.5	110.6	116.6	114.1

† Included in self-balancing until 1942-1943.

For notes on the items of all the above tables see pages 48 to 55 of the White Paper.

revenue and borrowing in meeting wartime expenditure:— It will be noted that the difference, amounting to £14,153 million, between ordinary revenue on the one hand, and total expenditure (including sinking funds and debt repayments) on the other, was met as to £4,632 million by borrowing from the money market (i.e., by additions to the floating debt); £1,783 million by small savings (3 per cent defence bonds and national savings certificates); £7,671 million by other borrowing; and £67 million by miscellaneous receipts, in which is included contributions received under the War Damage Act. The items shown as net are given after allowing for repayments and receipts.

CIVIL AND REVENUE DEPARTMENTS NET EXPENDITURE* EXCLUDING CIVIL DEFENCE. (£ thousands)

Votes	1942-43	1943-44	1944-45 Est.	1945-46 Est.
I.—Central Government and Finance...	3,692	4,169	3,500	4,656
II.—Foreign and Imperial	23,336	16,373	22,196	29,085
of which: P.O., Diplom., and Consular	4,332	8,149	5,425	7,578
British Council	880	1,882	3,500	2,900
Colonial and Middle-Eastern	14,592	3,539	7,644	6,115
Development and Welfare (Colonies, etc.)	512	1,597	3,325	5,332
India and Burma	2,226	2,288	2,243	2,259
III.—Home Dept., Law and Justice...	22,869	22,621	20,056	21,731
of which: Police and Prisons	18,295	17,520	16,591	17,207
IV.—Education, Museums, etc. (excl. B.B.C.)	68,567	72,574	77,741	103,955
of which: Ministry and Dept. of Education	65,740	69,707	74,751	96,952
Universities and Colleges	2,149	2,149	2,149	5,900
V.—Health, Labour and Insurance...	187,841	196,738	213,508	232,863
of which: Housing Grants	18,436	18,564	18,156	17,673
Health Insurance and Misc.	13,000	12,648	13,759	14,077
Total Health and Housing, etc.	31,436	31,212	31,895	31,750
Ministry of Labour	35,760	35,760	35,760	35,760
Assistance Board	5,804	5,078	5,380	5,655
Special Areas and other labour items	2,752	2,037	2,521	2,856
Old Age Pensions	44,258	42,875	42,551	42,551
Contributory Old Age, etc., Pensions	52,197	54,977	56,000	57,750
Supplementary Pensions	22,525	22,525	22,525	22,525
Total Pensions	37,523	45,149	56,910	61,920
Ministry of National Insurance	112,245	122,651	135,435	142,195
			36,595	36,367
VI.—Trade and Industry...	29,355	26,994	21,848	22,385
of which: Agriculture, Livestock, Fisheries	5,404	4,664	5,347	6,546
Roads	16,155	14,719	8,325	9,174
VII.—Common Services (Works, etc.)	31,628	35,115	15,445	25,894
of which: Ministry of Works	4,777	6,071	5,852	6,293
Rates on Govt. Property	10,472	13,253	4,833	4,827
Stationery and Printing	11,899	14,803	3,641	4,937
VIII.—War Pensions, Superannuation, etc.	50,240	55,148	39,747	41,631
of which: Ministry of Pensions	46,062	50,921	35,561	36,428
IX.—Block Grants to Local Authorities	52,772	52,772	52,773	52,773
Total, Civil Departments (excl. B.B.C.)	470,400	484,506	472,813	540,903
Inland Revenue	12,215	13,185	14,044	14,643
Customs and Excise	5,583	5,830	6,439	6,669
Total Civil and Revenue	488,498	503,521	493,296	561,115
Post Office	110,969	123,324	123,370	124,260
Broadcasting	8,400	8,400	9,000	9,000

* From Appropriation Accounts, 1942-43 and 1943-44; latest estimates, 1944-45. Budget estimates, 1945-46.
† Including a vote of £550,000 for temporary housing accommodation in England and Wales.

EXPENDITURE (EXCHEQUER ISSUES).

(£ million)

	1913-14	1929-30	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46 (est.)
Int. and Management of National Debt...	19.3	307.3	216.2	216.8	222.9	213.0	257.2	310.8	364.7	414.9	465.0
Other Consolidated Fund Services	12.8	22.2	12.0	14.3	16.8	17.2	16.9	16.6	16.2	17.3	19.0
Total	32.1	329.5	228.2	231.1	239.7	230.2	274.1	327.4	380.9	432.2	484.0
Navy, Army, Ordnance and Air Votes...	77.2	113.0	197.2	254.4	217.9	23.2	416.6	455.8	457.5	500.6	581.3
Civil Defence	58.4	280.4	407.8	423.5	428.6	417.1	4,085.0	4,840.0	4,950.0	5,125.0	4,500.0
Civil, Roads and Revenue Departments	...	...	...	...	408.5	3,220.0	...	...	...	...	...
Vote of Credit	...	...	...	...	...	...	...	...	...	...	...
Total Supply (excl. P.O. and Broadcasting)	135.6	393.4	605.0	695.7	1,078.3	3,637.1	4,501.6	5,295.8	5,407.5	5,625.6	5,081.3
Total Ordinary Expenditure	187.7	722.9	833.2	926.8	1,318.0	3,867.3	4,775.7	5,623.2	5,788.4	6,057.8	5,565.3
Sinking Funds	5.2	47.7	7.8	13.2	7.1	17.0	...	14.2	10.3	5.1	...
Total	172.9	770.6	841.0	940.0	1,325.1	3,884.3	4,775.7	5,637.4	5,798.7	6,062.9	5,565.0
Add Issues out of Defence Loans	...	...	64.9	128.1	491.7	...	...	...	...	...	...
New Sinking Fund outside Debt Charge	...	4.8*	2.8	...	4.2	...	12.2	0.2	5.2	10.9	...
Total Expenditure	172.9	775.4	908.7	1,068.1	1,821.0	3,894.3	4,787.9	5,637.6	5,803.9	6,073.8	5,565.0
Self-Balancing:—P.O. and Broadcasting	24.6	58.9	76.1	79.0	83.1	86.4	100.6	102.5	110.6	116.6	114.1

* Interest on National Savings Certificates paid in excess of provision in Permanent Debt Charge. † Met out of Vote of Credit.
‡ Included in Civil Expenditure until 1938-39. § Including excess of Post Office expenditure over revenue.

This table gives estimates of purely civil expenditure for 1944-45 and 1945-46, compared with the amounts actually spent in the two previous years. It will be noted that the estimates contain a new item in the Ministry of National Insurance which has taken over certain functions from the Ministries of Health and Labour. The pensions items continue to increase, particularly the estimate for supplementary pensions. Another noteworthy increase is shown by the estimate for education mainly as a result of last year's Education Act.

THE COST OF SOCIAL SERVICES.

The latest available figure for expenditure on public social services by central and local authorities appeared in *Hansard* of December 14, 1944, from which the following table has been compiled. The expenditure figures include payments out of taxes and rates, and also contributions by the persons benefiting in the case of the contributory schemes. Many persons shown in the last two columns as receiving benefits do so under two or more of the Acts mentioned in the first column, and are, therefore, accounted for more than once.

Service	Great Britain		Total Number of Persons directly benefiting from the Expenditure	
	1941-42	1942-43	1941-42	1942-43
Unemployment Insurance and Assistance Acts:—	£000	£000		
Unemployment Benefit (a)...	9,064	6,296	Not available	Not available
Unemployment Allowances (b)...	5,657	2,714	Not available	Not available
National Health Insurance Acts	46,132†	50,691†	23,017,000*	24,002,000*
Old Age Pensions Acts (c)...	140,190	152,891	4,882,000	5,001,000
War Pensions Acts, &c. (d)...	49,041	59,447	1,244,330	1,511,490
Education Acts...	129,267	137,375	Not available	Not available
Public Health Acts (e)...	27,621	26,399	Not available	Not available
Housing Acts	54,561	55,101	1,263,252	962,128
Relief of the Poor Acts	48,745	43,822	Not available	Not available
Other (f)...	10,581	10,842	Not available	Not available
	520,859	545,578		

* Numbers given are of insured persons. † Calendar years 1942 and 1943 respectively. (a) Including agricultural distress. (b) Including prevention and relief of distress. (c) Including Contributory Pensions Acts and the Supplementary Pensions Act of 1940. (d) Including Personal Injuries (Emergency Provisions) Act, 1939. (e) Relating to hospitals and to treatment of diseases, and to maternity and child welfare work and midwives. (f) i.e., Physical Training and Recreation Act, Approved Schools Acts, and Lunacy and Mental Deficiency Acts.

EDUCATION IN ENGLAND AND WALES.

	Board's Net Estimates		Total Expenditure by L.E.A.s†		Cost per Elementary Pupil
	Total Vote	Grants to L.E.A.s	Elementary Education	Higher Education	
1913-14	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ s. d.
1937-38	14.7	12.8	25.6	4.4	4 15 2
1938-39	49.5	44.8	71.6	20.1	15 16 4
1939-40	51.0	45.6	72.6	21.2	16 7 1
1940-41	52.2	46.6	72.1	20.8	16 17 1
1941-42	52.7	46.7	72.7	20.4	...
1942-43	54.9	48.5	75.2	21.4	...
1943-44	57.8	51.6	80.4	21.6	...
1944-45	60.1	53.6	82.9	22.7	...
1945-46	64.9	58.2	86.7	25.0*	...
1945-46	84.5	75.6	...	...	...

* Provisional. † Including proportion borne by the rates. § Not available.

National Debt

NOMINAL VALUE OF NATIONAL DEBT AT MARCH 31ST.
(£ million)

	1923	1942	1943	1944	1945
INTERNAL DEBT					
FUNDED DEBT					
Pre-1914 Funded Debt*	314.2	313.2	313.2	313.2	313.2
3½% Conversion Loan	683.6	739.3	739.3	739.3	739.3
4% Consolidated Loan	...	400.7	400.7	400.7	400.7
3½% War Loan	...	1,911.0	1,911.0	1,911.0	1,911.0
Total Funded Debt	997.8	3,364.2	3,364.2	3,364.2	3,364.2
TERMINABLE ANNUITIES	13.7	14.4	14.2	13.8	13.7
INTERNAL UNFUNDED DEBT:—					
(a) Other than Floating Debt:					
2½% Conversion Loan	...	245.3	245.3	245.3	245.3
2½% Conversion Loan	...	206.5	206.5	206.5	206.5
2½% Conversion Loan	...	301.8	301.8	301.8	301.8
Old War Loans, Bonds, etc.	3,274.2	200.2	200.2	200.2	200.2
2½% Funding Loan	...	100.6	100.6	100.6	100.6
2½% Funding Loan	...	256.0	372.1	367.8	363.0
4% Funding Loan	400.4	332.9	328.5	323.9	318.9
5% Conversion Loan	...	320.1	318.7	317.5	...
4% Victory Bonds	353.9	298.0	293.7	289.3	284.7
2½% Nat. Defence Bonds	...	100.2	100.2	100.2	80.1
3% Nat. Defence Loan	...	201.2	321.2	321.2	321.2
3% War Loan	...	302.5	302.5	302.5	302.5
3% Defence Bonds	...	433.8	542.4	651.3	762.5
Treasury Bonds	411.0	...	...	...	...
Savings Certificates	353.8	1,832.3	1,233.8	1,291.8	1,510.6
2½% Nat. War Bonds, 1945-47	...	444.4	444.4	444.4	444.4
2½% Nat. War Bonds, 1946-48	...	493.3	493.3	493.3	493.3
2½% Nat. War Bonds, 1949-51	...	378.8	714.2	714.2	714.2
2½% Nat. War Bonds, 1951-53	...	...	199.4	522.3	522.3
2½% Nat. War Bonds, 1953-54	...	...	...	348.7	809.5
3% Terminable Annuities	...	...	...	357.1	825.5
3% Savings Bonds, 1955-65	...	666.4	712.7	712.7	712.7
3% Savings Bonds, 1960-70	...	...	410.2	810.3	1,009.3
3% Savings Bonds, 1965-75	...	...	...	...	194.0
1½% Exchequer Bonds, 1950	...	...	...	...	682.5
Tax Reserve Certs.	...	191.5	443.1	561.7	202.4
Total of (a) (plus "other debt")†	4,795.3	6,352.6	8,194.6	10,105.0	11,742.0
(b) Floating Debt:					
Treasury Bills	616.0	2,620.6	2,838.9	3,149.2	3,680.7
Treasury deposits	...	496.5	969.9	1,389.5	1,859.0
Ways and Means Advances:					
By Public Depts.	193.9	195.1	282.5	394.5	575.7
By Bank of England	...	...	6.5	...	0.7
Total Floating Debt	809.9	3,312.2	4,096.9	4,933.2	6,116.1
Total Internal Unfunded Debt	5,605.2	9,664.8	12,291.7	15,038.1	17,858.1
TOTAL INTERNAL DEBT	6,616.7	13,043.4	15,670.1	18,416.1	21,236.0
EXTERNAL DEBT	1,155.7	1,142.38	1,295.58	1,287.5	1,269.3
TOTAL DEAD-WEIGHT DEBT	7,772.4	14,185.7	16,965.5	19,703.6	22,505.3
Funding Loan and Vic. Bds. held by Nat. Debt Commissioners	30.2	112.2	110.5	109.0	107.2
NET TOTAL DEAD-WEIGHT DEBT	7,742.2	14,073.5	16,855.0	19,594.6	22,398.1

* 2½% Consols, 2½% and 2½% Annuities, and Debts to Banks.
† Includes National Savings Bonds (about £3.3 millions until 1942, when reduced to £823,000; paid off in 1942-43).
‡ "Other debt" now includes interest-free loans.
§ Includes loans made by colonial governments to the United Kingdom.
|| Approximate totals.

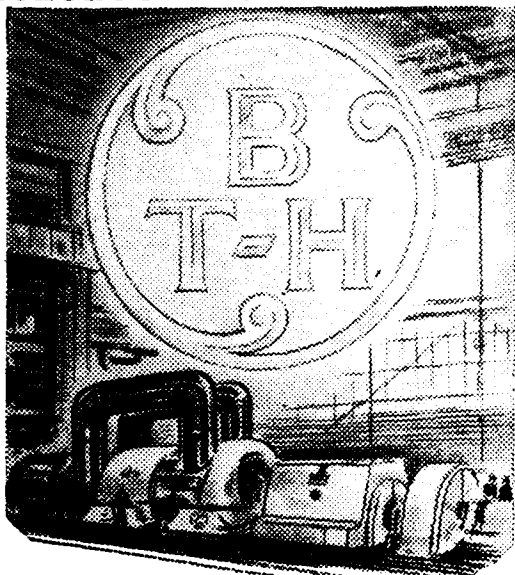
NET INDEBTEDNESS OF THE STATE

(£ million)

	March 31, 1941	March 31, 1942	March 31, 1943	March 31, 1944
Net total deadweight (as above)...	11,398.8	14,073.5	16,855.0	19,594.6
Deduct external debt	1,034.7	1,142.3	1,295.5	1,287.6
Add accrued interest on saving certificates	10,364.1	12,931.2	15,559.5	18,307.0
	154.3	171.6	193.5	223.0
Deduct estimated assets	10,518.4	13,102.8	15,753.0	18,530.0
	677.5	670.3	665.8	669.1
Deduct Exchequer balances	9,840.9	12,432.5	15,087.2	17,860.9
	2.6	2.4	2.9	2.5
Net total	9,838.3	12,430.1	15,084.3	17,858.4

This table

BACKGROUND TO ACHIEVEMENT



Power

FOR more than forty years BTH has been pre-eminent in the design and manufacture of power station equipment. Not only does the Company provide generators, switchgear, transformers and rectifiers for very many electricity supply undertakings throughout the British Empire, but in many cases has also been responsible for the design and installation of the complete systems. The first successful steam turbine for utilising extra high temperature steam was manufactured by BTH for an electric power company in the U.S.A., this experience ultimately enabling BTH to make the propulsion unit for Air Commodore Whittle's jet-propelled plane.

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MAKERS OF HISTORY IN RUBBER

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... THAT POST-WAR CAR OF 19—? It must embody all those striking advances in technical achievement which will result from wartime research and experience. It must show a new perfection of design and workmanship. It must be absolutely reliable, while combining higher speed with lower running

cost. It must give maximum comfort. The post-war LANCHESTER will offer all this and something more... an innate quality of distinction, created by the individual work of experienced craftsmen. A car well worth waiting for... a car which crowns performance with personality.



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LUXURY
CIGARETTE

25 for 3/11½d

A PRODUCT OF THE AMALGAMATED TOBACCO CORP.

THE BUSINESS WORLD

Double Taxation

THE existence of double taxation arises from the fact that few countries are prepared to confine the purview of their taxation either to income arising within their territory, whatever the residence of its owner, or, alternatively, to income received by their residents regardless of its source. Since most states levy taxes both on the full income of their residents and on all income arising within their borders, double taxation arises therefore whenever income is earned in one country and paid to a resident in another. In the years when the return to be obtained by overseas investment was much greater than that to be earned at home and when direct taxation in the overseas countries was slight, the existence of double taxation was, perhaps, no more than a moderate hindrance to the development of overseas enterprise. This was the more true since the category of overseas investment in which the return was moderate, as in loans to foreign Governments, was commonly exempt from taxation in the paying country.

The injustice of double taxation was already beginning to make itself felt before the war of 1914-18, both because tax rates were rising—although low by present standards—and because rising competition was forcing down the rates of return on overseas investment. The rise in tax rates during the last war brought matters to a head. The subject was considered by the Royal Commission on the Income Tax in 1920, while in 1923 the League of Nations requested Professors Bruins, Einaudi and Seligman and Sir Josiah Stamp to examine it. Throughout the '20s there were several expert reports and the whole question, including the best methods of giving relief, was thoroughly thrashed out. As a result of these deliberations upwards of fifty agreements were concluded between 1921 and 1938 limiting the full rigours of double taxation. The United Kingdom was a party to none of these arrangements. Its activities were limited to Dominion income tax relief and a number of arrangements concerning the profits derived from shipping, air transport and certain types of agency.

Dominion income tax relief is a unilateral concession by the United Kingdom made after discussion with the Dominions. This country gives a set off against the British income tax of a UK resident amounting either to the Dominion rate of tax or to half the UK rate, whichever is the less. If any further relief is required to reduce the net rate paid to the higher of the two it must come from the Dominion, but the Dominions gave no undertaking to provide this relief. Even when DIT relief has been adopted, new taxes have been imposed by the Dominions which they held were not eligible for relief. In consequence, very high rates of tax are now being paid by UK investors and businesses within the Empire, especially in Australia and New Zealand. Only in one case, that of Eire, has DIT relief been extended into complete reciprocal exemption.

The reason for the failure of this country to take part in the movement for relief from double taxation appears to have been a complete misconception of the economic arguments in favour of relief. The possibility that DIT relief could benefit the Empire as a whole was envisaged, but the authorities in this country never seem to have supposed that the United Kingdom, regarded by itself, could reap a benefit from the extension of the principle—presumably on a reciprocal basis—to countries outside the Empire. As recently as July, 1937, the then Financial Secretary to the Treasury stated, in rejecting an application for general relief from double taxation:

there is no reason for us to believe that foreign countries would accept the system of double taxation relief which applies within the British Commonwealth, even if we were prepared to extend it to them.

He went on to imply that DIT terms were the best anyone could hope for from the United Kingdom.

Throughout the period between the two wars the attitude of the United Kingdom appears to have been based on the immediate effect of relief arrangements on the revenue of the British Exchequer. Since, in those years, the United Kingdom was a creditor country, it had a very strong preference for taxing income on the basis of the residence of the owner and was prepared to make concessions, if at all, on taxation at source. In practice, any plan for the relief of double taxation consists in sharing taxation between the country of origin and that of residence. Most of the arrangements between the countries of continental Europe and between them and the United States and Canada classify incomes according to their nature—on a basis broadly economic—and leave some to be taxed in the country of origin and others only in the country of residence.

*

The treaty signed three weeks ago between the United Kingdom and the United States is also a compromise between the two methods. The interest of the United Kingdom in the residence principle has presumably been weakened by transition from creditor to debtor status, but by the same token the American interest in the same principle is growing. So far as can be seen from the terms of the agreement, the balance between the two principles has been kept fairly even. If the principle of taxing by residence were to be applied exclusively, there would be a complete exemption from tax of all income going to non-residents. If the principle of taxing by source were to be applied exclusively, neither country would tax any income yet coming to its residents from overseas. The arrangements actually made adopt a little of both methods. Non-residents are to be exempted from some taxes, and other taxes are reduced in their favour, and for the remainder they are to get a credit against their home tax liability.

The list of exemptions from American tax of income accruing to British residents includes income from profits on trading in the United States when the trader has no place of business there, income from all profits earned in the United States by shipping and aircraft registered under the British flag, all interest payments—other than those paid by a subsidiary to a parent company—royalties on patents and copyrights and film rentals, profits on the sale of capital assets, dividends paid in the United States by a British company to persons neither resident in nor citizens of the United States, and certain salaries, pensions and annuities. There is a reciprocal exemption from British taxation of income due to American residents under all these heads, other than capital gains which are not taxed here.

In the case of other varieties of income, the country of origin is still to levy some tax on the income earned there and the country where the owner resides is to set off these payments against his liability to its own taxes. There are three main classes of income so taxed: profits of the branches of United Kingdom companies in the United States; mineral royalties and rentals from real estate; and dividends from United States companies paid to residents in the United Kingdom—and vice versa in each case. On the first of these, American taxes remain unchanged. On the other two, the American "withholding" tax is reduced from the present level of 30 per cent to 15 per cent or, where the dividend is that of an American subsidiary paid to a British parent company, to 5 per cent. (To secure this latter benefit the parent must control, directly or indirectly, at least 95 per cent of the entire voting power of the subsidiary and not more than 25 per cent of the subsidiary's gross income may come from interest or dividends, other than those paid by its own subsidiaries.) In return, the United Kingdom agrees that dividends earned in this country and due to a person who is resident in the United States, who is subject to American taxation and who is not engaged in trade or busi-

ness in the United Kingdom, shall not be subject to British surtax. A similar arrangement is to apply to mineral royalties and real estate rentals.

For all these taxes which are still to be paid in the country of source, a set-off against home tax liability in the country of residence will be given. In the case of ordinary dividends paid by an American company to a British resident the set-off credited against British taxation will include an allowance for the American corporation tax, which is levied on the corporation before dividends are paid, and where the dividend is on a participating preference share the corporation tax will be taken into account in so far as the dividend exceeds the fixed rate. There are further arrangements, with safeguards against evasion, to provide that the taxable profits of an American branch of a British company shall be only those earned within the United States, the tax assessment not being influenced by the earnings of the business as a whole.

The treaty also provides for a settlement, on terms which amount to total discharge on payment of sums roughly equivalent to interest only, of old tax debts to the United States Treasury from the days before 1936. There is a very important provision for the exchange of information between the two taxing authorities. No new powers to extract information are being taken in either country and the information given will not be passed on to other departments by the taxing authorities.

The convention covering death duties follows similar lines. It lays down rules as to where different types of property are to be taxed and if, despite these rules, double taxation cannot be avoided, provides for set-off against home duties of those paid overseas.

Each party to the treaty can nominate its dependencies and mandated territories to its benefits, but the Dominions must, of course, negotiate their own arrangements. The treaty has to be ratified and the UK set-offs will require legislation.

An attempt to estimate whether the loss of revenue resulting from this treaty will be greater for the American or the British Treasury would require a very detailed knowledge of the affairs of the two countries. In the first category—income where complete exemption is granted to non-residents—the largest items are likely to be British shipping earnings and American film royalties. But in both these cases there is exemption at the moment, and the treaty simply guarantees its continuance. Compared with the present position, therefore, there will be very little change in this category, though it might be argued that the British undertaking to continue the exemption to American film royalties is the abandonment of a potential source both of revenue and of economy in foreign exchange. In the second category, dividends are the most important item. The American Treasury has to meet the cost of reducing the withholding tax on dividends going to British residents and also the cost of giving relief from American taxation to American residents in respect of the British income tax, which is to continue to be deducted from their British dividends. The British Exchequer loses surtax on dividends paid to American residents (which must be a small item) and also has to meet the cost of set-offs against the reduced American withholding tax and the American

corporation tax. The American corporation tax is at present 40 per cent, and the new withholding tax on the remainder is 15 per cent, so that if, for simplicity's sake, the American dividend can be assumed to be exactly equal to the profits out of which it is paid, the combined total of the two taxes is 49 per cent (or 43 per cent in the case of a subsidiary), compared with the present rate of British income-tax of 50 per cent. If the volume of gross dividends moving were the same in each direction, the bargain would seem to be slightly favourable to the British Government (43 to 49 per cent on the in-payments plus surtax on the out-payments as against the cost to the American Treasury of 50 per cent on the in-payments plus 15 to 25 per cent on the out-payments.) Before the war, the volume of dividends moving from America to Britain was much larger than in the reverse direction, and the application of these terms (with the present rates of taxation in both countries) would have made the bargain an expensive one for this country. Today, it is doubtful whether there is very much difference between the two sides.

★

The reception accorded to the treaty by those who have been most vocal in seeking relief appears very favourable and it can reasonably be said that the signing of so complex and far-reaching an arrangement constitutes a complete and very welcome break with the past by the Inland Revenue and the British Government. It is widely felt that the way is now open for a very general adoption of similar arrangements with other countries.

Sir John Anderson has already indicated that DIT is due for an overhaul this summer and it is to be hoped that no Dominion will wish to forgo the advantages which are likely to flow from the free access of capital to areas in need of development. The United States has similar treaties with Canada, South Africa and France, among others. France, Belgium and Holland had each a number of treaties covering direct taxation before the war and, it is believed, are anxious to conclude agreements with this country. There was also a network of arrangements, more or less complete, between Germany, Italy, Sweden, Poland, and the Succession States of the Austro-Hungarian Empire.

Of the major powers only Britain and parts of the Empire held back before the war, and it is to be hoped that, having broken the ice, they will now play their part to the full. Strangely enough, the change has come at a moment when this country is less able than at any time for 150 years past to find funds for overseas enterprise. The opening of the frontiers to a free flow of capital—subject of course to exigencies of exchange control—will not change the general pattern. For some time the really heavy demands for capital can only be met by the United States and the treaty will make the investment of capital here more attractive to American enterprise. But an extension of the reliefs to include all the principal countries would mean that such British capital as can be spared for export would have an equal chance with domestic capital. That is at least one step away from economic individualism, if a small one.

Electrical Engineering

THE electrical engineering industry has grown rapidly in size during the past twenty-five years; during the eleven years from 1924 to 1935 (the year of the most recent census of production) its output rose from £69 million to £107 million in value, and by 80 per cent. in volume. Technologically it is one of the most progressive industries, and the rate of progress was never faster than it has been since 1939. The industry is one that will continue to grow rapidly after the war, and it should be able to contribute materially to the expansion in exports. In sum, the electrical engineering industry will play an important role in British industry; but if it is to justify high hopes it must be as efficient as possible in production, well ahead in the matter of technical progress, and free from restrictive practices.

It is impossible, within the limits of a short article, to give anything like an adequate description of an industry that consists of as many sections and sub-sections as the manufacture of electrical equipment; nor is it possible to submit each of the various sections to the kind of tests that would reveal the degree of its relative efficiency. There are, nevertheless, certain features common to the main branches of

the industry which, even at the risk of over-simplification, may be singled out for brief comment.

Broadly, the industry may be divided into a heavy and a light section. The heavy branch includes machinery, cables and wires, and the light one the multitude of appliances and apparatus from lamps and wireless sets to heating and cooking appliances. Output in the heavy section has been relatively stable (apart from short-term fluctuations); it was £36 million in both 1924 and 1935. The light section, now the more important in point of value, has gone ahead rapidly; its output rose from £33 million to £71 million between the two census years. As it is organised to-day, the industry consists of three sections. There is, first, a number of giant concerns, such as the General Electric Company, manufacturing the whole range of electrical products, both heavy and light. Around these firms are grouped, secondly, the specialists, often large concerns, concentrating on the production of heavy machinery, such as the English Electric Company, or on the manufacture of wireless apparatus, lamps, or some other kind of electrical product. Thirdly, there is a multitude of smallish concerns, engaged

mainly in the production of small components, such as lamp-holders or fittings; the fact that even small components are usually patented makes for variety of design and small-scale production. In the year of the latest census of production, in 1935, the overall productivity of this great new industry was little higher than that of British industry as a whole; the output per person employed was £230, against an average of £222 for all industries. It may be that the technical characteristics of the industry have precluded a more rapid improvement in productivity; but it may also be that the industry, or, at any rate, some of its branches, has not made the best of its opportunities.

In the main sections of the industry, technical or marketing conditions, or both, would seem to favour the large-scale undertaking; the record of amalgamations—that between Callender's Cable and Construction Company and British Insulated Cables, Ltd., is the latest—is a testimony to this tendency. The manufacture of heavy machinery requires large capital investments, and expensive research and development. The light sections, too, often need expensive equipment. Filament lamp production, for example, requires the employment of special diamond dies for wire drawing, in which accurately tapered holes have to be drilled to produce a filament wire appreciably thinner than a human hair. Costly automatic machinery is needed for fixing the wire to its supports, so as to ensure the correct position of the filaments, for expelling the air to obtain the requisite low pressure inside the bulb, and for the controlled introduction of gases. Even before the war the demand for certain light products, such as lamps and wireless sets, was big enough to favour large-scale production units, capable of reaping the benefits of mass production. In spite of this tendency to large-scale units, however, the concentration of ownership has not yet led to the emergence of monopolies, such as Imperial Chemical Industries, in chemicals. This was brought out in the paper on the "Structure of British Industry," read to the Royal Statistical Society on February 20th by Mr H. Leak and Mr A. Maizels, of the Board of Trade. The following table, taken from their paper, shows the number of companies employing 500 persons or more in each of the main branches of the industry in 1935, their aggregate net output, and the net output per person employed, together with their share in the total net output of each section:—

Business	Units employing 500 Persons or more	Total Net Output £'000	Percentage of all Firms	Net Output per Person Employed £
Electrical machinery	27	8,846	48	221
Electrical wires and cables	15	4,793	53	285
Telegraph and telephone apparatus	8	4,176	80	260
Wireless apparatus	13	2,656	39	204
Wireless valves and electric lamps	5	1,865	66	264
Batteries and accumulators	4	2,606	82	294
Lighting accessories and fittings	7	358	33	168
Heating and cooking apparatus	6	769	53	196

These figures show that the industry is by no means completely in the hands of large-scale enterprise, and that in each of the major sections there are still several large business units.

★

But this does not mean that the industry is free from monopolistic practices. In fact, the high overheads of the industry, and the ease with which combinations in restraint of trade can be practised in this country, have driven some of the sections of the industry to seek protection from the full blast of competition by agreements of various kinds. The British Electrical and Allied Manufacturers' Association, founded in 1911, is the senior organisation of the industry, which, among other things, has attempted to establish conditions of contract and sale. A number of branches are tightly organised. In cables, batteries, valves and lamps, for example, separate associations have been formed which fix minimum selling prices with ranges of discount. The lamp cartel, for example, is a branch of the international lamp cartel which, before the war, parcelled out the world's markets among member firms by quotas, with penalties for over-selling and prohibitions of manufacturers from supplying certain reserved areas. In this country the market is largely in the hands of the Electric Lamp Manufacturers' Association; its policy has been to discriminate against wholesalers who refuse to deal exclusively

with its own members. Again, the Electrical Lighting Fittings Association appears to aim at fixing minimum prices for lighting fittings. Sections in which standardisation has hitherto made little progress, as in other fittings, cookers, wireless sets and refrigerators, have formed associations concerned with the determination of agreed fair-trading policies, with standard conditions of sale and ranges of discounts; the introduction of standardisation during the war, as in hot plates and ARP fittings, was followed by price-fixing.

The electrical engineering industry, in fact, is riddled with monopolistic practices of a varying degree of efficacy. The damage done by these practices cannot be assessed with precision, but it can hardly be ignored. It would be interesting to know, for example, why electric lamps are appreciably cheaper in the United States than they are in this country. But a criticism of equal, if not of greater, importance as a price-raising factor is the slow progress that has been made in the matter of standardisation; responsibility for this lies with the electricity supply industry, as well as with manufacturers of equipment.

The most important obstacle to standardisation on the part of the supply industry is the difference in the systems and pressures of supply, which vary from 100 to 260 volts either alternating or direct current. Owing to the need for minute accuracy, a great variety of apparatus is necessary, each specially designed for a narrow range of supply voltages with consequent heavy increase in fixed costs, as many components are highly specific. Wire of different strength and thickness is needed for windings and lamps, and these in turn necessitate different types of support. These variations render impossible the adoption of bulk production methods in the case of non-standard voltages, which are only called for in small and decreasing quantities, and reduce the utilisation of the plant designed for the standard pressure of 230 volts. Another consequence of the variety of voltages is the need for storing at manufacturers', wholesalers' and retailers' large stocks of equipment, thus reducing turnover and necessitating higher charges. This is another cause of the higher prices of electrical equipment, and even the most modest reorganisation proposals for electrical supply provide for compulsory standardisation of voltages.

The industry, in turn, is responsible for the absence of standardisation in the design and dimensions of many acces-



LOOKING AHEAD

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sories and components, although the individual predilections and fancies of supply engineers have still further complicated the issue. Electric plugs and sockets are well-known examples. Although for civilian use the advantages of interchangeability are not so marked as in the case of the fighting services, where complete standardisation has proved necessary, it is obvious that standardisation would make possible the continuous production of a limited range of articles with consequent spreading of overheads over a larger turnover, saving of time, and improvement of quality, all leading to a reduction in costs. Again, there has been too little standardisation of appliances, such as cookers, refrigerators and so on; as a result many of them have remained the privilege of the few. The net output per person employed in the lighting accessories and heating apparatus sections of the industry was well below the national average in 1935. The British Standards Institute has done much to bring about standardisation, but generally it has only fixed limits of performance. Specifications giving limits of dimensions or other factors necessary for securing interchangeability are rare; the most notable example is that for filament lamps.

Business Notes

Politics Once More

The wave of buying which immediately followed the Budget has been rather short-lived. The stock market is still reasonably active, but, after reaching a peak of 118.5 on Monday, against 100 for July 1, 1935, the equity index of *The Financial News* has fallen back to 118.0. It will be seen from a table of *The Actuaries' Investment Index* on page 616 that on Tuesday of last week this indicator had reached a new high for recent years. It is, however, worth noting that the yield is still higher than in August last, which suggests that confidence in the industrial outlook has not increased since then. The Stock Exchange, like everyone else, rejoices over the approaching end of the war. But peace will bring a general election and the results of recent by-elections, especially that at Chelmsford, suggest that a general election might possibly bring a change of government and an economic policy that might have little solicitude for industrial profits. So it is not so surprising that the good news from the Continent should have led to some hesitation in the market. It is, however, not improbable that the pressure of money will prevent any really substantial fall in equities unless there is some new adverse development. The comparison of yields of industrial groups with those ruling some years ago is interesting.

Industrial equities are not the only section to weaken, for the decline in prices was started by gilt-edged. These stocks have improved considerably lately, and the yield on 2½ per cent Consols is under 3 per cent against 3.18 a year ago. Some reaction would, therefore, not be surprising in any circumstances. Actually, the prospect of a Labour Government is likely to react adversely on fixed interest securities, and it is also the fact that the moment is approaching rapidly when some sales of gilt-edged to finance reconstruction are inevitable. It is, however, improbable that such sales will assume in the near future, proportions which will offer a serious threat to the level of gilt-edged. In yet another field, that of foreign bonds, politics are playing a part. On more than one day recently, when the general tone in that market has been firm, there have been falls in the stocks of those areas, like Austria, Poland and Danzig, which are under Russian influence. More recently French funds have fallen on the success of the Communists in the municipal elections. It is evident that the problems of political and economic reconstruction will give the investor, like everyone else intimately concerned, a great deal to think about.

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DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable June 15, 1945, to shareholders of record at the close of business, May 15, 1945.

By Order of the Board,
Toronto, J. R. BRADFIELD, Secretary.
April 27, 1945.

To monopolistic practices and lack of standardisation and mass production must be added the high distribution costs of some sections of the industry, such as lamps, where they are sometimes equivalent to as much as 40 per cent of the price paid by the consumer. The cost of products is also inflated by heavy advertising expenditure.

The electrical engineering industry has the reputation of being one of the most efficient British industries. It has undoubtedly many solid achievements to its credit, especially since 1939. Nevertheless, there are many indications that it is not as efficient as it might be. This is not the occasion for suggesting a detailed programme of action. The electricity supply authorities could, by co-operation, speed up the standardisation of equipment and fittings, and curb monopolistic practices; the Ministry of Works is using its opportunity for pressing for standardisation. The industry itself has prepared plans for the mass production of household appliances. One thing is certain; if the industry is to remain in the forefront in the world's electrical engineering industry, it cannot afford to neglect any means making for greater efficiency.

Better Export Credit Guarantees

There is still no sign of the comprehensive Government plan that will be needed for the reshaping of the national economy for the much larger part which exports must play in it than they did before the war. Against this background, the recent extensions and improvements of the Export Credits Guarantees system are of only limited significance as a contribution to the main problem, but they are none the less welcome. As had been foreshadowed in the recent debates on the Export Guarantees Act (which raises the limit upon the commitments of the Export Credits Guarantee Department from £75 million to £200 million—an increase, allowing for the altered price-level, of roughly one-third), the Department has now introduced a new and improved guarantee policy. This policy, known as the ECGD (Contracts) Policy and superseding the War Emergency Policy, is available from May 1st for exports on short credit of consumer goods and straightforward sales of capital goods, as distinct from sales on special credit terms abroad.

Its main lines follow closely those of the war policy. It thus extends into the post-war phase the substantial additional protection afforded to assist the export drive in the early period of the war. Before the war, the Department guaranteed only 75 per cent of the contract price, and covered only those losses arising after delivery of the goods to the buyer. During the war, the guarantees have been raised to 85 per cent for losses due to insolvency or default and 90 per cent for other guaranteed losses, and, more important still, have been extended to losses arising from the date of the placing of the contract—except losses within the buyer's or the exporter's own control or arising from events within the United Kingdom. A comprehensive premium has been charged, and transfer risks have not been covered as a separate item, as they were before the war. These extensions are all retained in the new policy, but an exporter can, if he wishes, forgo the transfer cover and insure for "insolvency" risks alone. He cannot, however, secure transfer cover without also insuring for insolvency.

There are also two entirely new facilities. In the past, an exporter could not secure payment from the Department for "insolvency" losses unless and until the "insolvency" of the buyer—as defined, with reasonable elasticity, by the Department—had been established. This provision has at times been a source of irritation to the exporter. In future, he will not only have the same "insolvency" cover as in the past, but will be paid by the Department if the buyer, whether "insolvent" or not, has not paid the contract price within 12 months of its due date—provided only, for the purpose of this added cover, that the goods had been duly delivered and accepted. This positive assurance of eventual payment should be of real value to the exporter, especially when seeking finance from his bank.

"First Loss" Principle Abandoned

The second innovation is the dropping of the "first loss" principle that has characterised all earlier contracts.

Previously, a guarantee of 85 per cent of the contract price has meant that the Department met losses only in excess of the first 15 per cent, and that any eventual receipts from the debtor were applied first to reimburse the Department and did not benefit the exporter until its claim had been discharged. Now the Department and the exporter will share proportionately in all losses and receipts. For exporters working on narrow profit margins, this is a very notable advance. It will be especially helpful in those cases in which goods held abroad under a frustrated contract have to be resold by the exporter at less than the original contract price.

On one matter that has always bulked large in trade criticism of the ECGD system, there is no formal change. This is the principle that, if an exporter contracts with the Department at all, he should contract for the whole of his export turnover. Exporters would naturally like to keep the good risks themselves and unload the bad ones on to the Department. In the absence of a radical change in export policy as a whole, and so long as the Department has no responsibility for the geographical direction of exports but works on an insurance principle, its rule is the only possible rule. There must be a reasonable "spread" of risks. The Government has, however, admitted that that need not in all cases oblige an exporter to cover his entire turnover. During the debate on the new Act, the late Mr Harcourt Johnstone agreed that, in future, traders could exclude some markets from cover provided that the business they did offer to the Department did afford the requisite spread. Obviously, restriction of the field for which cover is sought may tend to increase the rates of premium charged. But in one sense this is actually desirable: in the new circumstances of the post-war it would be folly to stimulate exports in directions which do not offer reasonable chances of eventual, and in most cases prompt, payment. Certainly, these improvements in facilities for export credit guarantees must not be taken as implying that Britain can afford any substantial volume of exports on credit. For some years, at least, the emphasis must be overwhelmingly upon cash transactions. In general, exports on more than the shortest of customary credit terms will be justifiable only where they are plainly necessary to enable British goods to re-establish themselves in markets that may be expected to become good cash customers in the early future, or where credit exports of particular goods appear likely to generate an early demand for other British goods for cash.

Women in Engineering

The interesting and surprising conclusion that the majority of women who have entered engineering during the war wish to remain in the industry in peace-time is drawn from an inquiry conducted by the Amalgamated Engineering Union, which was reported to the AEU Women's Conference at Blackpool on Tuesday. The inquiry, which covered a cross-section of women workers, was addressed to about 2,000 women in 228 factories in London, Glasgow, Manchester, Birmingham and Coventry. Two-thirds of the women questioned replied that they wanted to stay in the industry, and only 20 per cent had worked in engineering before the war, the majority having been in domestic service. It is particularly significant that 79 per cent of the married women who had not been in paid employment previously, wanted to continue in industry.

This survey should not necessarily be regarded as conclusive, since it covers only a small proportion of the women directed to war work, but it is an interesting indication of a trend, which would seem to contradict the popular belief that women war workers are eagerly waiting for an opportunity to leave industry. The reasons given are, surprisingly enough, not monetary, for 35 per cent of the women were in the lowest-paid group and were earning less than 1s. 6d. an hour. Presumably the sense of independence gained by factory work and the dislike of "domestic duties unpaid" are important factors.

If these results can be taken as typical of the general attitude of women in engineering, they raise far-reaching economic and social problems for the industry—whether there will be sufficient employment for the women who wish to remain as well as for the men now employed and for those returning from the Forces, and whether the continued employment of women might not tend to depress the standard of male workers. Women's rates are 30-40 per cent below the men's rates, and only a small proportion of the women in the industry can be earning the "rate for the

job." If considerable numbers of women wish to remain in industry, the question of equal pay for equal work will assume even greater importance. The extent to which married women will in fact be able to work in industry depends not only on the availability of jobs, but on the provision of labour-saving houses, nursery schools and other means of lightening domestic responsibilities.

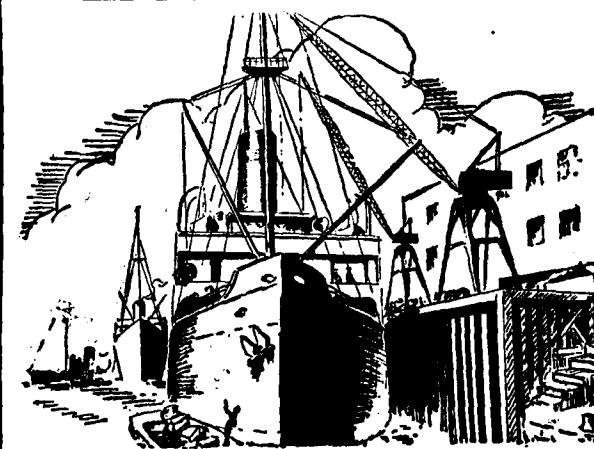
For some years after the war, there should be enough work to keep the engineering industry fully employed meeting pent-up civilian demands and producing for export. It is a question of adjustment and absorption. Already there are disturbing reports of mounting "redundancy," especially in the Midlands, but with the end of the war there should be no delay in effecting the change-over to peacetime production programmes.

Export of Aircraft

The British aircraft manufacturing industry, raised to the status of the biggest industry (in terms of employment) during the war, will soon be faced with the need for severe contraction. The extent to which it will have to be deflated has been variously estimated; the Minister of Aircraft Production, Sir Stafford Cripps, has mentioned a proportion as low as a tenth.

It is not surprising, therefore, that the industry has decided to make a bid for exports. The Council of the Society of British Aircraft Constructors—the industry's trade association—has decided to create a special export sections, with headquarters in London and branch offices in the chief potential markets overseas. It will be the task of the "trade ambassadors" to promote the interests of the British aircraft industry as a whole, to establish contacts with aircraft operators overseas, and to keep the industry in this country informed about marketing conditions. The new organisation will not supersede the system of overseas representation by individual companies. It is designed to assist the agents and salesmen of individual manufacturers.

The scope for exports should be considerable, though, to begin with, the British aircraft industry which has concentrated almost exclusively on the manufacture of military



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types, will not be as favourably placed as the American, which has been manufacturing transports on a large scale throughout the war. The extent to which British aircraft manufacturers will be able to make use of their opportunities will depend largely on their ability to design efficient commercial aircraft as speedily as possible, and to market them at competitive prices.

Nuffield Organisation in Australia

An indication of the changing trend in British exports is provided by the activities of the Nuffield organisation. Their intention to manufacture Morris cars in India was recently announced, and it now transpires that a new company with a capital of £1,000,000, entitled Nuffield Australia Proprietary, has been formed to operate in the Dominion. In the first place, the intention is to manufacture only bodies in Australia, and to assemble there engines and equipment imported from this country. Lord Nuffield has, however, undertaken gradually to build up works capable of all stages of car production.

It is evident that, as against the possibility of Australia taking a corresponding number of cars manufactured here, this arrangement would involve a loss of exports. But there is no escape from this tendency. When virtually the whole car is built overseas, this country will still export the skill involved in the design and the experience in making the cars. In addition, Britain may send jigs and some of the most recent additions to equipment, as well as having provided some at least of the capital.

So far as the more industrially developed countries are concerned, it is along these lines that British exporters must think. We may still be able to increase exports of staple goods to some areas, but this country is able less and less to rely on its own raw materials, and more and more must trust to special skills to hold its own in the world's markets. The aeroplane still calls for special skills at almost every point, the family car much less so, and the new Nuffield enterprises are in the line of development which yields most hope of success in the changed conditions of the post-war world.

The Supply of Bills

The expansion of the offer of Treasury bills at last week's tender is being followed, as foreshadowed in these Notes, by a further £10 million increase, to £130 million, this week. This should permit a welcome replenishment of discount market portfolios, and hence an improvement in the supply of bills to the banks. In the absence of these periodic expansions of the tender offer, the accumulation of overseas funds in London would, despite the availability of tap bills for certain central banks, make progressive inroads into the volume of bills available to the market. Two years ago, after the tender offer was first raised from the basic figure of £75 million which obtained for so long, the market's intake of bills ran for many weeks at levels appreciably higher than those of the past few months, although the total weekly offering was then £20 millions less. In June, 1943, indeed, the average weekly allotment to the market almost touched £40 million, a level that was not surpassed until last May, with a record average of nearly £44 million. Since then the trend has been downwards, despite the temporary increase in offerings (to £120 million) in the autumn. It is true that in the first quarter of this year the intake was still running appreciably above the corresponding 1944

figures—the quarter's weekly average was £35 million, compared with £25 million. Last month's average, however, would have been easily the lowest for more than a year, had it not been for a bumper quota last week—thanks to a full allotment of the shorter-dated Monday bills. As it is, the average for April tenders comes out at just over £30 million, which is £4,000,000 less than in March and £3,000,000 less than a year ago.

On the basis of past experience, therefore, it may be unwise to assume that the expansion which now seems in prospect will, except in the short run, do much more than make good the inroads that have already occurred—unless, of course, the inflow of overseas funds should slacken or unless the facilities for the issue of tap bills were to be extended. Meanwhile, clearing bank portfolios, which are the principal concern in this context, have for three months been maintained somewhat above their corresponding levels of the previous year. But they have probably not yet felt the full impact of the recent decline in market intake, and in any case are already extremely low in relation to the huge volume of deposits.

Income Tax Bill

Some of the shortcomings of the Income Tax Bill—which formed the subject of an article in *The Economist* of April 28th—were discussed in Committee in the House of Commons on April 27th. (The Bill is designed to give effect to the changes in the taxation of industry foreshadowed by the Chancellor of the Exchequer in his Budget Speech last year.)

Several members of Parliament criticised the present system of depreciation allowances because the allowances are based on the original and not on the replacement cost of equipment. The criticism of the present system arose from the fact that the new Bill will enable the Government to reclaim part or the whole of the depreciation allowances already granted if, at the time of replacement, the second-hand value of plant exceeds the amount of the final depreciation allowance based on the original cost of the equipment. True, this position conforms to the established principle of taxation. But the principle itself is a questionable one during a period of rising prices, when the cost of new equipment may be double that of the original equipment. Sir John Anderson merely pointed out that the law takes no account of the change in the value of money. But the matter can hardly be left at that; other countries have found it advisable to introduce a special system of allowances over and above the normal depreciation allowances, designed to protect industry from capital consumption caused by inflation.

Productive and Unproductive Industries

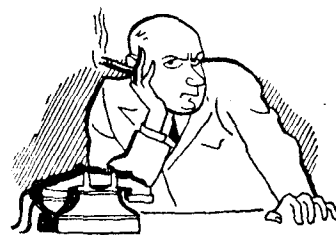
The Bill also drew criticism because the new depreciation allowances for buildings are confined to "productive industry"; retail shops, hotels, showrooms and offices are not eligible for these allowances. The Financial Secretary to the Treasury, Mr Peake, gave the two reasons that prompted the Chancellor of the Exchequer to draw this distinction. The first line of defence was, as so often, that the universal application of the new allowances would give rise to "extremely formidable" administrative difficulties. The second explanation he gave was that of the Physiocrats:—

Productive or creative industry is the foundation of national prosperity. It is the production and export of things, not the retail distribution at home, that is the real life-blood of the country.

This explanation is hardly a valid one.

On the other hand, the Chancellor was in a more accommodating mood in the matter of discrimination between new and old buildings. The Bill will grant an initial depreciation allowance of ten per cent in respect of new buildings and an annual allowance of two per cent for both new and old buildings. The new system is to supersede the Mills and Factories Allowances granted since 1919. For existing buildings, the annual allowance is to be confined to a period of 50 years; exceptionally, where a building is 50 years old or more at the time of the change-over to the new system, its owner can claim the existing allowance for a period of five years. This limitation will often leave owners of existing buildings worse off than they are under the present system. To meet their case, Sir John Anderson said that if the period of five years should prove inadequate, an extension would be justified.

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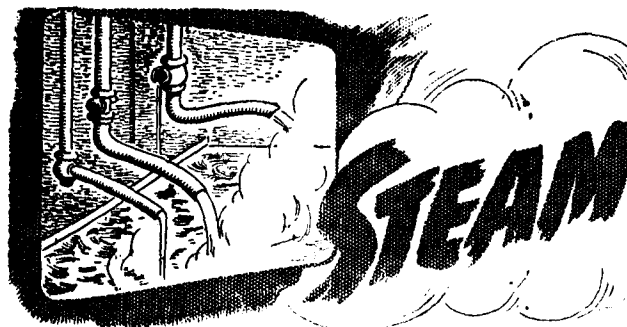


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Food controls to continue?

The political controversy about governmental controls becomes ever more lively. On only one aspect of the question is there general agreement: we must continue to exercise some control of the Nation's food, or suffer for it.

Even housewives, who are longing for the time when the ration book will no longer be a necessary adjunct to the shopping basket, would not want all Government food measures to disappear overnight. For then where, for example, would be the extra supplements of vitamins for expectant mothers and babies, or the priority allowances of milk and eggs, or the allocation of vitamins to all children under five?

These are the sort of controls that might well be worth preserving, even in the days of plenty, when the health of the nation will continue to be a major responsibility for everyone.

So much is agreed on every hand. Yet it is perhaps not generally realized how great a part was played by the discovery of vitamins in revolutionizing the science of dietetics, which has made the feeding of our people so much more efficient in World War II than in 1914-18.

Today, this extension of knowledge in the nutritional field has led to the production of vitamins in synthesized form on a very large scale. In the Roche plants in Great Britain, Vitamins B₁ and C are being produced so economically that they are now within the reach of even the most moderate purse. Already, the distribution of synthesized vitamins to the children of Paris has prevented the worst effects of vitamin deficiency. Indeed, these synthesized vitamins are materially helping in the task of feeding

This Greek boy, aged 12, is suffering from the effects of prolonged malnutrition. Consignments of food, including supplies of synthesized vitamins, have materially helped in combating the terrors of starvation and disease.

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Issued by the National Savings Committee, London

Tin Prospects

The Japanese seizure of the Pacific tin-mining areas has had, until now, no serious effect upon the war effort of the United Nations, since Allied tin reserves were supplemented during 1942 and 1943 by increased exports from Bolivia, Nigeria, the Belgian Congo and other tin-producing areas. Shortage of developed ore reserves, and scarcity of manpower and materials, have now, however, greatly reduced the output of these mines. At the beginning of 1945 it was reported that the American Government's tin reserve—accumulated during the eighteen months prior to Pearl Harbour, and drawn upon as required—stood at around 113,000 short tons, enough to meet current Anglo-American requirements for more than a full year. Recent withdrawals, however, have been on a rising scale, and it is now stated that this reserve has reached a dangerously low level. Although upon examination this view may appear pessimistic, it is clear that measures must be taken to prevent a serious tin shortage in the near future.

By a recent official report of the United States Foreign Economic Administration, some 7,000 short tons of Chinese tin—twice the 1943 total—were imported during 1944, travelling by air to Calcutta, and thence by sea to the United States. The re-opening of land communications between China and India may raise the figure in 1945, but the production of Chinese tin is limited; nor is the re-occupation of Burma likely to add much to Allied tin supplies.

There remain Malaya, the Dutch East Indies and Thailand, all of which may soon become theatres of military operations. The resumption of tin mining in these zones immediately upon their liberation—for which plans have already been made—should go far to remove the threat of a tin shortage for the most essential needs. Mining activity may, however, be seriously hampered by the destruction of plant, including dredges, and also by lack of labour (never, in any case, efficiently organised in Malaya). Tin is the scarcest of the major metals, and a plentiful supply is essential to the health of the food and other vital industries. During 1944 considerable attention was given to preparations in the fields of organisation and technology for the intensive effort that will be necessary to secure enough tin for world rehabilitation, but of late this matter appears to have been allowed to slip into the background. The end of the European war should set free industrial resources sufficient to resume regular production of tin-mining equipment, including dredges, so that the effects of war damage may be repaired without delay.

Diamond Optimism

Speaking at the annual meeting of the Anglo American Investment Trust, Sir Ernest Oppenheimer confirmed the impression, noted in these columns last week, that not only was 1944 an excellent year for the diamond industry, but that 1945 had opened equally successfully. He said that stocks were at a minimum level, except for the types of small rough stones normally cut at Antwerp, so that the reopen-

ing of the Antwerp market will usefully absorb the only surplus stocks available.

More generally, Sir Ernest was optimistic about the future of the industry. In practice, its prospects will be affected by two important considerations. It may be taken, as Sir Ernest claims, that industrial diamonds have now proved their worth in engineering technique, but their future price level is far less certain. The anti-trust suit now being taken by the US Government against the diamond companies is associated with the belief that the current prices of industrial diamonds, although they have not been raised during wartime, are too high. If price reductions could be secured—a difficult task unless tackled by joint international action—then the sale of industrial diamonds, which even during wartime does not represent more than a third or a quarter of the total value of diamond sales, would become much less important as a stabilising factor in demand. In any event, the steadiness of the demand for industrial diamonds, while it will certainly help to offset fluctuations in the demand for gem stones, may also give rise to production problems owing to the fact that the two sorts of diamond are mined together.

The second and more important consideration affecting the industry's future is, in fact, the demand for gem stones—and it is also much harder to estimate. Gem stones are in strong demand during wartime for a wide variety of reasons, many of which may disappear; and the replacement of stocks, while it will ensure a period of activity, can offer no lasting contribution to the industry's prosperity. The contention that the price of industrial diamonds is too high could probably be brought with more weight against the price of gem stones, although action against the selling syndicate's monopoly would be in this case still more difficult.

Reduced Rayon Prices

The Rayon Producers' Committee has announced its decision, approved by the Board of Trade, to reduce rayon yarn prices. As a result, they were marked down by 2½d. per lb. on May 1st, making the price of 150 denier 3s. 9d. per lb., compared with 2s. 6½d. before the war. The reason given for the reduction is that the special arrangements made in July, 1940, for the export trade are no longer necessary. Since that time, when the export drive was at its height, the home market has in a sense been subsidising exports, since prices were 3d. per lb. above those of exports. This had become an anachronism.

A more deep-seated reason for the reduction is probably the rayon producers' optimism that production can, through the lifting of many wartime restrictions, be considerably increased in the not too distant future. The rayon industry has always been quick to reduce prices when it could, and the latest decision is typical of it. The smaller producers may not find it so easy to work to the lower prices as the larger firms, although the rayon trade has, on the whole, done reasonably well during the war. It has had the advantage of being inherently economical in its use of shipping and manpower, and has thus gained considerably over the older textiles.

Whether the consumer will benefit from the reduction is another matter. Wages, in common with those in the cotton industry, are due to go up in June, and coal prices rose on May 1st. These increases may well absorb the 2½d. per lb. If so, prices of rayon goods may well be unchanged until economies of large-scale production can begin to make themselves felt. The rayon industry is clearly looking forward to being able to reduce costs by scientific and technical developments, but these and the lifting of restrictions will take time.

One means of stimulating production is to enlarge the market. A British Rayon Federation delegation, led by Sir Percy Ashley, is to visit Australia and New Zealand to investigate the probable post-war conditions and prospects of trade in rayon goods with the two countries. The delegation will survey, among other matters, the size and nature of the demand, and the possibility of United Kingdom interests participating in the promotion of secondary industries in Australia and New Zealand. The delegation has the blessing of the Board of Trade and is being cordially welcomed by the Australian and New Zealand Governments. Perhaps it is only the first of a number of similar delegations to other parts of the Empire and the world.

London Dock Inquiry

The report of the committee of inquiry set up to investigate the causes of the recent London dock strike, shows

that there is room for improvement in both the methods of administering dock labour and the machinery for industrial negotiation in the London area. The committee unanimously found that the strike was wholly unwarranted and condemned the men for their failure to use the established negotiating machinery, a failure due in part, they believed, to the influence of a small subversive political section among the dockers. The workers will no doubt claim that their strike action was justified in that it drew attention to defects which would not have been brought to light by the use of normal and less spectacular methods. But the strike nonetheless was condemned by the unions.

The Committee concluded that the main purpose of the Dock Labour scheme—the maintenance of the minimum labour force required to secure the quick turn-round of ships—would only be ensured by the use of control points and calling-on stands, and that its success equally depended upon the preservation of discipline and the reduction of absenteeism. But while it found that, on the whole, the officials of the National Dock Labour Corporation performed their duties “with patience, consideration and good humour,” the Committee admitted the need for a review of some of the disciplinary arrangements.

The report recommends, for instance, that the onus for application for leave of absence should not rest entirely with the individual docker, but that there should be some machinery entitling him to leave, subject to labour requirements, on the completion of a particularly long or arduous job. Then, instead of the Port Manager being solely responsible for judging breaches of discipline, he should consult with the man or his union representative or with a special advisory committee, in the case of workers in the Reserve Pool, or with the appropriate industrial committee, in the case of men in actual employment. The committee further suggested that Appeals Tribunals should have a wider composition and that disciplinary measures should apply to employers as well as to employees. In connection with the wider question of administration, they recommended greater decentralisation of the Corporation's London organisation, in order to give area managers more authority, and measures to secure a more careful allocation of labour.

The question of the future of dock labour schemes, which were set up to deal with wartime emergencies, is bound to arise with the end of the war. It would be valuable to have reviews of other port schemes, on the lines of the London inquiry, and the modification, if necessary, of any of the more irksome features of the administration, so that the real benefits conferred on the dockers by decentralisation will not be obscured by any lesser irritants or grievances.

Texas Land Offer

After all, the last has not been heard of the Texas Land affair. Last week produced an offer by an undisclosed buyer of £8 per share which is subject only to its being accepted by holders of at least 50 per cent of the shares. The price offered, although well below the valuation of the assets before meeting the tax payable on liquidation, is some four or five shillings above what a liquidation would yield at current values. Further, some of the net yield of liquidation would not be available for some appreciable time. In the circumstances the new directors, that is the Lowson interest, are accepting the offer, and it seems extremely probable that all their associates will follow their example. That alone should ensure that the deal is completed.

Evidently the buyer agrees with the old board rather than with Mr Lowson about the real value of the assets, and it seems clear that he intends to keep the company in being for some time. Beyond that the situation is obscure. The circular advertising the offer gives as an advantage that the dissident minority will now be able to retain their holdings. But will they consider this a reasonable course? When the Lowson interest obtained control they knew who would be in charge, and they were dissatisfied because they did not know what he would do. In this case they do not even know who will be in control, and doubtless the buyer counts on this argument to obtain something substantially in excess of the minimum 50 per cent upon which he insists.

Dissident holders who sell now may reckon that they are well out of a situation which at one time must have held rather gloomy prospects for them. Those who sold, almost two years ago, will have had great difficulty in finding investments which have yielded them the profit they would have obtained had they held and sold now. That profit has gone to Mr Lowson and his friends. If there is a moral to

this story it is that directors should give, and shareholders should insist upon receiving, the fullest information about their property. This is even more necessary when, as in this case, there is a heavy uncalled liability.

Maypole Dairy Results

There has been no change in the underlying conditions of supply which affect adversely a specialist company like Maypole Dairy which had in peace a special organisation for securing just the qualities of goods suited to its customers. The company has, however, been able to increase its turnover of non-rationed and “points” goods, while the subsidiaries, which are less highly specialised, have increased both turnover and profits. Maypole Dairy has suffered a reduction in earnings as the expansion in business has been insufficient to offset the rise in wages in March, 1944, which will cost the company £21,000 in a full year. The results of the group and the company for the past three years are summarised on page 615. It will be seen that liquid resources continue to increase and are very large. The only change in the appropriation of profits is to substitute for the modest provision for deferred repairs an allocation of £25,000 for modernisation of premises.

It must be especially irksome to a firm whose business was built in part on special channels of supply to have to submit to the present system of distribution and Sir George Schuster, the chairman, repeats the comments he made a year ago as to the need for the Government to indicate its policy with regard to supplies of food and, in particular, to say what is to be produced at home and what to be imported. Sir George is, naturally enough, a protagonist of “a proper nutritional diet” and maintains that to achieve that the country could absorb the output of British agriculture

beneficially employed at full stretch and still buy from . . . Canada, Australia, New Zealand and . . . countries like Denmark and Holland food products on a scale which will provide adequate outlets for their own production.

Against the background of the present situation on the Continent, this reads a little oddly, but Sir George is presumably taking a long term view. As to the immediate

(Continued on page 615)

WEST RAND CONSOLIDATED MINES, LTD.

(Incorporated in the Union of South Africa)

CAPITAL (Registered and Issued): £2,150,000
in 4,250,000 Ordinary Shares of 10s. each and 25,000 Deferred Shares of £1 each.

DIRECTORS.
SIR GEORGE W. ALBU, (Chairman). C. S. McLEAN.
DR. HANS FIROW. T. SHEARER. C. S. GOLDMAN.
M. W. RICHARDS. S. C. BLACK. ERROLL G. HAY.

EXTRACT OF ANNUAL REPORT TO DECEMBER 31, 1944.
Tons crushed 2,449,000
Yield (3,750 dwt. per ton) fine oz. 459,180

Working revenue (31.50s. per ton) £3,857,110
Working costs (18.99s. per ton) 2,325,281
Working profit (12.51s. per ton) £1,531,829
Sundry Revenue 102,775

Less Interest on Fixed Loan from General Mining & Finance Corporation Ltd. £13,839
Exchange 1,413
Special Benefits to European Employees 3,178
Directors' Fees 2,000

20,428
Credit Balance brought forward from 1943 £1,614,176
37,624

Total Available Profit £1,651,800

Appropriated as follows:—
Capital Expenditure £4,912
For year 100,000
Repayment on account of Fixed Loan £104,912

Miners' Phtisis—Provision on account of outstanding Liability 23,268
Taxation 1,009,594

Ordinary Dividends Nos. 26 and 27, totalling 17½% £371,875
Deferred Dividends Nos. 17 and 18, totalling £4 18s. 2d. per share 123,958

495,833
Unappropriated profit carried forward 17,795

£1,651,800

ORE RESERVE.—The fully developed ore reserve, as recalculated at December 31, 1944, amounted to 8,840,000 tons of an average value of 4.2 dwt. over 47 inches. (1943 9,149,000 tons at 4.2 dwt. over 47 inches.)

Copies of the full Report and Accounts have been despatched to British shareholders direct from the Head Office in Johannesburg.

ROYAL EXCHANGE ASSURANCE

225th ANNUAL REPORT

LIFE FUND EXCEEDS £17,000,000

LORD BICESTER ON THE YEAR'S PROGRESS

The two hundred and twenty-fifth annual general court of the Royal Exchange Assurance was held, on the 2nd instant, at the Royal Exchange, London, E.C., the Rt. Hon. Lord Bicester, the governor, presiding.

The governor, in the course of his speech, said: In the life department we issued 3,121 new policies, assuring an amount of £2,096,244. The premium income of £1,453,944 is some £20,000 in excess of that received in 1943. The life figures in general show little variation from those of the previous year, for which reason they do not call for any particular comment. But in making a general observation it is certainly satisfactory to see that, in spite of the vast upheavals that have taken place during the last five years, the great merits of life assurance appear to retain their appeal in the mind of the general public. It is also, I think, a tribute to the management of life business that through such a time the security and protection afforded to the assured remains unquestioned. Probably it is true to say that the average life fund—and it is certainly true of our own—has never been in a stronger position than it is now; it now exceeds 17 million pounds.

EXCELLENT FIRE RESULTS

Dealing next with the results of our fire business, I am happy to say we have again experienced an excellent year's trading, resulting in an underwriting profit that has only once been exceeded by the department. The total premium income of our fire business is £1,942,000, an increase of nearly £130,000 on the premiums received in 1943. It must, of course, be appreciated that in comparing figures relating to premium income with those of former years increased values are playing their part, so that while our business is, I feel, definitely expanding, a fall in the general world price level would not be without its influence. Meanwhile, it is undoubtedly sound for all those who are responsible for maintaining property adequately covered, to consider carefully this question of rising values. The corporation has devoted a good deal of time in both explaining and bringing this important fact to the notice of its insured.

WORLD-WIDE CONNECTIONS

As you are aware, our fire business connections are world-wide, and in spite of the territories that are still closed to us through the war, it is encouraging to see that abroad also the volume of our fire premium is increasing. I very much hope that by the time the next annual general court is held I shall be able to state that we have re-established our former connections in many European countries from which, during the war years, we have been or still are cut off.

After taking credit for net interest, amounting to £40,300, there is available a sum of £259,647, which has been transferred to general profit and loss account. It is a most satisfactory result and one that reflects great credit upon all those whose efforts led to its attainment.

MARINE DEPARTMENT

Last year, in reporting to you on the work of the marine department, I mentioned that with the great diminution in the number of our shipping casualties which was then taking place, and which gave cause for satisfaction and thankfulness, it was probable that our premium income from marine underwriting would also decrease. This turned out to be so, and the

net premium income for 1944 at £513,000 is less by some £86,000 than in 1943, but we have no reason to be critical of this, and I am happy to report that both the results of our own activities in the marine market and the conditions prevailing in the market itself are satisfactory.

In proof of this, your court has this year again decided to transfer a sum of £75,000 to the general profit and loss account, this being a like amount to the sum transferred for the previous twelve months. I should mention that the marine fund now stands at the satisfactory figure of £1,240,000, representing 242 per cent. of the premium income.

I think, however, it may not be inappropriate at the present time to sound a note of caution. While throughout the war the marine market has remained a competitive one, there has been more co-operation between its two component parts—that is the companies and Lloyds underwriters—than for a long time past. While that co-operation continues there is a reasonable prospect that results will also continue to be satisfactory. But if intensive competition reappear, and as a result, for any reason, the Joint Hull understanding be discontinued, then unfavourable results may well be anticipated. It is to be hoped that every effort will be made to maintain the agreement, and also the smooth working of the more recently established Joint Cargo Agreement. To me this seems to be of especial importance during the years immediately following the cessation of hostilities.

ACCIDENT FIGURES AGAIN GOOD

The results of our accident department are again good. The net premiums received for the year at £1,148,625 show an increase of practically £100,000 on those of the year before. We have, I feel, every reason for satisfaction in this increase, not only because it has been achieved in spite of the numerous adverse factors, to which I have referred in previous years, but also because it has been obtained—and to this I attach the greatest importance—without sacrificing the quality of the business.

In reviewing the individual sections which make up our accident account, I might say that motor-car insurances have participated in the increased volume, and this is an indication that we are securing our share of policies on the cars that are slowly coming back to the roads. There is nothing new to report in regard to employers' liability business, as there has been no change in the situation since I last addressed you.

I might also mention one other branch of our accident business, that which deals with burglary risks. During the war years, for a variety of reasons, of which war damage has been prominent, it has been extremely difficult to protect adequately either business or private premises. The corporation has nevertheless done its utmost to help its policyholders, and when they themselves have taken all reasonable steps to safeguard the property insured, we have, wherever possible, continued to give cover.

Our business overseas very naturally continues to confront us with many problems, and although some of these individual accounts are difficult, I am pleased to say that the department has made a profit on balance in this section. The net result of the accident department trading for the year, including interest, is the transfer of £154,858 to the profit and loss account.

PROFIT AND LOSS ACCOUNT

I now come to the general profit and loss account itself. In dealing first with the

income side of the account, you will see that "interest not carried to other accounts," less tax, amounts to £69,886. This item in our general account now increases very slowly. The same factors relating to the Government's cheap money policy naturally exert themselves in the results of investing our general funds as those to which I have previously made reference in dealing with our life fund. Each fund has supported the financing of the war with almost its total available cash, but the return in net interest has been very small indeed. The figures of the individual departmental transfers I have already given. Added to those is the sum of £30,229, being one-fifth of the proprietors' valuation surplus on the years 1936-40. Transfer fees of £63 and an item of somewhat larger proportion than usual of £2,020 in conscience money make up the total amount on the income side of the account.

On the expenditure side there are three items which I should mention. Provision for United Kingdom taxation, including income-tax for 1945-6, absorbs £202,000. You will see, also, that this year we have made further transfers of £100,000 in each case to our fire insurance fund and our accident insurance fund, bringing them up to one million and half a million pounds respectively. When you set the figures given in the balance-sheet, namely, £1,776,928 for the fire fund, and £1,465,566 for the accident fund against the premium income of these respective departments, you will, I think, agree that the position in both cases is an extremely strong one, and is a satisfactory reflection on the manner in which both our fire and accident business has been managed through a difficult and somewhat hazardous period. After giving effect to these various expense and transfer items, the balance, which as you know constitutes our general reserve fund, stands at £1,226,923.

Your directors have already passed a recommendation to pay a final dividend of 19 per cent. for the year. This dividend, together with an interim dividend of 11 per cent. paid on November 6th last, will make a total amount of 30 per cent., less tax, on the capital stock of the corporation for the year 1944.

As a whole, the progress made by our associated companies can be viewed with every satisfaction.

INSURANCE INDUSTRY'S GREAT PART

The insurance industry, and in it this corporation, has played a great and important part in the country's struggle for existence. It has lent every possible assistance to the Government's plans to meet many emergencies. It has been of the greatest value in helping in the general strengthening of public confidence, through shouldering the many and diverse risks that confronted both business and the private citizen. Last, but by no means least, by the great financial contribution, both by loans to the Government and by taxation, the insurance companies have borne a great and heavy burden.

Our staff which has carried this burden has been considerably reduced in numbers. It has provided from its ranks many men and women for the fighting services. Unhappily, some of these are among the killed and wounded, and to their relatives and friends we offer our profound sympathy. Of those who have remained at home, in addition to their duties in the corporation's service, they have given much of their spare time to war work in its various phases. They will be able to look back upon a great record, and you will wish me to convey to them your most grateful appreciation.

Before concluding this address, you will also wish me to extend on your behalf sincere thanks to our general manager and the management and staff of this corporation, coupled with our appreciation also of the help given us by our local directors, representatives, and those of our agency organisations both at home and abroad, who have all, in their various ways, helped us in this difficult time.

The report and accounts was adopted.

ANGLO-PALESTINE BANK, LIMITED

FIGURES SHOW CONSIDERABLE EXPANSION

FINANCIAL AND ECONOMIC POSITION

The forty-third annual ordinary general meeting of the Anglo-Palestine Bank, Limited, was held at the bank's London offices, Stafford House, 30 King William Street, London, E.C., on the 30th ultimo.

The following is the address of the chairman (Mr L. Braudo) circulated with the report and accounts:

I have much pleasure in presenting the Anglo-Palestine Bank's report and accounts for the year 1944.

Some observations on the financial and economic situation in Palestine and on the affairs of the bank will, I take it, be welcome to the shareholders.

The present high price level to which I drew attention in my last statement is, one must emphasise again and again, mainly a product of the abnormal supply position. A return to more normal conditions will affect this level to a degree which, although difficult yet to estimate, is bound to be considerable. At the same time some change in the price level prevailing in the United Kingdom is certainly within the bounds of possibility. It would seem, therefore, that currency and exchange discussions, based mainly on the present temporary and artificial difference in the respective price levels, are not quite realistic.

NATIONAL FINANCES

In various announcements on behalf of the Government of Palestine it has been explained to the public that the financial year which has just come to a close is expected to show a deficit in the neighbourhood of £3,500,000 in spite of the fact that revenue from local sources during the year has risen by not less than approximately £2,500,000. The outstanding item of expenditure on which public attention is focussed is that of about £5,000,000 subsidies mainly on cereals and flour and on meat. It is felt that Palestine has been particularly unfortunate in that, under the Middle East supply system—in which its Government has no say—it had no choice but to import the bulk of its essential foodstuffs at greatly inflated prices from countries which, unlike itself, have hardly made any serious attempt at stemming the tide of inflation. It is hoped that with the turn which the war in Europe is now taking, this state of affairs will in not too long a time come to an end. The Government deems some further increase of taxation unavoidable, and if a very moderate amount of borrowing proves necessary, it will be pertinent to observe that the country has so far managed to balance its annually increasing budget during the whole war period (1939-40, £6,000,000; 1944-45, £18,400,000) without any borrowing at all for budget purposes, and that it will enter the post-war period, as far as public finance is concerned, in a strong and sound position. Such borrowing as will at the present time be required can be taken care of in the country.

ECONOMIC POSITION

On the economic position generally only little need be said. Industry has adjusted itself with comparative smoothness to the gradual falling off of army orders and the necessity of reorientating itself towards the needs of the local market. All manufacturers of some importance are looking forward to the moment when they will be able to place orders for the renewal and extension of their plants. The transition to more normal post-war conditions is, however, certain to raise its own problems.

The citrus industry is still suffering, as there was hardly any export during the last season. However, hopes are high that the next season will be better; there is every reason to expect that in the course of a few years it will be possible to bring back most of the plantations to a normal condition. The required measure of thorough cultivation, at a time when crops will as yet be insufficient to cover the outlay of the season, will call for additional investment. This raises a problem of finance which comes on top of the other problem of easing the burden on the growers of the debt to the Government incurred during five consecutive seasons, when cultivation would have been impossible without Government guaranteed advances on the part of the leading banks. I am afraid that at the present moment I can say little more than that the matter is under consideration.

EXPANSION OF BUSINESS

The bank's balance-sheet figures show a further considerable expansion. Current, deposit and other accounts now show a balance of £37,276,000, as against £25,446,000 last year. Some demand for additional accommodation has made itself felt during the year, and the aggregate items of loans and advances and bills discounted now stand at £3,914,000, an increase of £742,000 over last year's total.

It is only natural that the accounts should continue to show a very high degree of liquidity. Cash in hand and at bankers and moneys on call show a total of about £13,725,000, being 37 per cent. of deposits, and British Government securities (all relatively short-dated) stand at £19,323,000, a further 52 per cent. The bank is, therefore, well equipped to meet all demands for accommodation which the post-war period may bring.

FINANCE FOR INDUSTRY

In line with the trend in the United Kingdom the directors have given a great deal of thought to the problem of financing deserving industrial enterprises. They have, therefore, formed a subsidiary company with a capital of £200,000, in which the bank participates to the extent of £150,000, the special purposes of which will be to provide medium and long-term credits for the re-equipment and extension of promising industrial undertakings.

Another subsidiary with a capital of £100,000 (in which the bank participates to the extent of £66,700) has been formed with the intention of providing the nucleus of an agricultural credit corporation.

DIVIDEND NOW TAX FREE

The profit for the year was satisfactory, as shareholders will have perceived from the accounts. I went to some length last year in explaining the workings of Dominion income-tax relief, which under the Finance Act, 1920, the bank is bound to pass on to its shareholders. The matter is not without its intricacies, and in order to put the position before shareholders in the simplest possible form the directors have deemed it best to return to the system of declaring a dividend "free of tax." Dominion income-tax relief continues, of course, to be passed on to the shareholders and all the relevant particulars are set out in the dividend vouchers. The tax-free dividend of 5 per cent. on the ordinary shares and "A" ordinary shares now proposed represents the net cash payment which shareholders will receive, including Dominion tax relief. Last year's dividend

expressed as "free of tax," would have amounted to 4.35 per cent.

While appropriating to the contingencies reserve an amount similar to that of the previous year—namely, £50,000—the directors have also been able to transfer an amount of £31,356 10s. to the reserve fund, which now stands at £250,000.

E.N.V. ENGINEERING COMPANY, LIMITED

CONTRIBUTION TO WAR EFFORT

MR. C. G. TWALLIN'S ADDRESS

The annual general meeting of the E.N.V. Engineering Company, Limited, was held, on the 30th ultimo, at Winchester House, Old Broad Street, London, E.C.

Mr C. G. Twallin, C.B.E. (chairman of the company) who presided, said: This is our seventeenth annual general meeting. The accounts have been circulated, and with your permission we will take them as read. (Agreed.)

To deal with the accounts, our debtors are up by £15,020; our cash at £312,968 is up by £118,124; our investments and tax reserve certificates are reduced by £125,000, and our stock figure is lower by £19,903. Our machinery and plant is now standing in our books at £30,819. During the year we have expended £5,129 in additions; the depreciation figure provided for is £7,754 less than last year, due to the reduction in the capital figure on which depreciation is calculated, consequent upon the liberal policy of depreciation we have always adopted.

Freehold land and buildings.—We have spent £4,796 on buildings, and ample depreciation to the extent of £14,119 has been provided.

On the liabilities side our creditors, including provision for taxation, are down by £55,632; our reserve account in the balance-sheet is increased by £10,000.

RESULT OF YEAR'S WORKING

The surplus on profit and loss account of £97,512 is £3,598 larger than that available last year, notwithstanding the fact that the trading profit for the year after provision for taxation is £7,197 less, two contributory reasons being a larger carry forward from the previous year, and a smaller allocation to depreciation.

We propose to deal with this credit balance as follows: Proportion of dividend on preference shares up to December 31, 1944, less income-tax £625, in payment of a final dividend of 10 per cent., and a bonus of 8½ per cent. on the ordinary shares, both less income-tax, absorbing altogether £46,875, in transferring to reserve account £15,000, which will bring this figure up to £200,000, and to carry forward to next year's account £35,012.

For some years for security reasons I have been unable to give you information as regards our activities, but now that the veil is lifted slightly I am able to tell you that we have been fully occupied in the manufacture of reduction and other gears for aero engines and propellers, transmission gears for tanks and high-speed motor-boats, rear axle gears and assemblies for vehicles for the Services, gears for machine tools, and much other work of a similar nature.

In November we were honoured with a visit by Sir Stafford Cripps, H.M. Minister of Aircraft Production, who when addressing the assembled staff indicated that the switch-over from war to peace work would in all probability cause some dislocation and consequent inconvenience to the individual, but this should be viewed as part of our contribution to the war effort.

FUTURE OUTLOOK

I was heartened by the remarks of Mr Brendan Bracken, H.M. Minister of Information, when, addressing the members of the Royal Empire Society in London in February, he stated: "If research, risk-taking and enterprise were not discouraged there was no reason for pessimism about

the future of British industry." As far as this company is concerned, if inquiries are an indication we shall be in for a busy time, provided a reasonable proportion of these inquiries mature.

I should like to take this opportunity of expressing our appreciation of the courtesy and help we have received from various Government Departments with which we have worked during the war period, but we welcome the day when controls will be lifted.

On your behalf I am sure you would like me to express our thanks to my co-directors, shop foremen, charge hands and employees for their co-operation.

The report and accounts were unanimously adopted.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY, LIMITED

TOTAL ASSETS EXCEED
£63,000,000

The eighty-fourth annual general meeting of this society was held, on the 24th ultimo, in London.

Mr J. K. Wiseman, chairman and joint managing director, presided, and in the course of his speech, said:

The market value of Stock Exchange securities substantially exceeds the book value, and the investment reserve and contingency funds remain intact. British Government securities now represent more than one-half of the total Stock Exchange investments.

The total income for the year amounted to £11,201,000, an increase of £411,000 over the previous year. The combined premium income amounted to £8,844,000, an increase of £290,000 over the previous year.

The total claims and surrenders paid during the year amounted to £4,272,000. This, however, only partially represents the amount applied for the benefit of policyholders, as a proportion of the premiums being paid now are set aside to provide for sums assured which emerge for payment in the future. In this way, in addition to the £4,272,000 paid to policyholders during the year, the sum of £4,050,000 has been added to the funds as provision for future payments to policyholders, these two items together making a total of £8,322,000.

The premium income in the ordinary branch (including consideration for annuities granted) amounted to £2,286,000, an increase of £84,000 over the previous year. The new sums assured amounted to £3,313,000, which is slightly above the amount written the previous year.

In the industrial branch the premium income for the year amounted to £6,557,000, an increase of £205,000 over the previous year. Claims and surrenders amounted to £2,822,000. The amount added to the fund during the year was £2,942,000, which includes £1,595,000 interest on investments. This addition to the fund is money put aside as a provision for future payments to policyholders. Adding this item to the actual disbursements to policyholders during the year the total is £5,764,000. Thus the actual amount paid to policyholders, plus the amount added to the fund, which provides for future payments to policyholders, together make up a sum equal to 87.9 per cent. of the premiums received.

The balance-sheet shows that the assets total £63,755,000, an increase of £4,069,000 over the previous year. Stock Exchange securities represent 82.1 per cent. of the total, the remainder consisting mainly of mortgages, loans on public rates, freehold and leasehold properties and ground rents.

Our holding of British Government securities now amounts to more than £39,500,000, and represents 46.3 per cent. of the total assets.

The report and accounts were unanimously adopted.

THE "BANK-INSURANCE" GROUP OF TRUSTS

MR J. H. BATTY ON B.O.T. REQUIREMENTS

The tenth annual general meeting of Trust of Insurance Shares Limited, managers of the "Bank-Insurance" Group of Trusts, was held at 30, Cornhill, London, E.C.3. Mr J. H. Batty, chairman of the company, presided. Mr Batty said:

This year the Unit accounts are presented to you in a new manner to conform to the Board of Trade requirements. These requirements are to be welcomed because they give official recognition to unit trusts, because they will lead to uniformity in unit trust practices and accounts, and because they will make clear one of the most important features of the unit trust movement—namely, the degree of economy in management.

We are, however, not in complete agreement with the requirements of the Board of Trade whose task, in our opinion, was unusually complicated because the powers granted them in the Schedule to the Prevention of Fraud (Investments) Act, 1939, were inadequate and ill defined. For example, it is to be regretted that the following matters were not dealt with:

- The regulation of the bid price of units.
- The conversion of units into cash by the managers by selling securities in the fund and so reducing the total number of units in issue.
- The amortisation of the initial management charge for the purpose of ensuring that an investor who buys a unit in a trust with, say, five years to run pays less than he would in one with a remaining life of, say, twenty years.

Holders of units in the "Bank-Insurance" Group are already fully protected on all three points. The first two are covered by our undertaking, which was emphasised in our report last year, to buy back any quantity of units, large or small, at a price not less than their realised value or their realisable value as certified by the Trusts' official stockbrokers and auditors. This applies to all our trusts except the specialised Cornhill Trust where other suitable provisions exist. The third point—the gradual reduction in the management charge—has always been observed by us.

The items in the requirements which in my view should be modified include:

- Disclosure of the "actual" amount of each security held in the trust.
- Calculation of yield.
- Certain details in the accounts.

DISCLOSURE OF "ACTUAL" FIGURES

We, in common with, we believe, all other unit trust managers, disapprove of the publication of "actual" (as opposed to percentage) figures where this will result in disclosing the amount invested in each security held by a trust. "Actual" figures will give dealers on the Stock Exchange information which can be used to their own advantage and may handicap managers in buying and selling securities for the trusts, to the detriment of unitholders. Rigidly fixed trusts are liable to be chiefly affected, but even managed trusts like ours, with powers to continue or convert the trusts at the end of a given number of years, will have to take care that their current buying and selling policy does not become known in advance to the market.

CALCULATION OF YIELD ON UNITS

The basis of calculating yields laid down by the Board of Trade differs in three main respects from that adopted generally by the Stock Exchange and by responsible financial writers, viz., treatment of accrued divi-

dends, commissions, and Dominion income tax relief. As a result unit trusts are required to advertise a lower gross yield, after allowing for service charges, than would customarily be quoted in other quarters for the investment of an equivalent sum in securities identical with those comprising the unit trust. The difference may amount to as much as a half of one per cent. This may cause confusion in the minds both of investment advisers and investors, who compare the yields given by a group of securities with that of a unit trust composed of the same securities, to the disadvantage of the trust. In effect, the gross yield, as we are required to advertise it, is misleading.

Fortunately the Board of Trade do not consider their requirements, as originally published, to be immutable, and they have already modified them in some respects, particularly in regard to certain details in the accounts.

I take this opportunity to express our appreciation of the courtesy shown us by officials of the Board of Trade, with whom we have had numerous discussions during the past three years. We shall, of course, continue to make representations to the Board whenever we consider these to be in the interests of unitholders.

THE 1944 CONSOLIDATED ACCOUNTS

Copies of the directors' report on the consolidated balance sheet and the consolidated statement of profit and loss of the management company and on the Unit accounts of the Trusts are in your possession and are being sent to all unitholders.

The aggregate invested funds in all our trusts exceed £16,000,000. The investment reserve account has been increased by the addition of £7,000 to £38,000. Our profit (before tax) for the year amounted to £18,023, or 7.8 per cent. gross on our capital, and reserves of £231,000. Approximately half of this profit was derived from income and profit on our own investments; the balance in my view represents a very modest—perhaps too modest—return for the heavy and responsible work involved in managing and servicing our large trust funds.

The value of unit sales increased by 22.7 per cent. during the year; all our units appreciated in value by an average of about 5 per cent., except the Cornhill Debentures and "geared" Cornhill Deferred Units, the latter of which rose by over 16 per cent. These tendencies have continued during the first half of our current financial year.

The gross balances, excluding "holding" items, remaining to the Managers from dealing in and liquidating units of our five unit trusts, excluding the "geared" Cornhill Trust, amounted to £9,190; the amounts are expressed in the directors' report in the form of percentages of the sales of repurchased units and also of the proceeds of liquidated units of each trust, and will, I venture to say, appear reasonable to you.

The net balance carried to the consolidated profit and loss account, again excluding the Cornhill Trust, after deducting expenses and crediting the semi-annual remuneration, amounted to £1,643.

The Treasury ban on the issue of new units is still in force, but with the approach of the end of the war in Europe we have every hope that the Treasury will see its way to remove this restriction.

FREE MARKET IN UNITS

As in previous years we have readily bought back any number of units offered to

us, and in the case of our four largest trusts we have for several years been willing to buy or to sell up to 5,000 units, or even more, at a time at quoted prices. This is an adequate answer to those who in the early days of unit trusts expressed doubts as to their marketability.

CHANGE IN NAME OF MANAGERS

Immediately following this meeting an extraordinary general meeting will be held at which it will be proposed that the name of the management company, "Trust of Insurance Shares Limited," be changed to "Bank Insurance Trust Corporation Limited," which more accurately describes the scope of our business.

The report and accounts were adopted, and the proposed change in the name of the management company was approved.

LACRINOID PRODUCTS LIMITED

MR T. L. HORABIN'S STATEMENT

The eighth annual general meeting of this company was held on the 30th ultimo, in London, Mr T. L. Horabin, M.P. (the chairman), presiding.

The following is the statement of the chairman circulated with the report and accounts.

In deference to the wishes expressed at the last annual general meeting of the company, the profit and loss account for the year under review shows the net trading profit before providing for taxation and consequently discloses the amount required for such charge. It will be appreciated that, as in former years, the incidence of excess profits tax does not allow much variation in the amount of net profit available for dividend and for retention in the business. It will also be observed from a comparison with the corresponding amounts of the previous year, that the trading results show only a slight reduction, and that the net profit is practically unchanged at £5,522, as compared with £5,559 for the previous year.

Adequate provision for depreciation of the company's plant, fixtures and buildings has been taken into account.

Having regard to the conditions under which the work has been carried on, and in particular the increasingly difficult labour situation, your directors consider the year's results satisfactory.

In the period under review a subsidiary organisation to deal with the distribution of certain of the company's products was set up. The loss referred to in the company's accounts during this initial trading period has since been largely recovered.

POST-WAR PROSPECTS

As was the case in the previous year, practically the whole of the output of the company has been directed to supplying Government requirements. This will not, however, hamper our future development, and when peace comes we will be in a position to maintain our output. Already orders in quantity for civilian needs, both at home and abroad, are on our books. These orders must of course be deferred for the present because of the greater urgency of Government demands.

The plans of the management for the production of building and furnishing accessories have been pushed steadily forward. As a result your company is in a position when the war is ended to play its part, not only in the re-clothing of the people, but also in rehousing.

Both the management and the workers are to be congratulated on the way in which they have carried on day and night during the summer months at the peak of enemy activities against "Southern England."

The report and accounts were adopted.

RICHARD COSTAIN LIMITED

CONSTRUCTION OF MULBERRY HARBOURS

MR R. R. COSTAIN ON POST-WAR HOUSES

Mr R. R. Costain, the managing director, presiding at the annual meeting of Richard Costain, Limited, in London, in moving the adoption of the report and accounts, apologised for the absence of the chairman, Mr R. Arthur Costain, owing to indisposition. He said that he felt sure the meeting would wish to express to him their expression of sympathy and hopes for his speedy recovery. (Hear, hear.)

The managing director, continuing, said: You have had the accounts of the company as at the end of the year 1944, and will have noticed that apart from one or two figures the change is so slight that it hardly calls for an explanation. The figures to which I wish specially to draw your attention are, firstly, the balance from the trading account, which shows an increase of rather more than £42,000.

We add to contingency reserve a sum of £15,000, and the bank loans show a reduction of approximately £55,000. Trading and sundry creditors are considerably reduced by the sum of £160,000. This leaves a balance to be carried to the balance-sheet from the profit and loss account of £67,988, which is an increase of approximately £27,500. On this account your directors recommend for the year ended December 31st last an increase in the dividend to 8 per cent., less income-tax.

WAR EFFORT

Our company has carried its share of the burden imposed on the building and civil engineering industry during the war period. This culminated in what is probably the major contribution of civil engineers towards winning the war in Europe—namely, the construction, in record time, of one of the largest allocations towards equipment for the assault in Normandy, the Mulberry Harbours, both of the Whale and Phoenix sections. The company, too, has made a substantial contribution to the part taken by civil engineering contractors in meeting the fuel shortage by taking contracts to win opencast coal.

I feel it necessary to put on record that in the reconstruction of the country after the first World War, the private company, from which our company developed, did effective pioneering work in that they were the first contractors to carry out contracts for at least eight municipalities and local authorities, and our company is now anxious and able to make an even greater contribution by providing homes for the people, the greatest task facing the industry to-day.

HOUSING POLICY—GOVERNMENT PRONOUNCEMENT NEEDED

It is difficult to forecast the future prospects of our company, but it is hoped that, as well as normal building and civil engineering work at home and abroad, we will contribute considerably to the housing programme. It is essential, however, that the Government should make a more detailed pronouncement about their housing policy at an early date. The Ministry of Health has already stated that the Government look to private builders in conjunction with the building societies to meet, as they did before the war, a large part of our big housing needs, and that, subject to conditions, a subsidy will be available to private enterprise. The Minister has also said that he hopes that private enterprise will be able to build some houses even during the first two years after the end of the war with Germany. This is encouraging, but it is not enough. If your company are to begin, as they should, to build houses shortly, they and other private enterprise companies must, like local authorities, be able to plan now.

We must therefore know at once from the Government what sort of houses are to be built during the transitional period, what subsidy will be available and subject to what conditions, and which of the present controls will continue and for how long. We must also have an early decision on the report of the Rent Restriction Committee and an early report by the recently set up Committee on the Selling Price of Houses. You will, I am sure, agree that wrong decisions on either of these two problems might well retard house-building for many years.

PLENTY OF BRICKS AND CEMENT AVAILABLE

What sort of permanent houses are to be built in the earlier years after the end of the war with Germany? If a prefabricated house is to be produced which can be erected more quickly and by the use of less man-hours than a house built by traditional methods, and if it can be ready in time—the war with Germany might be over in a matter of weeks—the Government should tell us about it now. Your company is only too anxious to assist. If such a house is still only in the experimental stage, let us be told to get on with traditional houses. It is sometimes forgotten that the skin of a house takes only about 25 per cent. of the total man-hours needed to provide the whole house. We have plenty of bricks and cement in this country, and we do not need to build new factories for them, as we might have to do in connection with prefabricated houses. I feel that there is great scope—and I suggest sufficient scope—for prefabrication, in the manufacture of the components providing the equipment required for the inside of a house.

It seems that the local authorities will be building houses before the amount of the subsidy and the conditions attached to it are settled, and that these will operate retrospectively. You will, I am sure, wish your directors to join with others, in pressing the Government to announce the conditions for free enterprise now, and to say that all houses built privately, which conform to those conditions, will get the same subsidy retrospectively. Let the Government authorise both local authorities and free enterprise to begin new building at once in a small way with immobile labour. We shall not only be building new houses, we shall be acquiring the full information on costs, which is so vitally necessary, and we shall also be training the craftsmen of the future.

THE LONG-TERM VIEW

I have been dealing with the transitional period, as there are bound to be some controls during that period, and costs are bound to be higher than they will be later on. As regards the long-term problem, you will all, I am sure, agree entirely with one of the main conclusions of the Government Committee on Private Enterprise Housing, and I think that that conclusion is worth quoting. It reads as follows:—"Given favourable conditions, the housing needs of a large section of the people of this country can be met without assistance from public funds. The conditions required include cheap money, a plentiful supply of labour and materials, building costs in close correspondence with the cost of living, and stability of values."

With regard to the type of construction permitted, while your original company constructed several thousand timber and concrete houses immediately following the last war, it was found that, as soon as the industry became stabilised, the traditional methods were the most economic and

efficient. It is felt that this will make the greatest contribution to solving the post-war housing problem, and, while your company is anxious to assist in the interim period, it is hoped that we shall be permitted at an early date to build the traditional houses, of which your company was one of the largest producers in pre-war years.

CONSOLIDATED BALANCE-SHEET

It is becoming the general policy of

MAYPOLE DAIRY COMPANY, LIMITED

INCREASED TURNOVER: GROUP PROFITS MAINTAINED

SIR GEORGE SCHUSTER ON POST-WAR POLICY

The forty-seventh annual general meeting of the Maypole Dairy Company, Limited, will be held, on the 11th instant, in London.

The following annual review by the chairman (Sir George Schuster, KCSI, KCMG, CBE, MC, MP) has been circulated with the report and accounts:

GENERAL TRADING RESULTS

The year 1944 has again been a difficult one for the company, and may best be described as a period of "holding on" so far as concerns rationed goods and of constantly striving to increase sales of such non-rationed goods as are available to us under present-day restrictions.

The factors which, as explained in previous statements, adversely affect our position in war-time have continued to affect our registrations for rationed goods. The results of this have, however, been more than offset by the success of our efforts to increase turnover in non-rationed and "points" goods. As a result, a net increase in turnover has been achieved, but as against this there has been a slight reduction in gross profit margins. At the same time there has been a substantial rise in costs owing to wage increases. A scale increase was agreed in March, 1944, which for a full year will cost the Maypole Company £21,000.

While the Maypole Company has increased its turnover, but shown a slight decline in net profits, its subsidiary companies have been able to increase both their turnover and profits. The business of these subsidiaries is of a more general nature, and this contrast in results is another clear illustration of the fact referred to in previous statements—namely, that war trading conditions have created quite exceptional difficulties for a specialist company like the Maypole.

In the final result it will be seen from the report that the total profits of the group at £341,002 are only £250 less than for 1943. From this figure it is proposed to set aside £25,000 as a reserve for modernisation of premises in lieu of the provision for deferred repairs, which has been made in previous years. The provision which it is thought necessary to make for income-tax and NDC is £8,000 less than last year. The final result, allowing for smaller appropriations by subsidiaries, is that the net profit available for distribution is £103,112, about £12,000 less than last year.

STAFF

As usual, I must pay a warm tribute to the way in which the company's staff, both at headquarters and branches, has continued to cope with the difficulties of war conditions.

We have continued to pay war allowances throughout the year to dependants of Servicemen with families. Our total disbursements for war allowances and pension fund contributions, together with allocations from the provident fund for pensions and special grants have, for 1944, amounted to £47,379.

companies to produce to their shareholders a consolidated balance-sheet. Your directors are anxious to give you the fullest information, and have, therefore, decided to prepare next year such type of balance-sheet, in addition to the usual accounts.

I should like to express our appreciation to the staff and employees for the help and support given us during this difficult period, and our greetings to those serving in the Forces with the wish that they may have a safe and speedy return.

The report and accounts were adopted.

DEMobilISATION AND RESETTLEMENT

As I mentioned in my remarks last year, we are giving active attention to the question of the resettlement in civil life of our employees on demobilisation. We recognise that we shall have difficult problems to deal with. The men who come back to us after this long separation from their homes and work may have changed their outlook in many ways. From such letters as we receive, however, it seems quite clear that most of our "Maypoleons" are looking forward to coming back again to us and are anxious to get down as quickly as they can to normal civil life and a regular job. We can assure them that they will be welcomed as old friends, and that they will come back to a close fellowship which is bound together by many ties. We contemplate that a number of those who are returning may benefit from a period of retraining. Accordingly, we attach great importance to certain steps which we have taken during the past year in the way of preparing training facilities for our men returning from the Forces. We have for this purpose acquired a country house near the company's war-time headquarters at Worcester, which we propose to use as a residential centre for training courses not only for our ex-Servicemen, but for juniors coming fresh to the business. It is our intention, as necessity arises, to extend our activities in this direction as part of our post-war policy. Our plans for starting the Worcester centre are now fairly well advanced, and it is hoped to hold the first course early in June. One of our branch managers, who has completed a course of training as an instructor, is being put in charge, and we propose to give tutorial experience to other members of our staff.

FUTURE POLICY

There is little to add to what I said in my statement of last year. We still take the same view, and we are still without any definite information from the Government as to post-war conditions and British policy. In these circumstances I think it may be worth while to repeat certain remarks which I made last year.

Post-war conditions cannot be predicted with certainty, nor do we know how far Government controls of trading will be continued, or what will be the policy of the Government in regard to the production in this country and the import from overseas of the commodities in which we mainly deal. I think the time has come when the Government could safely be more informative on the last two points. All those who are responsible for the conduct of important forms of economic activity would be greatly helped by having some knowledge of the shape of things to come in matters which depend on Government policy. It ought, for example, to be possible for the Government with their present knowledge to indicate what is to be the target for home agricultural production, and broadly what is to be the quantity, nature and source of supply of our food imports from overseas.

"Personally, I believe that a factual appreciation will show that, if we are going to give all the people of this country a proper nutritional diet, we can keep our own agriculture beneficially employed at full stretch and still buy from our good friends abroad, Canada, Australia, New Zealand, and I would add countries like Denmark and Holland, food products on a scale which will provide adequate outlets for their own production. It would then be only a question of these countries making it possible for us to pay them by taking goods from us. If I am right in this belief then the sooner the British Government make the position clear the better, since our relations with so many countries are affected."

DIVIDEND PROPOSALS

The net profit available for distribution amounts to £103,112. We have again recommended that a dividend at the rate of 3 per cent, less tax, should be paid on the deferred ordinary shares, which will, after providing for the dividends on the preference and preferred ordinary shares and the usual allocations to reserve and staff provident fund, necessitate drawing on our carry-forward to the extent of £3,013, leaving this at £300,518.

The formal resolution embodying the board's recommendations will be duly submitted at the annual general meeting.

FUTURE PROSPECTS

It will be seen that the liquid financial position of the company has been still further strengthened. Taking account of this and of the general spirit of our staff, I feel that we can look forward to the future with confidence as soon as war-time restrictions and controls can be relaxed.

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY, LIMITED

THE HON. ARTHUR O. CRICHTON'S REVIEW.

The annual general meeting of North British and Mercantile Insurance Company, Limited, will be held, on the 10th instant, in Edinburgh.

The following are extracts from the statement by the chairman (The Hon. Arthur O. Crichton) circulated with the report: The life new business figures for the year show an increase of approximately 15 per cent. on those of the previous year. The total war claims at £142,798 show a substantial increase on the corresponding figure for 1943, but our mortality experience has notwithstanding been more favourable than expected.

The end of the year under review synchronised with the end of a quinquennial period. The surplus permits of the payment of a compound reversionary bonus of £1 per cent. per annum for each of the valuation years and leaves a moderate carry-forward.

The satisfactory position revealed by the results of the valuation justifies us in deciding in the case of policies becoming claims, either by death or maturity, before the next valuation is made, to pay an interim bonus at the same rate as that now declared.

In the fire department premiums for 1944 were £4,062,228 compared with £3,744,618 in 1943. The underwriting profit, after providing 40 per cent. for unexpired risks, was £133,624, or 3.29 per cent., which compares with £330,451, or 8.82 per cent., for 1943.

After reporting the results of the Casualty, Marine and Fine Art and General Insurance business, the chairman continued:

The combined underwriting profits, fire, casualty and marine, were £452,775 against £677,794 in 1943. The directors again recommend a dividend of 6s. 3d. per share, less income-tax.

(Continued from page 609)

future, it is likely to be very like the recent past, except that the group will, presumably, get back a section of its pre-war staff. With this development in view, it has plans well advanced for a residential training centre where courses will be given both to ex-service men and to juniors entering the business.

The difference between Maypole Dairies and other members of the Home and Colonial group is stressed by the fact that the parent company and both Meadow Dairy and Lipton all disclose increased earnings both before and after tax for 1944. Dividends are unchanged, that on the 4s. ordinary shares of the parent at 3 per cent. As these stand over 8s. the yield is under 1½ per cent less tax, an indication of the extent of the recovery expected.

Insurance in America

A compilation made by *Best's Bulletin Service* shows the operating results of American casualty and fire insurance companies in 1944. Premiums written by stock casualty companies rose nearly 8 per cent to reach an estimated \$1,220 million, the highest in the history of the business and 40 per cent above the 1929 level, despite decreasing rates for almost all classes of risk. Underwriting profits, although below the ratio for the previous year, were excellent at 8.4 per cent of premiums. In fire insurance, premiums of stock fire companies—which include marine insurance business—increased by 9 per cent to the "all-time high" of \$1,135 million. During the past five years premiums on pure fire insurances have risen by some 45 per cent, but they are still below the pre-depression level; the volume of insurance in force, however, is much greater, the reduced premiums being due to lower average rates. Companies experienced in the aggregate a loss of 1.9 per cent, against a profit of 4.3 per cent in 1943.

The immediate outlook is not promising in either department. Adverse fire experience—in the United States as in this country and elsewhere—is the result of rising prices and higher costs, coupled with increased claims frequently due to lessened maintenance and care of property and plant, speed of production and rapid turn-over of labour; at the same time, there has been downward pressure on rates. These influences are likely to be maintained for some time. Casualty results have been exceptionally good during the past three years, but are not expected to remain so. Automobile insurance will tend to deteriorate when traffic on the roads returns to normal proportions, and it is thought likely that workmen's compensation also will become unprofitable when wages decline and employees no longer have the present strong incentive to remain at work; there will be more claims for minor injuries and many delayed and re-opened cases. No doubt rates will be adjusted in course of time to the worsened experience, but the time-lag which has favoured casualty companies during recent years will for some time operate to their detriment.

Shorter Notes

The first issue to be announced under the new temporary regulations of the Stock Exchange, and the first gilt-edged placing of the war period, is an offer of £500,000 London Corporation 3 per cent. stock at 99½. The Corporation has decided to redeem at the first optional date, August 1, 1945, the whole of the £3,395,807 5 per cent stock, 1945-65, now outstanding. It has funds in hand to repay all but £500,000, which is to be raised by the placing. It may be recalled that under the new rule there can be no dealings in the stock until the lapse of six months or until permission to deal is granted. Under existing circumstances, permission will not be granted in less than six months. It is perhaps an indication that the need to avoid procrastination in considering applications for new issues is realised that the staff of the Capital Issues Committee is now to return to London.

The creation of the Non-Ferrous Metals Federation last week has been followed by the setting up of another trade association, the Joint Iron Council. The new Council groups in one association two existing ones—the Council of Iron Producers and the Council of Ironfoundry Associations. The one represents producers of pig iron for purposes other than steel-making, and the other the numerous ironfounders' associations. These two sections have not been covered by the bigger British Iron and Steel Federation.

Company Result

Maypole Dairy.

	Years ended December 31, (approx.)		
	1942	1943	1944
	£	£	£
Consolidated Figures:—			
Trading profit	423,666	341,254	341,002
Deferred repairs	60,850	21,850	125,000
N.D.C.	13,100	15,150	16,900
Income tax	232,950	199,550	189,800
Retained by subsidiaries	7,571	8,663	6,190
Preference dividends	53,750	53,750	53,750
Provident fund (Maypole)	10,000	10,000	10,000
Deferred Ordinary Shares:—			
Earned	45,445	51,291	39,362
Paid	43,167	32,375	32,375
Earned %	4.2	4.8	3.6
Paid %	4	3	3
To reserve	10,000	10,000	10,000
Carry forward	294,615	303,531	300,518

Net fixed assets	1,445,071	1,374,976	1,337,903
Net inter-company items	964,274	884,968	1,019,510
Net liquid assets	1,169,141	1,341,609	1,284,466

Gross liquid assets	1,608,534	1,695,977	1,597,190
Stock in trade	642,014	568,935	506,634

* Includes profits for latest year of subsidiaries, not necessarily year to December 31st.

† For modernisation of premises.

‡ After deducting provisions for depreciation and for deferred repairs of £183,903 in 1942, £194,286 in 1943, and £201,896 in 1944.

§ Including investments in and advance to subsidiaries in enemy occupied territory of £102,135.

The 2s. deferred ordinary shares, standing at 2s. 6d., yield £2 8s. per cent.

RECORDS and STATISTICS

(WEEKLY INDICES) (1935-39=100)

		1945		1945		1945	
		Low Jan. 24	High April 25	April 11, 1945	April 18, 1945	April 25, 1945	
354 Industrials		108.6	119.3	114.8	119.0	119.3	
20 Rails		116.1	135.5	126.4	132.7	138.5	
28 Utilities		93.2	99.8	9.66	99.8	99.8	
402 Stocks		106.7	117.2	112.7	116.9	117.2	
Av. yield %†		4.63	4.22	4.38	4.22	4.22	

† 50 Industrial Com. Stocks.

Capital Issues

	Week ending May 5, 1945	Nominal Capital	Conversions	New Money
To Shareholders only	577,529	854,967		1,782,486
Particulars of Government issues appear on page 617.				
Year (to date)			Including Conversions	Excluding Conversions
1945		537,388,260		448,373,527
1944		485,642,877		474,960,221

Destination*

Year (to date)	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1945	447,198,897	34,177	1,140,453	444,517,343	1,382,250	2,573,934
1944	474,619,500	330,721	Nil	471,312,402	2,015,289	1,829,530

* Conversion excluded. † Includes Government issues to April 25, 1945, only. Above figures include all new capital in which permission to deal has been granted.

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS (1925=100)

1945	Average	Transactions	1945	Average	Transactions
April 19...	141.0	1,686,000	April 23...	142.1	1,380,000
" 20...	140.6	1,130,000	" 24...	142.6	1,830,000
" 21...	141.2	590,000*	" 25...	142.3	1,420,000

1945: High, 142.6 (April 24). Low, 129.2 (June 23). 2-hour Session.

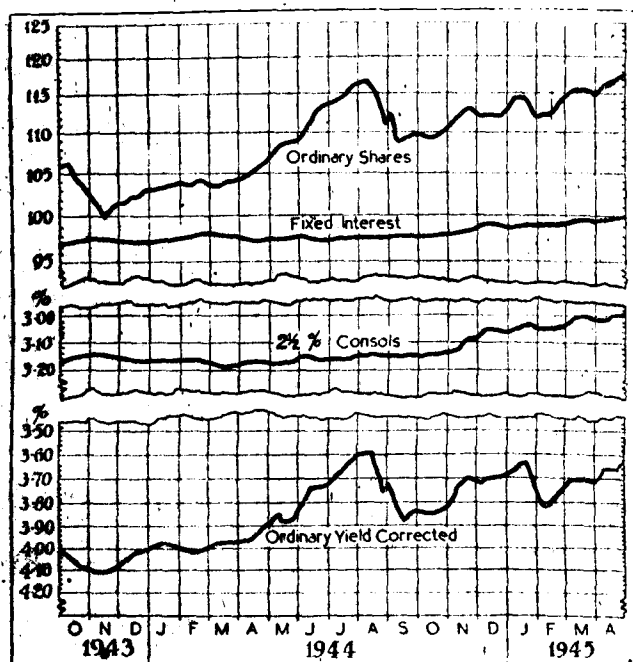
ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)		Average Yields					
	April 25, 1944	Mar. 27, 1945	April 24, 1945	April 20, 1937*	April 25, 1944	Mar. 27, 1945	April 27, 1945	
2½% Consols (1)	140.3	148.5	148.7	3.27	3.18	3.02	3.00	
Home Corps. (4)	141.7	143.2	143.5	3.49	3.29	3.25	3.25	
Ind. Debentures (42)	122.3	124.1	124.5	4.05	3.86	3.80	3.79	
Ind. Preferences (101)	113.5	117.7	118.7	4.26	4.27	4.13	4.10	
Bank and Discount (10)	120.3	124.7	124.4	3.97	3.77	3.64	3.65	
Insurance (10)	114.0	119.9	121.8	3.40	3.66	3.56	3.50	
Elec. Light & Power (16)	117.5	126.2	127.6	4.14	3.97	3.73	3.69	
Elec. Manufactures (13)	159.7	176.0	177.5	3.93	4.00	3.63	3.60	
Iron and Steel (18)	68.9	71.5	74.5	4.39	5.85	5.59	5.38	
Motors (7)	50.0	56.7	58.1	4.45	4.20	3.71	3.63	
Oil (4)	93.4	97.4	100.8	5.03	3.52	3.38	3.27	
Total Production	80.0	88.5	88.0	4.19	4.65	4.39	4.33	
Home Ralls (4)	75.1	70.8	67.2	2.87	6.05	6.08	6.36	
Stores and Catering (17)	74.2	94.4	95.8	3.78	3.43	2.84	2.80	
Total Distribution (28)	72.3	84.0	84.3	3.41	4.11	3.70	3.76	
Breweries and Dist. (20)	148.4	161.0	166.0	4.28	4.20	4.16	4.04	
Miscellaneous (50)	74.0	79.1	80.5	4.31	3.88	3.67	3.61	
All classes (158)	78.7	87.2	88.6	4.08	4.40	4.15	4.10	

* Owing to change in composition of the index these figures are not strictly comparable.

FIXED INTEREST AND EQUITY PRICES.
CONSOL 2½% AND EQUITY YIELDS

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols (Logarithmic Scale)



INDUSTRY AND TRADE

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Apr. 25, 1944	Apr. 10, 1945	Apr. 24, 1945
Cereals and Meat	93.0	66.9	109.3	108.8	109.0
Other Foods	70.4	61.1	107.3	107.3	107.3
Textiles	74.2	64.3	101.7	103.9	103.9
Minerals	113.3	98.4	139.7	147.0	147.0
Miscellaneous	87.0	77.6	129.0	129.8	129.8
Complete Index	87.3	70.3	117.3	118.9	119.0
1918-100	119.9	90.8	161.3	163.6	163.7

* Highest level reached during 1932-37 recovery.

Trade Disputes.—The number of working days lost in March as a result of trade disputes was 398,000, compared with 60,000 in February and 1,601,000 in March, 1944. There were 194 stoppages compared with 171 in February and 333 the year before. The number of workpeople involved was 73,600 in March, 27,400 in February and 313,300 in March, 1944. Coal mining disputes in March, 1945, accounted for 84 stoppages, 214,000 days lost and involved 32,000 workers.

"The Economist" Sensitive Index.—A slight change in the price of wheat on April 23rd caused the crops component of the sensitive price index (1935=100) to move from 140.3 to

140.4. There was no change in the index in the week ending May 1st. The raw materials component was 185.5, and the complete index stood at 161.4.

FINANCE AND BANKING

THE MONEY MARKET.—The Bill market tender for the larger offer last week was divided between the 91 and 92-day bills, and although the quota for the latter was unchanged at 24 per cent, a full allotment of the former raised the overall proportion to roughly 39 per cent. The market thus had some £20 million more bills to pay for. New money required of the banks on TDR's was £50 million, compared with some £20 million in the previous week. It might have been expected that these demands would have been sharply felt in the short loan market; but although the ease that developed towards the end of last week, with the conclusion of the monthly making-up, quickly disappeared, the position has remained comfortable. The banks have been moderate buyers of end-May and June maturities, despite their heavy TDR take-up, and on Wednesday it was suggested that the market probably sold as many bills as it paid for. Over the week as a whole, however, portfolios must have expanded.

The market benefited on Tuesday by the release of £3.5 million in interest on 4 per cent Funding Loan, while the Treasury return shows that £8.5 million of Ways and Means were outstanding on April 28th. This last figure, however, seems to be a mere residuum of earlier heavy borrowings—necessitated by last week's postponement of TDR payments until the end of the making-up—for the current Bank Return shows a fall of £33 million in Government Securities, which are now almost back to their level of three weeks ago. The note circulation, too, after three successive declines, has resumed its rise. Hence bankers' balances have fallen by as much as £37 million, but one still above the level maintained in the first half of last month.

Net issues of TDR's in April, as shown by the Exchequer statement, amounted to £136.5 million, easily the largest monthly increase yet recorded. It is suggested that the appreciable decline in outstanding tap bills may reflect preparations for the Australian debt repayment associated with the recent conversion operation. However that may be, discount houses are not expecting any violent disturbance of the large Australian balances now employed in the short loan market.

MONEY RATES, LONDON.—The following rates unchanged remained between April 26th and May 3rd:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 12 months, 1½%; Treasury Bills: 3 months, 1½%; 6 months, 1½%; 12 months, 1½%; Short Loans, 1½%; Bank deposit rates, 1½%. Discount deposit at call, 1½% at notice, 1½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between April 26th and May 3rd. (Figures in brackets are per cent of exchange)
United States: \$ (4.86) 4.024-034; mail transfers 4.024-034; Canada: Cdn. \$ (1.36) 4.43-47; mail transfers 4.43-47; Switzerland: Swiss franc (16.66) 17.30-40; French Empire: France 1931-2004; Syria, p. 8.81-85; Krona (18.18) 17.16-85-95; Dutch West Indies: Florin (12.11) 12.11-04; Escudos (110) 99.80-100.20; mail transfers 99.80-100.30; Portugal: Escudos (110) 99.80-100.20; mail transfers 99.80-100.30; Brazil: 7.6597 p. (buying); 83.8456 s. (buying); Uruguay: 10.24-04.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain: Pesetas 44.00; Turkey: Piastres 520; Italy: 71.25 lire.
Market Rates.—The following rates remained unchanged between April 26th and May 3rd.
Egypt: Piastres (97) 97-18; India: Rupee (184 per rupee) 174-184 d; Belgian Congo: Francs 176-184; China: National \$3-34; Iran: Rl 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	Apr. 25	Apr. 26	Apr. 27	Apr. 28	Apr. 30	May 1	May 2
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90.810	90.810	90.810	90.810	90.810	90.810	90.810
Zurich	23.40	23.40	23.40	23.40	23.40	23.40	23.40
Buenos Aires	24.87*	24.87*	24.87*	24.87*	24.87*	24.87*	24.87*
Rio de Janeiro	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Lisbon	4.07	4.07	4.07	4.07	4.07	4.07	4.07
Barcelona	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Stockholm	23.86	23.86	23.86	23.86	23.86	23.86	23.86

* Official Buying Rate 25.78.

† Free Rate.

‡ Basic.

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to April 28 and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

	(£ thousands)		(£ thousands)
Total ordinary expenditure	398,049	Total ordinary revenue	200,709
New sinking funds	457	Loans raised	6,906
Loans repaid	—	3% Def. Bonds (net)	35,742
5% Conversion Loan 1944	50	3% Savings Bonds 1965-75	48,293
3% Term. Annuities (net)	1,525	1½% Exchequer Bds. 1960	10,450
Increases in balances	237	Nat. Sav. Certs. (net)	2,883
Miscellaneous issues	2,834	Tax Reserve Certs. (net)	—
		"Other Debt":—	1,476
		Internal (net)	121
		External (net)	—
		Floating Debt (net):—	Dr. 47,583
		Treasury Bills	—
		Bank of England Adv.	Dr. 4,680
		Public Debt Adv.	136,500
		Treasury Deposits	—
			£403,152

GOVERNMENT RETURNS

For the week ended April 28, 1945, total ordinary revenue was £67,624,000, against ordinary expenditure of £103,838,000 and issues to sinking funds of £95,000. Thus, including sinking fund allocations of £56,993, the deficit accrued since April 1st is £197,796,000 against £264,133,000 in the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1945-46	Receipts to the Exchequer (£ thousands)			
		April 1 to April 29, 1944	April 1 to April 28, 1945	Week ended April 29, 1944	Week ended April 28, 1945
ORDINARY REVENUE					
Income Tax	135,000	55,769	70,720	10,699	20,913
Sur-tax	80,000	3,600	4,070	650	790
State, etc.					
Duties	115,000	9,408	9,280	2,480	2,605
Stamp	19,000	452	505	222	25
I.D.C.	500,000	1,391	2,731	275	362
S.P.T.	1,000	29,124	29,030	6,325	4,700
Other Ind. Rev.		10	25	10	25
Total Ind. Rev.	206,500	99,754	116,761	20,661	29,420
Customs	589,000	40,113	38,118	8,493	7,115
Excise	541,000	42,700	43,138	29,700	30,638
Total Customs & Excise	1,130,000	82,813	81,256	38,193	37,753
Motor Duties	30,000	1,212	1,271	200	180
Post Office (Net Receipts)	4,850	320	350	320	350
Wireless Licences	1,000	140	140	140	140
Own Lands	11,500	60	60	—	—
Grants from Country Loans	23,000	4,772	871	1,571	31
Other Receipts					
Total Ord. Rev.	326,500	189,071	200,704	61,105	67,624
SELF-BALANCING					
Dr. & Brdcastg.	114,100	9,000	8,700	3,400	3,250
Total	337,900	198,071	209,409	64,505	70,874

Expenditure	Estimate, 1945-46	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to April 29, 1944	April 1 to April 28, 1945	Week ended April 29, 1944	Week ended April 28, 1945
ORDINARY EXPENDITURE					
Man. of Nat. Debt	465,000	38,679	38,754	1,116	1,280
Payments to N. Ireland	11,000	332	356	332	356
Grants to N. Ireland	8,000	266	265	234	8
Services	484,000	39,277	39,375	1,681	1,645
Supply Services	508,128	413,694	358,673	121,864	102,193
Total	556,528	452,971	398,049	123,545	103,838
SELF-BALANCING					
Dr. & Brdcastg.	114,100	9,000	8,700	3,400	3,250
Total	670,628	461,971	406,749	126,945	107,088

A change has been made in the method of showing excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Service" instead of shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After reducing Exchequer balances by £5,266 to £2,737,758, the other operations of the week (no longer shown separately) increased the gross National Debt by £331,816 to £22,599 million after allowing for £16 million of sinking funds in 1945.

NET ISSUES (£ thousands)

and Telegraph	150
Trade Guarantees	28
	178

MONTH'S CHANGES IN DEBT (£ thousands)

NET RECEIPTS	1944	1945	NET REPAYMENTS	1944	1945
Nat. Savings Certs.	10,450	10,450	Treasury Bills	47,328	47,328
3% Defence Bonds	6,906	6,906	3% Term. Annuities	1,525	1,525
3% Savings Bonds	33,742	33,742	5% Conv. Loan	50	50
1965-75					
1½% Exch. Bonds	48,293	48,293			
1950					
"Other Debt"	1,476	1,476			
Internal					
"Other Debt"	12	12			
External					
Ways and Means	3,400	3,400			
Advances	136,500	136,500			
Treasury Deposits	8,883	8,883			
Tax Reserve Certs.					
	249,771	249,771		48,903	48,903

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1944						
April 29	1200.0	2018.3	410.4	1431.0	5059.7	
1945						
Jan. 27	1450.0	2341.8	489.3	1799.5	6080.6	
Feb. 3	1440.0		Not available			
" 10	1430.0		"	"		
" 17	1430.0		"	"		
" 24	1430.0	2309.2	542.4	1801.0	6082.6	
Mar. 3	1430.0		Not available			
" 10	1430.0		"	"		
" 17	1430.0		"	"		
" 24	1430.0		"	"		
April 7	1430.0		575.7	1859.0	6116.1	
" 14	1430.0		"	"		
" 21	1430.0		"	"		
" 28	1430.0	2203.7	571.4	1995.5	6209.0	

TREASURY BILLS (£ millions)

(£ millions)					
Date of Tender	Amount			Average Rate of Allotment	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted	%	
1944				s.	d.
April 28	110.0	208.3	110.0	20	0.25
1945					
Jan. 26	110.0	207.8	110.0	20	0.31
Feb. 2	110.0	225.0	110.0	20	0.26
" 9	110.0	218.0	110.0	20	0.13
" 16	110.0	207.3	110.0	20	0.53
" 23	110.0	208.6	110.0	20	0.99
Mar. 2	110.0	237.6	110.0	19	11.37
" 9	110.0	239.2	110.0	19	11.50
" 16	110.0	235.1	110.0	19	11.77
" 23	110.0	225.3	110.0	19	11.85
" 29	110.0	225.6	110.0	19	10.06
April 6	110.0	235.1	110.0	20	1.86
" 13	110.0	244.4	110.0	20	2.28
" 20	110.0	244.3	110.0	20	2.24
" 27	120.0	227.3	120.0	20	0.17

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	April 1944	April 1945	April 1946	April 1947
12 U.S.F.R. BANKS	1944	1945	1946	1947
Resources				
Gold certifs. on hand and	18,973	17,607	17,582	17,545
due from Treasury	19,553	18,507	18,482	18,465
Total reserves	38,526	36,114	36,064	36,010
Total cash reserves	287	254	251	236
Total U.S. Govt. secs.	12,998	20,091	20,153	20,444
Total loans and secs.	13,099	20,418	20,498	20,956
Total resources	34,609	40,872	41,285	41,459

	April 1944	April 1945	April 1946	April 1947
LIABILITIES				
F.R. notes in circ.	17,823	22,368	22,504	22,505
Excess m. bank res.	600	900	800	800
Mr. bank res. dep.	12,537	14,593	14,582	14,707
Govt. deposits	373	409	430	651
Total deposits	14,929	16,555	16,605	16,921
Total liabilities	34,609	40,872	41,285	41,459
Reserve ratio	59.7%	47.2%	47.3%	46.8%

	April 1944	April 1945	April 1946	April 1947
BANK AND TREASURY				
Resources				
Monetary gold stock	21,429	20,417	20,396	20,374
Treasury & bank currency	4,094	4,118	4,117	4,120
LIABILITIES				
Money in circulation	21,396	25,944	26,068	26,074
Treasury cash and dep.	2,700	2,768	2,804	3,022

BANK OF FRANCE
Million Francs

	Mar. 1944	Mar. 1945	Mar. 1946	Mar. 1947
ASSETS				
Gold	75,151	75,151	75,151	75,151
Private discounts and advances	33,076	33,422	33,766	33,642
Advances to State				
Total	494,808	498,058	499,158	497,958
(a) In occupation costs	426,000	426,000	426,000	426,000
(b) Treasury advances	14,300	17,550	18,550	17,450
(c) Fixed advances	54,508	54,508	54,508	54,508
LIABILITIES				
Notes	574,796	580,122	583,508	582,204
Deposit total	34,522	32,718	33,645	36,192
(a) Government accts.	743	40	758	745
(b) Other accounts	33,809	32,678	32,889	35,447

* Excluding the Debt Redemption Fund Current Account which on March 22 amounted to 735 Million Francs.

BANK OF BELGIUM
Million Belgian Frs.

	Mar. 1944	Mar. 1945	Mar. 1946	Mar. 1947
ASSETS				
Gold	31,327	31,327	31,327	31,327
Foreign exchange	2,833	2,992	2,969	2,829
Private loans and discounts	677	569	583	530
Loans to State	40,073	41,551	41,697	42,580
LIABILITIES				
Notes	51,273	52,408	52,811	52,974
Current accounts				
(a) Govt. accounts	3	2	2	7
(b) Private accounts	4,131	3,973	3,884	4,536

RESERVE BANK OF INDIA
Million rupees

	April 1944	Mar. 1945	Mar. 1946	Mar. 1947
ASSETS				
Gold coin & bullion	1914	444	444	444
Rupee coin	159	167	171	202
Balances abroad	1,713	3,884	3,851	3,800
Sterling securities	7,898	9,753	9,783	9,883
Ind. Govt. rup. secs.	583	578	578	578
Investments	104	168	181	245
LIABILITIES				
Notes in circulation	8,971	10,817	10,849	11,002
Deposits: Govt.	931	2,809	2,839	2,859
Deposits: Banks	694	891	855	859
Reserve ratio	191.9%	193.4%	193.4%	193.2%

SWISS NATIONAL BANK
Million Swiss Frs.

	Mar. 1944	Mar. 1945	Mar. 1946	Mar. 1947
ASSETS				
Gold	431.2	459.6	459.7	463.9
Foreign exchange	87.3	107.6	107.4	111.7
Discounts, etc.	260.8	230.5	309.6	332.8
Advances	14.8	13.9	15.0	15.5
Securities	64.3	64.4	64.3	63.8
LIABILITIES				
Notes in circulation	884.7	1928.5	1935.9	1953.4
Other sight liab.	1616.2	1338.0	1339.3	1333.1

BANK OF CANADA
Million Can. \$'s

	Mar. 1944	Mar. 1945	Mar. 1946	Mar. 1947
ASSETS				
Reserve: Gold	0.06	170.39	184.14	175.89
Other: Other				
LIABILITIES				
Securities	1331.13	1497.03	1521.03	1518.89
Note circulation	884.78	1928.56	1935.75	1953.43
Deposits: Dom. Govt.	49.98	27.90	30.64	26.66
Chartered banks	364.72	397.63	411.75	386.78

† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

CENTRAL BANK OF IRELAND
Million £'s

	April 1944	April 1945	April 1946	April 1947
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	23.89	28.42	28.72	28.82
Sterling balances	1.73	1.83	1.41	1.36
LIABILITIES				
Notes in circulation	28.41	33.05	32.98	32.81

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Mar. 1944	Mar. 1945	Mar. 1946	Mar. 1947
ASSETS				
Gold and Stg. exch.	13.1	14.7	14.7	15.8
Advances to State	39.45	32.28	31.12	30.57
Investments	11.56	11.74	11.74	13.26
LIABILITIES				
Bank notes	36.08	39.45	39.31	39.76
Deposits: State	26.22	11.78	14.57	17.82
Deposits: Banks	29.30	37.54	36.87	35.13
Reserve to sight liab.	43.6%	52.9%	55.2%	54.9%

SOUTH AFRICAN RESERVE BANK
Million £'s

	Mar. 1944	Mar. 1945	Mar. 1946	Mar. 1947
ASSETS				
Gold coin and bullion	90.32	101.65	101.95	101.95
Bills discounted	21.19	29.13	29.58	31
Invest. and other assets	86.36	93.71	94.67	91
LIABILITIES				
Notes in circulation	47.65	58.60	58.60	58.60
Deposits: Government	13.71	14.47	16.4	16.4
Deposits: Banks	129.03	143.47	145.29	145.29
Others	4.19	4.47	5.19	4.00
Reserve ratio	46.7%	45.9%	45.8%	46.0%

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	April 1944	Mar. 1945	April 1946	Apr. 1947
ASSETS				
Gold and English ster.	46.79	20.86	50.86	50
Other coin, bullion, etc.	13.43	25.73	24.96	23.5
Call money, London	87.36	144.21	136.49	136.6
Secur. and Treas. bills	244.80	273.18	267.68	266.6
Discounts and advances	20.95	23.95	23.53	20.2
LIABILITIES				
Notes issued	183.26	191.74	191.74	190.4
Deposits, etc.	176.64	218.67	203.45	198.7

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.																							
Prices, Year 1944		Prices, Jan. 1 to May 1 1945		Name of Security		Price, Apr. 1945		Price, May 1945		Yield, May 1945		Prices, Jan. 1 to May 1 1945		Last two Dividends		Name of Security		Price, Apr. 1945		Price, May 1945		Yield, May 1945	
High	Low	High	Low			High	Low	High	Low	High	Low	High	Low	(a)	(b)	(c)			High	Low	High	Low	
British Funds																							
82 1/2	78 1/2	84 1/2	81 1/2	Consols 2 1/2%	83 1/2	84	2 1/2	66	56	51	51	51	51	51	51	51	Iron, Coal and Steel						
111 1/2	108 1/2	111 1/2	110 1/2	Consols 4% (after 1957)	111 1/2	111 1/2	3 1/2	95	54	51	51	51	51	51	51	51	Balochistan & W. Ind. Ord.	56	56	56	56	56	56
100 1/2	100 1/2	100 1/2	100 1/2	Conv. 2 1/2% 1944-45	100 1/2	100 1/2	2 0	30	30	27	27	27	27	27	27	27	Bolton Colliery Ord.	53	53	53	53	53	53
102 1/2	101 1/2	102 1/2	101 1/2	Conv. 2 1/2% 1944-49	101 1/2	101 1/2	2 0	67	100	97	97	97	97	97	97	97	Brown (John) Ord.	29	29	29	29	29	29
102 1/2	102 1/2	102 1/2	102 1/2	Conv. 3 1/2% 1948-53	102 1/2	102 1/2	1 19	9	28	27	26	26	26	26	26	26	Cory (Wm.) Ord.	98	98	98	98	98	98
106 1/2	103 1/2	107 1/2	105 1/2	Conv. 3 1/2% (after 1961)	106 1/2	106 1/2	3 5	64	40	37	37	37	37	37	37	37	Dorman Long Ord.	28	28	28	28	28	28
100 1/2	100 1/2	100 1/2	100 1/2	Exch. Bds. 1 1/2% 1950-51	100 1/2	100 1/2	1 15	0	36	30	30	30	30	30	30	30	Guest Keen & Co. Ord.	39	39	39	39	39	39
95 1/2	95 1/2	97 1/2	97 1/2	Funding 2 1/2% 1952-57	95 1/2	95 1/2	2 21	0	54	56	53	53	53	53	53	53	Huddersfield Ord.	38	38	38	38	38	38
101 1/2	101 1/2	101 1/2	101 1/2	Funding 3 1/2% 1959-69	101 1/2	101 1/2	2 21	0	56	56	53	53	53	53	53	53	Levelling Coal Ord.	53	53	53	53	53	53
112 1/2	112 1/2	112 1/2	112 1/2	Funding 4 1/2% 1960-90	112 1/2	112 1/2	2 21	0	56	56	53	53	53	53	53	53	Stewarts & Lloyds (L)	58	58	58	58	58	58
102 1/2	102 1/2	102 1/2	102 1/2	Nat. Def. 3 1/2% 1954-58	102 1/2	102 1/2	2 12	0	27	24	24	24	24	24	24	24	Swan, Hunter Ord.	48	48	48	48	48	48
102 1/2	101 1/2	101 1/2	101 1/2	War Bonds 2 1/2% 1945-47	101 1/2	101 1/2	2 12	0	27	24	24	24	24	24	24	24	Thomas & Bald Ord.	12	12	12	12	12	12
102 1/2	100 1/2	100 1/2	100 1/2	War Bonds 2 1/2% 1949-51	102 1/2	102 1/2	2 12	0	27	24	24	24	24	24	24	24	United Steel Ord.	27	27	27	27	27	27
101 1/2	101 1/2	101 1/2	101 1/2	War Bonds 2 1/2% 1952-54	101 1/2	101 1/2	2 12	0	27	24	24	24	24	24	24	24	Vickers Ord.	26	26	26	26	26	26
100 1/2	100 1/2	100 1/2	100 1/2	Savings Bds. 3 1/2% 1950-51	100 1/2	100 1/2	2 19	0	37	34	34	34	34	34	34	34	Textiles						
100 1/2	100 1/2	100 1/2	100 1/2	Savings Bds. 3 1/2% 1950-51	100 1/2	100 1/2	2 19	0	37	34	34	34	34	34	34	34	Bleachers Union (L)	14	14	14	14	14	14
113 1/2	111 1/2	114 1/2	112 1/2	Victory Bonds 4%	114	114	2 16	0	58	53	53	53	53	53	53	53	Bradford Dyers Ord.	29	29	29	29	29	29
102 1/2	100 1/2	103 1/2	102 1/2	War Loan 3 1/2% 1955-59	103	103	2 13	6	27	24	24	24	24	24	24	24	British Celanese Ord.	34	34	34	34	34	34
104 1/2	102 1/2	105 1/2	103 1/2	War Loan 3 1/2% aft. 1952	105 1/2	105 1/2	3 5	2	43	43	43	43	43	43	43	43	Cottons Ltd. Ord.	57	57	57	57	57	57
94 1/2	93 1/2	96 1/2	94 1/2	Local Loans 3 1/2%	94 1/2	94 1/2	3 7	2	38	35	35	35	35	35	35	35	Fine Cotton Spinners (L)	26	26	26	26	26	26
Dom. & Col. Govts.																							
103 1/2	100 1/2	102 1/2	100 1/2	Australia 5% 1945-1946	102	102	4 18	0	77	77	77	77	77	77	77	77	Hoyle (Joshua) 2-	34	34	34	34	34	34
101 1/2	101 1/2	101 1/2	101 1/2	New Zealand 5% 1945-1946	103	103	4 17	1	127	116	116	116	116	116	116	116	Lancs. Cotton Corp. (L)	38	38	38	38	38	38
112 1/2	109 1/2	112 1/2	109 1/2	Nigeria 5% 1950-60	111	111	3 17	8	34	33	33	33	33	33	33	33	Patent Spinning (L)	88	88	88	88	88	88
Corporation Stocks																							
104 1/2	104 1/2	104 1/2	104 1/2	Birmingham 3 1/2% 1946-56	104 1/2	104 1/2	4 15	8	45	43	43	43	43	43	43	43	Callenders Cable, Ex. (L)	123	123	123	123	123	123
93 1/2	93 1/2	94 1/2	94 1/2	L.C.C. 3 1/2%	93 1/2	93 1/2	3 2	6	45	43	43	43	43	43	43	43	Crompton Park 'A' 5/-	34	34	34	34	34	34
101 1/2	101 1/2	101 1/2	101 1/2	Liverpool 3 1/2% 1954-64	100	100	3 0	0	24	22	22	22	22	22	22	22	General Electric Ord.	96	96	96	96	96	96
106 1/2	105 1/2	106 1/2	105 1/2	Middlesex 4 1/2% 1957-62	106	106	2 18	0	37	34	34	34	34	34	34	34	Gas and Electricity						
Foreign Govt. Bonds																							
93 1/2	91 1/2	93 1/2	91 1/2	Argentina 5 1/2% Bds. 1972	93 1/2	93 1/2	3 17	9	46	44	44	44	44	44	44	44	County of London (L)	45	45	45	45	45	45
75 1/2	75 1/2	75 1/2	75 1/2	Brazil 5% Funding 1914	69 1/2	69 1/2	4 17	1	37	29	29	29	29	29	29	29	Gas Light & Cold Ord.	23	23	23	23	23	23
23 1/2	23 1/2	23 1/2	23 1/2	Chile 6% (1929)	23 1/2	23 1/2	4 15	9	27	23	23	23	23	23	23	23	North London Electric (L)	36	36	36	36	36	36
55 1/2	55 1/2	55 1/2	55 1/2	Chinese 5% 1913	56	56	5	11	15	13	13	13	13	13	13	13	Scottish Power Ord.	41	41	41	41	41	41
94 1/2	94 1/2	94 1/2	94 1/2	Portuguese 3 1/2%	93 1/2	93 1/2	3 5	6	41	36	36	36	36	36	36	36	Motor and Aircraft						
77 1/2	77 1/2	77 1/2	77 1/2	Spanish 4%	76	76	5 5	3	18	17	17	17	17	17	17	17	Austin 'A' Ord. 5/-	35	35	35	35	35	35
Shipping																							
45 1/2	35 1/2	45 1/2	35 1/2	Antofagasta 5% C.Stk. Pt.	42 1/2	43 1/2	4	5	24	21	21	21	21	21	21	21	Birmingham S.A. (L)	26	26	26	26	26	26
102 1/2	101 1/2	102 1/2	101 1/2	B.A. Gt. Sthn. Ord. Stk.	111 1/2	111 1/2	26	14	24	24	24	24	24	24	24	24	Bristol Aeroplane (L)	14	14	14	14	14	14
80 1/2	80 1/2	80 1/2	80 1/2	San Paulo Ord. Stk.	54 1/2	54 1/2	3	5	25	23	23	23	23	23	23	23	Card Motor Ord.	18	18	18	18	18	18
111 1/2	111 1/2	111 1/2	111 1/2	U.Havanna 5% Cum. Pt. Stk.	115 1/2	115 1/2	7	9	22	19	19	19	19	19	19	19	Hawker Shipbuilding Ord.	83	83	83	83	83	83
60 1/2	56 1/2	60 1/2	56 1/2	Can. Pacific 5% Cum. Pt. Stk.	57 1/2	57 1/2	7	18	8	46	39	39	39	39	39	39	Imperial Chemical (L)	24	24	24	24	24	24
124 1/2	117 1/2	124 1/2	117 1/2	Great Western Ord. Stk.	123 1/2	123 1/2	4	1	8	3	2	2	2	2	2	2	London Asiatic Rub. 2/-	3	3	3	3	3	3
62 1/2	56 1/2	62 1/2	56 1/2	G.W. 5% Cons. Pref. Stk.	57 1/2	57 1/2	7	0	4	26	24	24	24	24	24	24	Rubber Plus Trust (L)	25	25	25	25	25	25
33 1/2	27 1/2	33 1/2	27 1/2	L.N.E.R. 4% 1st Pref.	28	28	8	18	7	37	35	35	35	35	35	35	United States Steel (L)	37	37	37	37	37	37
65 1/2	57 1/2	65 1/2	57 1/2	L.M.S. Ord. Stock	58 1/2	58 1/2	6	16	9	117	106	106	106	106	106	106	Iranian Ord. (L)	111	111	111	111	111	111
10 1/2	6 1/2	10 1/2	6 1/2	L.M.S. 4% Pref. 1923	65 1/2	65 1/2	8	10	3	93	82	82	82	82	82	82	Burmah Oil Ord. (L)	90	90	90	90	90	90
19 1/2	17 1/2	19 1/2	17 1/2	London Transport 'C' Stk.	19 1/2	19 1/2	6	12	5	90	87	87	87	87	87	87	Shell Transport Ord.	86	86	86	86	86	86
37 1/2	33 1/2	37 1/2	33 1/2	Southern Def. Stock	37 1/2	37 1/2	6	12	5	90	87	87	87	87	87	87	Trinidad Leaseholds (L)	89	89	89	89	89	89
19 1/2	17 1/2	19 1/2	17 1/2	Southern 5% Pref. Ord.	76 1/2	76 1/2	6	12	5	90	87	87	87	87	87	87	Miscellaneous						
Banks and Discounts																							
88 1/2	84 1/2	88 1/2	84 1/2	Alexanders (L) 1/2 pd.	88 1/2	88 1/2	3	19	3	24	21	21	21	21	21	21	Assoc. Brit. Picture 5/-	22	22	22	22	22	22
7 1/2	6 1/2	7 1/2	6 1/2	Bank of Australasia (L)	6 1/2	6 1/2	7	4	5	24	21	21	21	21	21	21	Assoc. Brit. Picture 5/-	22	22	22	22	22	22
38 1/2	38 1/2	38 1/2	38 1/2	Bank of England Stock	38 1/2	38 1/2	3	2	3	64	61	61	61	61	61	61	Assoc. Brit. Picture 5/-	22	22	22	22	22	22
24 1/2	24 1/2	24 1/2	24 1/2	Bank of Montreal (L)	24 1/2	24 1/2	4	24	20	17	17	17	17	17	17	17	Boots Pure Drug Ord. 5/-	55	55	55	55	55	55
37 1/2	37 1/2	37 1/2	37 1/2	Bank of New S. Wales (L)	37 1/2	37 1/2	3	2	4	67	63	63	63	63	63	63	British Aluminium (L)	45	45	45	45	45	45
68 1/2	68 1/2	68 1/2	68 1/2	Bank of New Zealand (L)	68 1/2	68 1/2	3	2	4	67	63	63	63	63	63	63	Brit. Amer. Tobacco (L)	126	126	126	126	126	126
12 1/2	10 1/2	12 1/2	10 1/2	Barclays Bank 'B' (L)	79 1/2	79 1/2	3	10	131	101	101	101	101	101	101	101	British Oxygen Ord.	88	88	88	88	88	88
68 1/2	68 1/2	68 1/2	68 1/2	Barclays (D.C. & Co.) (L)	68 1/2	68 1/2	1	18	3	90	83	83	83	83	83	83	Cable & Wire Hdg. Stk.	97	97	97	97	97	97
12 1/2	10 1/2	12 1/2	10 1/2	Chartered of India (L)	12 1/2	12 1/2	3	16	3	108	9	9	9	9	9	9	Carreras 'A' Ord. (L)	165	165	165	165	165	165
65 1/2	61 1/2	65 1/2	61 1/2	Lloyds 'A' (L) 1/2 pd.	63 1/2	63 1/2	3	16	3	108	9	9	9	9	9	9	Elber & Mus. Ind. 10/-	34	34	34	34	34	34
90 1/2	84 1/2	90 1/2	84 1/2	Martins Bank (L)	88 1/2	88 1/2	3	16	3	108	9	9	9	9	9	9	Gaumont British 10/-	21	21	21</			

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(Incorporated by Royal Charter 1853)

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Calcutta	Rangoon	Rijya	Nakuru	
Canton	Kandy	Entebbe	Jinja	Uganda
Chittagong	Karachi	Tuticorin	Kampala	
Dar-es-Salaam	Lahore	Zanzibar	Tanganyika Territory	

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Chief Office: OXFORD STREET, MANCHESTER, 1

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ASSETS EXCEED ... £2,000,000

CLAIMS PAID EXCEED ... £14,000,000

(1944 Accounts)

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in
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FOUR PER CENT. CONSOLIDATED DEBENTURE STOCK.
NEW BRUNSWICK RAILWAY FOUR PER CENT. DEBENTURE
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PER CENT. DEBENTURE STOCK. ATLANTIC AND NORTH-
WEST RAILWAY FOUR PER CENT. FIRST MORTGAGE
REDURABLE DEBENTURE STOCK. In preparation for the
payment of the half-yearly interest payable on the 2nd July
next, on the above Stocks, the transfer books will be closed on
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3rd May, 1945.

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vice or other registration particulars and quoting reference No.
12345, should be addressed to the Ministry of Labour and
National Service, Appointments Department, Sardinia Street,
Whitehall, London, W.C.2.

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THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000

RESERVE FUNDS STERLING - £7,125,000

RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Chief Manager: A. MORSE, C.B.E.

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ing Bank of Australia, S.A. Post Offices in
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Savin,

Note 1.

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Mortgage

Other Items.

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THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3916. ANNUAL SUBSCRIPTION £3

Ancient Sacrifice

SO the end has come. After the two great capitulations
to Field-Marshal Alexander in Italy and to Field-
Marshal Montgomery in the North-West, there was little
of Germany or the German power left to surrender. Only
against the Russians was there any fighting for several
days before the final end, and only against the Russians
was there still in the highest German quarters any trace
left of the will to resist. It took some time for this last
obstacle to be overcome, and it was not until the early
hours of Monday, May 7th, that the all-embracing sur-
render was signed. On Tuesday the firing ceased, and
Europe, though a long way yet from peace, was no longer
at war. The victory is complete and crushing. Germany
is totally occupied. Apart from the Doenitz-Krosigk
phantom, there is no German Government. The German
people, in General Jodl's anguished words, are for better
or worse delivered into the victors' hands. In the middle
of Europe, where so recently there stood the most power-
ful and resourceful military tyranny the world has ever
seen, there is now nothing but the emptiness of sorrow and
silence.

So it has ended, twelve years since the Nazis seized
power, seven years since their first overt aggression, five-
and-a-half years since the first shots were fired, five years
since the sudden, awful, brilliant campaigns that brought
the evil flood lapping up against the last fortress wall in

Europe, two-and-a-half years since, at El Alamein, at
Stalingrad, in the waters about Guadalcanal, the tide
began to turn. It has been a long time, a hard time, a bitter
time, and the marks of it, on the face of the earth and on
the mind of the human race, will last for many ages yet
to come.

These are days of many emotions. Uppermost; quite
naturally, is that of thankfulness that the long ordeal, for
half the world at least, is over, and that the sins of blind-
ness and indolence and complacency that encouraged the
aggressor—sins from whose taint none is free—are purged
at last. It is right that there should be a brief pause of
rejoicing. "Speak ye comfortably to Jerusalem and cry
unto her that her warfare is accomplished and that her
iniquity is pardoned."

The second thought—the deeper and more lasting—is
for those who will not come back, for those who will not
grow old, as we that are left grow old. For this country
(though not for others) they are mercifully fewer than in
the last war. But human life is not to be computed statis-
tically, and of all war's wounds an empty heart is the only
one that time does not heal. To the gallant dead, many
memorials will be established and consecrated with a
sincere and universal resolution to see their task finally
accomplished. But, just as Lincoln said of the soil of
Gettysburg, it is not for us to dedicate memorials, it

is rather for us, the living, to be here dedicated to the great task remaining before us, and to find in its accomplishment the only lasting proof that they neither lived in vain nor died forgotten.

After the dead, the living. Many thousands will come back torn and crippled and must be cared for. But for every one thus visibly maimed there will be ten whose lives have been twisted and distorted. Taken from the threshold of a normal life, they have, for five years, been serving an apprenticeship to the trade of death, and they have now to find their way back to a very strange world which will seem to them to have little demand for the crafts they have acquired, such as courage and endurance and the mastery of men. It has become fashionable to say that, in this war, the civilian and the soldier have been on a parity of sacrifice. The contrast, it is true, has been less sharp than it was between the trenches and the unbombed homes of the last war. But there has still been an enormous gulf fixed between the two, and those who

have slept at least half the nights of the war in their own beds have a personal duty to help the returning men and women of the Forces in making the very difficult transition back to where they might have been. If they are allowed to become an army of unemployed or of misfits—the living ghosts of a lost generation—then the fault will not be theirs, but that of a society that refuses to go out of its way to receive its saviours.

The period of physical courage and physical sacrifice is nearing its end. The need will now be for moral courage and mental sacrifice, if the opportunity so dearly purchased is to be taken. The quieter virtues are no less difficult, especially for a generous, tolerant, easygoing people who are slow either to anger or to forethought and quick both to forgive and to forget. But if the tasks of peace can be approached with the same majestic compound of unity in freedom and responsibility that has brought the British people so triumphantly through the perils of these dreadful years, then nothing will be beyond their powers.

The Russian Attitude

IT is tragic that the victory which crowns the joint military effort of the three Great Powers should be overshadowed by the gravest political dissension that has yet divided them. The news that the fifteen Polish leaders, some of whose names were communicated to the Russians by the British Government, have been arrested and await trial in Moscow has for the time being shattered all hopes of a compromise solution of the Polish problem.

This crisis, coming at the end of a long series of crises over the Polish issue, raises a very serious question. Can co-operation between the Great Powers be carried on any further on the present basis? If the whole principle of joint agreement and joint policy announced at Yalta is to be abandoned, what are the alternatives? Already voices are raised in this country and in the United States, arguing that the attempt to maintain an alliance or even friendly relations with the Russians is impossible. Let the Western Democracies, they argue, face the fact that Russia is using the same diplomacy as did Nazi Germany and that the only effective policy which remains open to the West is preparedness for war. These extremists are suspect. Many of them were ready enough to appease Hitler so long as he posed as an anti-Bolshevik crusader. Their fear is based on an ancient hatred of the Soviet Union as a revolutionary power. But it is useless to pretend that only a lunatic fringe in this country is perturbed over the Polish issue. Only the equally lunatic fringe of fanatical Soviet worshippers can swallow with any ease the latest twist in Russian policy. There is a widespread feeling that the Anglo-American approach to the problem of co-operation with Russia must have been mistaken if its fruits have been so small and so sour, and that the time has come to adopt new methods.

The issue of friendship and co-operation with Russia is not in doubt. The most passionate desire of the peoples of Europe is that war may be avoided, and they see clearly that only a firm understanding between Russia and the West can give any hope for peace. This realisation is reinforced in many people by a deep admiration for the Russian experiment, which, though it may be troubled by the brutalities of Russian foreign policy or the antics of local Communists, nevertheless, gives enormous emotional reinforcement to the desire for peace with Russia. Quite apart from these general factors, the pressing military need in Britain and the United States is to finish the Pacific war as soon as possible. How could they, with this heavy struggle still on their hands, renounce the friendship of a Power whose influence might be decisive in the Far Eastern zone of war? No British Government, probably no American Government, can renounce the aim of friendship with Russia. They cannot afford to do so. In the short run and in the long, co-operation with Russia—or at least the avoidance of conflict—must be one of the cardinal points of British policy.

Yet in the light of the Polish crisis—and many other disputes of lesser magnitude—it is difficult to maintain that the policy pursued hitherto by Great Britain and the United States has in fact achieved very much in the way of the strengthening of ties and the deepening of cordial relations. It is not the objects of the policy that are open to question, but its methods and degree of success. There must be something radically wrong with a policy which after four years' constant effort produces the Polish deadlock, the Austrian difficulty and the friction that has been generated by the talk of eastern and western blocs. The policy has been in the main one of concession and compromise, the compromise amounting to little more than a substantial acceptance of the Russian proposal after a slight time lag and with the addition of a couple of face-saving formulæ. On the whole, the British Government has not evolved policies of its own. It has only struggled to modify the more unacceptable elements in the policy put forward by the Soviets. It has mediated between Russia and America. It has played the honest broker. It has avoided raising "controversial" issues on its own account—for instance, the project of closer association in the West.

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It is this policy of conciliation and compromise that has brought the British Government slowly and unwillingly, to the tragedy of Poland, in which they now find themselves not only helpless to assist the ally for whom the war was begun but directly implicated in the handing over to their jailers of democratic Polish leaders. The policy pursued has done great injury to the moral standing of British policy and to the British claim to stand for the rights of small nations. These sacrifices have been made in the hope of eliciting friendly co-operation from Soviet Russia, but if anything of the sort has been secured it is not visible from this distance. To all appearance, the sacrifices have been made in vain, the concessions have been made without purpose. If the object of the policy was closer understanding, it has failed.

When a policy is faced with such a blank record as this, common prudence demands that it be reviewed. The aim of any policy towards Russia must be friendship and collaboration, but perhaps there are other ways of attaining the aim that will prove more effective than constant concession. The Soviet leaders, after all, have the same aim as the Americans and British—or so their speeches constantly proclaim—but their desire for friendly co-operation does not prevent them from using their every bargaining advantage to the full, from playing every card for all that it is worth. Perhaps this is what they expect from this side. Perhaps they are genuinely unable to distinguish a willingness to compromise in the interests of

wider agreement from mere weakness and inability to stand firm. Perhaps the best way to win their respect and their friendship is to drive as hard bargains as they do themselves.

There will be the greatest reluctance, both in London and in Washington, to come to such a conclusion. Hard bargaining with a friend is not customary among the English-speaking peoples. But it would be idle to deny that those who have the responsibility of managing the foreign policies of the Western allies are being compelled to ask themselves whether they will not have to change their tactics in this direction. And it is the policy of the Russians themselves that is the compelling factor.

For Poland it is now, probably and tragically, too late to do anything but protest. But other and still larger matters are on the agenda, in which the same question of the tactics to be pursued with the Russians will inevitably arise. One is the war against Japan. Another is the government of Germany, for which, since Wednesday morning, the Allies have been solely responsible. It is clearly desirable—so desirable as to be almost imperative—that they should have a joint policy of administration, even if it is separately pursued by each occupying power in its own zone. To have, for example, a Government of liberated Germans in one zone and a purely military administration in another would lead to endless complications. But a joint policy means securing Russian agreement, not only in principle but in detail, not on one formal occasion but day by day. How can this best be done? The Western Allies are by no means without bargaining counters. They command food supplies and transport—limited in both cases, but probably much more than is available in Eastern Europe. The incidence of surrender has put four or five million German prisoners of war and many more millions of civilians in the hands of America and Britain. These men are now the greater part of the able-bodied German population. Through fear of the Russians, the eastern zone has been denuded, and until at least the workers return the administration of

Russian-occupied territory will be crippled. Now which procedure will most effectively lead to agreement on joint policies—the handing over of these trump cards as a preliminary concession in the hope of creating a friendly atmosphere, or their use as one of the bargaining counters in the agreement? Which policy would the Russians pursue if they were in their western Allies' shoes? All British instincts would be in favour of the former course. But does recent experience really support it?

A policy of hard bargaining has the danger that it might be mistaken for a policy of hostility, and this would be a strong argument against it if the alternative policy of concession had in fact achieved any relaxation of suspicion. Do the Russians wish it to be believed that the choice is between painful concessions and suspicion on the one hand and merely suspicion on the other?

Nor would a policy of firmness be without difficulty, for one of its obvious requirements is that the Americans and the British should know what they are going to be firm about. Do they know clearly what they want in Germany? What type of administration do they seek—local only or central? Do they wish to base it on Generals and Admirals, or is a resurrection of the democratic parties and groups part of their plan? What is their attitude towards reparations? Do they approve of forced labour and deportations? If so, have they laid down conditions for the treatment of workers? Do they intend to permit or assist the reconstruction of German industry, or to change the basis of the German economy? Are they for partition or for federation or for a centralised Reich? The British Government appears to have lived so long hand-to-mouth in its conduct of foreign policy that it may well be impossible to formulate a German policy in time to make it effective. After years of brokerage, it will not be easy to act as a principal. But the alternative is pure drift, securing neither sound and effective policies nor Russian respect and friendship. It is just possible that a policy of hard thought and moral courage could still secure both.

Back to Civilian Life

There are, however, a number of factors which should make the task of demobilisation smoother than it was after the last war. Mobilisation has been better ordered, and the Ministry of Labour has exercised far-reaching powers of control over the movements of labour. Though the controls over labour will be relaxed progressively, the Ministry still possesses in the Essential Work Orders and the Control of Engagement Order the necessary instruments for regulating and allocating the supply of labour. Moreover, the civilian population, after six years, have become accustomed to restrictions and controls which they will accept provided they are convinced of their necessity. So long as Japan remains undefeated and the production of munitions for the Far Eastern war still has overriding priority over other forms of production, a general control over labour will have to be retained. Parallel with demobilisation, the call-up will still continue, and younger men from 18 to 27 will be liable for military service. There will be no abrupt transition from war to peace, even if the Japanese war should end sooner than had originally been anticipated. The average soldier, sailor or airman of 1939-45 is better equipped, mentally and physically, for the return to civilian occupation than his predecessor in 1914-18. He has throughout been kept in touch with the home front, and the Forces' education schemes have been specially designed to bridge the gap between army and civil life, and to minimise the difficulties which men and women who have spent a large slice of their adult life in uniform are bound to encounter when they return home.

The authorities, it seems, are determined to profit from experience and to avoid the mistakes which were made after the last war. There was certainly no dearth of demobilisation plans in 1918, but the Government, acting on somewhat rule-of-thumb methods, aimed at releasing

With the Armistice and the prospect of early peace, a new industrial situation has arisen. The rapid and effective transference of manpower from non-productive to productive enterprise will be the acid test of the nation's capacity for the peace tasks that industry is to face immediately. The transference must be rapid . . . it must be effective, because the breakdown in the process of reabsorption with the unemployment that would inevitably result may have serious and even calamitous social consequences.

THESE words of warning, taken from *The Economist* of December 21st, 1918, might equally well be applied to the situation on May 12th, 1945. The ending of the European war brings the nation to its most critical moment. The brief period of rest and rejoicing must be followed by the maximum effort to restore and resume peacetime industrial activities. In many ways, Great Britain is far better prepared to meet the situation and to bring about a rapid and effective transference to peace than it was at the end of the last war, although the scale of operations is much greater. This war has lasted for nearly six years, compared with the 4½ years of the last war, and the nation has been more fully geared for total war than it was in 1914-18, as the figures given in the White Paper on the war effort showed. This mobilisation of manpower, without parallel in history, may have been reached slowly, but it has been complete, and the process of demobilising and "unwinding" the nation's manpower will be correspondingly more arduous. It is little wonder that Sir Godfrey Ince, former Director of Manpower at the Ministry of Labour, recently remarked:

Mobilisation has been difficult enough, but demobilisation is going to be infinitely more difficult. Not only shall we require the wisdom of Solomon and the patience of Job, but we shall need the help and co-operation of the whole nation.

the key men first, with the perfectly logical and legitimate intention of restarting the wheels of industry before the large-scale return of men from the Forces. In practice, this system broke down. Men who had slogged through four years of Flanders mud found themselves by-passed by recent arrivals who were regarded as more important to industry. They expressed their resentment in the only way open to them, and began to demobilise themselves. They "voted with their feet." This time, the Ministry of Labour has discarded theoretical considerations in favour of a simple rule of fairness. With the few exceptions of Class B men, who are needed for urgent priority reconstruction, such as building, the criterion of age plus length of service will apply universally. The Ministry has also rejected any more elaborate scheme of weighting demobilisation by points. The scheme has been criticised for not giving preference to married men (though married women will have priority of release) or to men with long overseas service. There is also some concern among the Forces, particularly in Burma lest the phrase "urgent military necessity" might interfere with their release when their proper group is reached. But, by and large, the scheme has been generally accepted as fair, and the Ministry of Labour has taken steps to ensure that service men and women know where they stand. The admirable booklet "Release and Resettlement" has been issued widely in the Services, and there should certainly be no excuse for ignorance.

It has been suggested that there will be a rush of applications for release under Class B. The Ministry of Labour, however, is determined not to permit any pressure either from the men themselves or from employers to take advantage of this provision. Moreover, men who elect to come out under Class B will not receive as many benefits as those in Class A. These disadvantages, together with the Ministry's declared policy of limiting the number of releases in this category, mean that the proportion of men released out of turn is likely to be very small. This fact will not, it is hoped, impede the rate at which building can proceed or the process of industrial reconversion. It would be a pity if the Government, in its anxiety to avoid the mistakes of the last war, went to the other extreme. The best procedure, unquestionably, is to stick to the policy laid down, but to speed it up as much as possible. It is at this stage impossible to tell either when demobilisation will start or how long it will take. There will inevitably be some time-lag owing to the need for reorganisation and readjustment, while the speed with which demobilisation can be completed obviously depends upon the speed of industrial absorption. But any delay in beginning is dangerous and every question of doubt should be settled in favour of speed.

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The authorities are doing their utmost to smooth the return to civilian life. The Ministry of Labour is setting up about 400 Resettlement Advice Offices in order to assist demobilised serving people in the many problems that the return to civilian life will bring, and to act as the Forces' equivalent of the Citizens' Advice Bureau. Their success will depend largely on the way in which they are staffed and conducted. It is also essential that these Resettlement Officers should co-operate closely with the many voluntary organisations which also deal with servicemen's problems, in order to prevent any overlapping.

The greatest difficulties in the course of demobilisation are likely to arise in connection with the interpretation and administration of the Reinstatement in Civil Employment Act. This Act provides that all men and women who have entered the Armed Forces since May 5th, 1939, shall be entitled to reinstatement in their old occupation, on terms and conditions not less favourable than they would have had if they had not joined the Forces. This provision may be extremely difficult to operate in practice. How is an employer to determine what position a man of 25, who was with the firm for perhaps two years when he was 17, would now have reached, had he not been called up? Or what is to be done when three or four men, each called up in turn, has held the same job? The

Act, it is true, provides that if it is not "reasonable or practicable" to reinstate a man, then the employer must offer the best alternative. Mr Bevin has said that the operation of the Act will depend more than anything on the "spirit" of employers and employees, and he hopes that questions will be settled by mutual agreement, though failing agreement, they can be referred to reinstatement committees with the ultimate right of appeal to an umpire. Up to the end of last year only 62 cases have been heard by committees, but as more and more men return from the services and claim reinstatement rights, the work of the committees may extend. It is, of course, not improbable that a literal interpretation of the Act will break down on such snags as these, but so long as there are alternative jobs available this would not be a serious matter.

All the schemes for resettlement lay great emphasis on the importance of education and training for industry. Every effort is being made to train disabled workers and schemes for training able-bodied men are being prepared by industry. Under the Interrupted Apprenticeship Scheme, men who broke off their apprenticeships, whether they were indentured or not, will be able to resume their training either with their previous employer or with another employer in the same trade. The number of men who want to resume their apprenticeships, however, is comparatively small. The great majority of men and women in the Services have probably never had any industrial experience at all. All three Services have organised special education and training schemes, which will operate between the end of the German war and their release. These courses are general rather than vocational and include such subjects as citizenship and current affairs. Army Education in its present form really started in order to relieve boredom in 1941 and 1942. The present schemes may serve an incidental purpose in preventing men being "browned off" while they are waiting to be released. The Ministry of Labour's schemes, which are purely vocational, have been prepared in co-operation with employers and trade unions in about 50 industries. Free training will be given in Government training centres, technical colleges or approved factory schools. For men and women who want to take up professional or business careers, the Ministry of Labour will provide financial assistance towards further education, and resettlement grants up to £150 for men who want to restart their businesses.

On paper the Ministry of Labour's plans for demobilisation and resettlement are admirable, and it will not be for lack of foresight or planning if the schemes do not work out as well as they might. There are three fundamental conditions for their success in operation. The first is the way in which they are administered. In this connection, it would be regrettable, though probably not fatal, if Mr Bevin, who was responsible for the mobilisation of manpower, were unable to supervise its demobilisation. The second condition for success is the maximum co-operation on the part of employers, employees and the men and women in the Forces themselves. The third and obviously the most important condition is the availability of work to absorb not only returning servicemen and women, but the industrial workers whose work in war factories will come to an end now that the European war is over. Here the responsibility rests with the whole Government, machinery and the Board of Trade are primarily involved. It has now become platitudinous to say that physical reconstruction, housing, the restarting of export trades and the relief of consumer goods shortages will involve as great a demand for labour as the needs of war production. Full employment, in the sense that there are more jobs than workers, should continue for some considerable time to come, and unemployment should be purely temporary and transitory. This at any rate is the state of affairs which in theory should exist in the immediate postwar period. Whether it will be so in fact, whether a large and complex transition will be made without large-scale dislocation, experience alone will show, just as experience alone will show whether the carefully laid programme for demobilisation will proceed according to plan.

The Other War

IN the middle of all the rejoicing for the end of the European war, it should not be forgotten that for thousands of fighting men and their families, the war is not over but carries on, as hardly and as grimly as separation, distance, climate and enemy resistance can make it. It is impossible to be entirely whole-hearted in relief and thankfulness when for so many a long and hard struggle may still lie ahead.

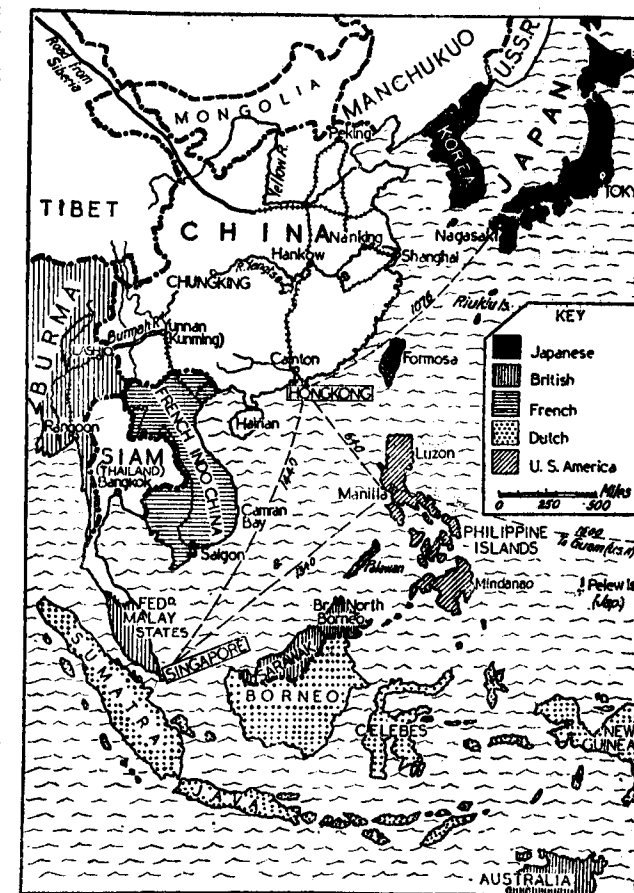
But how hard and how long? The military evidence of the recent fighting in inconclusive. On the one hand is the astonishing feat of the Fourteenth Army and of the other Allied forces in Burma in advancing in a few days from Meiktila to Rangoon, capturing the city and cutting off all the Japanese forces fighting to the west. This spectacular drive defeated both the Japanese and the monsoon, and although the weather may now hold up a further advance by land to Singapore, it may be possible to advance across the Shan States towards Siam, thence to cut off the Japanese in Malaya from their bases in Indo-China. In any case, the capture of the port of Rangoon intact revolutionises the military situation, for hitherto the Allied armies have had to be supplied almost completely by air.

From the further end of the great arc running from Malaya to New Guinea, the news is also good. The Australians are completing the occupation of Tarakan. Possession of the island's airfield, just off the coast of Borneo, will be a step forward towards Java and Sumatra.

On the other hand, the root and basis of Japanese aggression lies in the Japanese homeland. The reconquest of Malaya and the Netherlands Indies is an end in itself. It does not directly contribute to the immediate defeat of Japan. The battles in the inner ring of the Japanese defences have not so far proved as decisive as the more distant fighting. The effects of heavy air bombardment are always difficult to assess and no one can say precisely what is their contribution to the destruction of the enemy's war industries and civilian morale. Yet the air raids on the Japanese mainland already constitute a major offensive. Tokyo has been bombed day after day, week after week, fire bombs have been used very effectively, and much of the capital is in ruins. Industrial targets, ports and airfields have also been pounded, and this offensive is steadily growing in intensity as the British bomber force joins in and more and more airpower can be transferred from the European zone of operations. Japanese officials put the figure of casualties—killed, wounded and homeless—at three million, a sufficiently disturbing figure, yet they are only the first.

Fighting has already started on islands which are

administratively part of Japan. After a very hard struggle, the Americans captured Iwojima on March 15th; the next target drew one of their larger task forces almost to the doorstep of Kyushu, Japan's most southerly island, Okinawa is one of the Ryukyu islands, only 400 miles from the mainland. The American forces had little difficulty in landing there on April 1st. Since then, however, the fighting has been exceptionally bitter. The northern



half of the island is occupied, but the southern part has so far proved impregnable. The Japanese, always fanatical fighters, have outdone their own record in suicidal attack and defence. The Japanese High Command have thrown in thousands of planes, and some of the Grand Fleet has been—unsuccessfully—hazarded in action. If Okinawa

CAPITAL ANNUITIES

Extract from the Chairman's speech, March 22nd, 1945:—

"... The scheme was only introduced in June but by the end of the year Considerations amounted to £247,000 and by now they exceed £400,000. Your Society is thus maintaining its reputation as a specialist in annuity business."



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is typical of the kind of defence the Japanese will offer, there are tough and difficult and long drawn out battles ahead. Taken altogether, the evidence given by the present military situation is not uniform. It is very good in patches, but not so universally good that one can base on it alone a reliable judgment on the length and bitterness of the Japanese war; but obviously military factors are only one determinant of policy. The Japanese have also to assess their political opportunities.

In many ways, the political outlook could hardly be more gloomy. Japan has been deserted by its one ally, and the Japanese press's indignation at this defection reflects their uneasiness. Germany's downfall is an impressive warning to any nation bent on fighting until ten minutes past twelve. Moreover, the end of the European war frees the Russians for political and military action in the Far East. Their first move was the denunciation of the Soviet-Japanese Pact of Neutrality. Is the next step open or undeclared war? If so, might not Japan, surrounded by enemies, prefer to offer unconditional surrender, hoping by shortening the war to secure better terms?

The difficulty here is that Russia's Far Eastern policy is still unpredictable, and that the Japanese Government has some reason to hope that profound disagreements between the Allies may render their fighting less effective and create a diplomatic situation in which Japan can manoeuvre and bargain its way towards concessions. Even

if the Japanese were considerably more hard pressed militarily than they are now, they would hardly think of seeking a settlement so long as their worst fear, an effective fighting coalition of the Three Great Powers against them, has not been realised. The manner in which the European war has ended—in disagreement over Poland and confusion over policy towards Germany—is not wholly discouraging from the Japanese standpoint. Their new Government contains elements who can appease and bargain with both Russians and Anglo-Saxons. This undoubtedly they will try to do so long as any hope remains—and the war will drag on.

The Allies are presumably attempting to put an end to the uncertainties and divisions which hold them apart. General Hurley, the United States Ambassador to China, announced recently on his return from Moscow that the Three Great Powers had reached agreement on their Far Eastern policy. So far, there is little evidence to support his statement, and sufficient hints of disagreement—over the rival authorities in China, over the future of Manchuria—to encourage the Japanese Government to continued resistance. Allied disunity is, in fact, as disastrous an obstacle to a speedy peace in the Pacific as it is to a stable peace in Europe. There need be no collision of policies and interests. But until both are clarified, the possibility of conflict remains—a prospect from which no one can draw any comfort, except the Japanese.

NOTES OF THE WEEK

Formal Surrender

When the German collapse finally came, it came quickly. There was only a week between the first mass surrender in Italy on May 2nd and the final surrender to all the Allies signed in Rheims in the early morning of May 7th.

It may be that Admiral Doenitz hoped in forming a non-Nazi government—only one Nazi was associated with it, Albert Speer, the Minister for War Production—to persuade the Allies to make terms and concessions. The collapse of the German armies and the apathy of the people defeated his purpose. Yet in spite of the completeness of the final surrender, the Nazis seem to have been able even in their final dissolution to cause some grave political difficulties. The Nazi leaders and the generals in the field did their utmost to surrender to the Western Allies only. When their overtures were rejected, they proceeded to a *de facto* surrender to the West. Units fought their way back from the Russian front to surrender to the Americans on the Elbe and in every area it was the Russian forces who had to bear the full brunt of the fighting during the last days of the war.

This fact had very small military consequences. It is unhappily not so easy to say whether the political consequences have been equally small. At the moment, thanks in part to the German strategy of surrender, Britain and America control a large majority of the prisoners of war—a circumstance for which they are not responsible but which appears to have aroused misgiving in Moscow. The end of the fighting has seen a sudden intensification of distrust. The Polish arrests, the Vienna government, the Russian attack on the British and American treatment of Russian prisoners of war, are all symptoms of disunity and disquiet. The Russians even postponed VE day by 24 hours as a gesture of reproof. This mood may well have been excited in part by the German surrenders and a quite unjustified suspicion of Allied connivance.

Divisions at San Francisco

Writing of the international conferences which took place after the last war, Mr Churchill once expressed his view that

This [the new League] would have been admirable if a preliminary understanding had been reached on the main issues between the leading men, and if they had known where they stood with one another in essentials and had not felt that very serious conflicts impended. But now it seemed that the Conference was to dive into interminable academic discussions upon a new Constitution for mankind while all the

practical and clamant issues had to drum their heels outside the door.

At San Francisco, however, the heels are being drummed so loudly that the noise has penetrated to the conference halls. The news of the arrest of the Polish leaders damped the optimism which had been widely felt on the prospects both of securing a more representative Polish Government and of securing a really agreed framework for the new League. The sudden deterioration in the Polish situation, which left the British and American delegates perturbed and anxious and the Russians even more inscrutable than ever, re-aroused fears of a fundamental split between the Great Powers, with the smaller states dutifully grouping themselves round their protectors.

This growing division into blocs was noticeable in the Argentina debate, where the United States, impelled by the insistence of the Latin American states, felt it necessary to insist somewhat brusquely on the admission of Argentina. The American votes, with most of the British, gained a clear majority over the bitter opposition of the Soviet Union and its dependent Europeans. The Russians have since proposed a two-thirds majority on all questions save those concerning the procedure of the conference. This proposal will probably be accepted, since the American bloc is large enough to prevent a two-thirds majority voting against it.

Another point of conflict between the American and Russian delegation is the problem of whether to give the World Organisation the power to revise existing treaties, Senator Vandenberg pressing for it (with one eye on Poland?), the Russians opposing it as a means of German recovery. Latest reports suggest that the Russians may be prepared to accept a compromise.

The question arises, since blocs and regionalism have obviously come to stay in international life, whether they can be tamed and civilised by external supervision. In other words, shall the Security Council have an over-riding authority over them? The answer given by the Powers is very much what the cynic might expect. Before he left San Francisco to report to his Government, Mr Molotov declared that Pan-American regionalism should be controlled by the new League, but denied that Russia's security pacts with its Western neighbours had anything to do with the League, since they were directed against enemy countries. On the other hand, the Latin-American States wish the Act of Chapultepec, establishing regional security in the Western hemisphere, to be outside the jurisdiction of the Council. The mood is thus: "My regional pacts are good

and need no supervision. Your regional pacts are suspect and must be carefully watched."

The United States Government is, however, restraining the eagerness of its Latin neighbours. With Britain, it still represents the universalist approach.

Trusteeship Disputed

Commentators agree that there appear to be fewer signs of Britain emerging as the leader of a third bloc. In the Argentina debate, New Zealand voted with Russia. So did Belgium and France. Neither in the Empire nor the western fringe is Britain a "bloc leader." On the contrary, Mr Eden has put in excellent work bringing together the policies and proposals of his Russian and American allies. On one issue, however, the British are taking a decided line. The question of colonial trusteeship has been under discussion for a week now. The British are prepared to continue the old Mandate system and to extend it to any colony transferred from enemy sovereignty. The Americans wish to tighten up the Mandate system for all existing Mandates, extending international control and supervision and vesting responsibility in the international organisation. They wish, however, to exclude from this system the Pacific islands which will be taken from Japan. Under pressure from the Navy Department and from a group of visiting Senators the American delegation is trying to find means of distinguishing their control in the Pacific from the general principle of trusteeship. They urge that these islands are "strategic" and as such should be the concern of the Security Council alone. The British argue that however small the population the treatment should be the same for all. So far no agreement has been reached.

The Last to be Free

The liberation of Holland, Denmark and Norway has come as the automatic result of Germany's unconditional surrender. The people of Holland, terribly reduced already by starvation and disease, have at least been spared new horrors of land fighting. But their wounds have been deep and grievous. Much of their land has been flooded. In their difficult work of reconstruction the Dutch are entitled to expect that their more fortunate Allies will give them quick and effective assistance. The Allied bombers which in the last days of the war dropped food, instead of bombs, over Dutch territory were, let us hope, the harbingers of a new age in which technique, skill, inventiveness, and material wealth will be used to heal the wounds of war, not to inflict them.

Norway and Denmark have suffered less than Holland; but their contribution to the Allied cause will not be forgotten in the hour of victory. Throughout the war in both countries the Nazis' attempts to cajole and flatter the people were answered by contemptuous and persistent passive resistance, in which workers, clergymen, teachers and university professors had an equal share. To both countries, victory offers the opportunity of resuming their quiet and civilized way of life. The need for these bases of peace and good government is a hundred times greater in war torn Europe today than ever it was before.

The Liberation of Prague

Prague, the first non-German capital to be invaded by Hitler's armies, has been the last to be freed from them. The rising which broke out last Saturday met with a ferocious riposte, on the part of the SS detachments garrisoned in the city. Though the knell of National Socialism could already be heard all over Europe, the Nazis in Prague were still bent on wreaking atrocious revenge on the insurgents and on the civilian Czech population.

The Wehrmacht in Czechoslovakia adopted more consistently than anywhere else Admiral Doenitz's original instructions. Its soldiers willingly surrendered to the Americans, who entered Pilsen almost unopposed, while they were still fighting one of their most stubborn battles against the Russians around Olomouc. However, the cease fire was soon sounded on the Russian front, too; and the earlier German surrenders to the Americans saved from destruction the rich industrial areas in Western Czechoslovakia, of which the Skoda works are the hub.

President Benesh and the Czechoslovak Government will now return from Kosice to Prague. The liberation of Prague will entail a new reshuffling in the Government

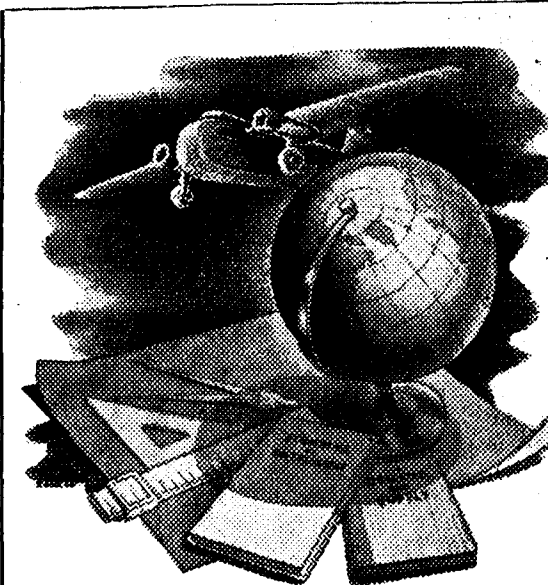
which would bring in the representatives of the resistance in Bohemia and Moravia. The verdict of Munich has now been finally reversed; and Czechoslovakia is confronted with the difficult task of reuniting its nationalities in the Republic and of finding its internal balance under predominant Russian influence.

Politics after Victory

The European victory has given rise to a fresh crop of rumours about an early General Election, and the view that it will come in July is widely held. Presumably the parties hope to benefit by the public mood of exultation, and to forestall the danger that it might turn to disillusionment.

Technically, there may be no obstacles to an election this summer. Theoretically there may be no good reason for prolonging the life of the coalition now that the tasks for which it was formed have been accomplished, and it might be appropriate to announce its end on the fifth anniversary of its formation. All the same, there are very good arguments against precipitating the dissolution. It will be some months before serving men and women can return to exercise their full rights of citizenship, and a proxy vote is a poor substitute to the man who wants to take part in electioneering. The new register, as was found at Chelmsford, is far from perfect, and needs to be improved. Moreover, there is much unfinished legislation for the present Government to complete, much of it of a non-party and non-controversial character.

It is doubtful to whose advantage a snap election would be. The Chelmsford results showed the electorate to be in an anti-Tory mood, though if it had been asked to vote for or against Mr Churchill, as it inevitably would be at a General Election, the results might have been very different. None of the parties is believed to have finished its election preparations, and its panels of candidates have still to be completed. The Conservatives are understood to be busy reducing the average age of their candidates, as well as brightening their publicity. The coming Labour party conference will perhaps show the state of Labour's



Getting down to fundamentals

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preparations, though the election plans are to be discussed in private session. For Labour, the real issue, tacitly understood though never openly referred to, is who is to lead the party at the election.

The Liberal party, which has published a brief seven-point election programme, makes it clear that it is following the banner of Sir William Beveridge, who is chairman of its election campaign committee. Apart from free trade and proportional representation, the Liberal aims of international security, "freedom from want," full employment, a healthy agriculture and homes for the people, are very similar in outline to those of Labour. In all probability, the Conservatives, who have not yet issued their election manifesto, will put forward exactly the same points. This makes it all the more probable that the electors will vote for personalities rather than for policies.

Future Income Tax

Further reflection serves only to deepen the alarm with which Sir John Anderson's remarks on the future inelasticity of income tax should be regarded. What the Chancellor actually said was as follows:

Under the new system which we have devised for pay-as-you-earn for income tax, there is a very elaborate machinery indeed to ensure collection of the tax at the proper rates. I doubt whether it would ever be possible in the future, so long as that system continues, to do what we have always been in the habit of doing in the past—that is to introduce changes in income tax, in the rates or the structure of the income tax, to come into effect immediately.

In the passage that contains these words the Chancellor was discussing the possibility of a Supplementary Budget later in the present year. He went on:

Therefore, if it appeared towards the end of the year that it would be possible to make an adjustment in the structure of income tax, there would, from that point of view . . . be a case for asking the House to address itself to that question, even though the actual changes might not take effect until the normal date, the beginning of the next financial year.

It may be, that is to say, that a reduction in the standard rate, or an increase in the allowances, will be announced in the autumn to take effect on April 6, 1946.

This device may serve for the present year. But it can hardly be repeated in a normal year, when the Chancellor can scarcely be expected to make up his Budget for the next financial year when the previous year is only half over. On the other hand, to accept the position that a whole year's notice must be given of any change in income tax would be to introduce an intolerable rigidity into the British fiscal system. Something will clearly have to be done to make PAYE more quickly alterable. Even with the present system it is not very easy to see why the rate of tax could not be altered on Budget Day, when the fiscal year is only a week or two old; such a procedure might involve a small amount of refunding of tax overpaid (if the change is a reduction) or of heavier deduction to catch up with the few weeks of deduction at the lower rate (if the change is an increase). But this is precisely the sort of adjustment that the cumulative system is well adapted to make, and if the tables were printed in advance, the change would be smooth. Changes in allowances would, admittedly, be more difficult, since they would involve the alteration of millions of individual codings. But the rate is the more important, since it alone affects the other schedules.

The one thing that should be clear is that rigidity cannot be accepted, since it would by itself more than offset any other contribution to full employment that fiscal policy can make. The ideal way out of the dilemma would be to invent a much simpler system of PAYE, which would not be difficult once the payment of allowances were separated from the collection of tax.

Adriatic Melting Pot

In recent weeks Trieste has passed through a period of tension and bloodshed. The city became for a short time the focus of all the accumulated antagonisms and political passions of the Adriatic coast. In the last days of April Marshal Tito's men captured part of the town; and they made no bones about their intention of incorporating it in Yugoslavia before any internationally valid decision about the future of Trieste could be taken. The Yugoslav threat of a coup on the Adriatic caused a political storm in Italy, where public opinion was mobilised in defence of

Trieste. Inside the city, and around it, there gathered the most unusual motley of partisans and military formations of all political complexions. The Croat Ustashe fought against Tito's men. Neo-Fascist bands were still holding out in one of their last strongpoints against Italian anti-Fascists. And finally General Mikhailovitch's Chetniks suddenly concentrated in the area between Trieste and Gorizia—their number was given as 20,000 to 30,000 men. Under these conditions, the clashes and skirmishes threatened to deteriorate into a mad fight of all against all.

The appearance of New Zealand troops at Trieste—"without Marshal Tito's permission," as a Yugoslav communiqué stated—may have angered the partisans, but there can be no doubt that the discreet intervention of the New Zealanders came just in time to arrest an ugly drift of events which might have ended in senseless slaughter. At present the tension around Trieste seems to have eased. Much political sense and tact will still be needed to control the tempers on the spot, to administer punishment to the real war criminals and to keep the quarrelling members of the various political parties and sects from leaping at each other's throats.

The Ghosts Go West?

The opening of the Nazi concentration camps has freed a varied group of statesmen and leaders whose return to active politics is likely to be of great importance for their countries. The reappearance on the French political stage of MM. Herriot, Daladier, Blum and Reynaud is certain to infuse new strength into their parties, which have so far lived in the shadow of General de Gaulle's political authority. The return of General Weygand is bound to affect the situation in the French Army. His record has certainly been less tainted than that of Marshal Pétain—after all, he is returning home as a prisoner of war. Will he accept General de Gaulle, or will he side with the Pétainist elements and defend his former chief, who is now committed for trial? Or will he perhaps become the link between Gaullism and Pétainism, and try to reconcile the two?

The freeing of Dr Schuschnigg may well complicate the inter-Allied controversy over the Austrian Government. Dr Schuschnigg was the last Chancellor of independent Austria. He was bullied and treacherously deprived of office by Hitler. From a rigidly legitimist viewpoint he might still be regarded as the Chancellor of Austria, prevented from exercising his prerogatives by force majeure. He is therefore a potential rival of Dr Karl Renner, whose Government has so far received support only from the Russians. It is, however, fairly clear that the return of Dr Schuschnigg would not be well received by most Austrians, who have not forgiven him the suppression of Austrian democracy in the civil war of February, 1934, and his suicidal coalition with Seyss-Inquart before the Anschluss.

Another prominent figure released from the concentration camps is Dr Schacht. He is now free to contemplate the ruins of the Third Reich, which his financial skill helped to build at an earlier stage. And there is, finally, General Bor Komorowski, the Commander of the Polish rising in Warsaw, who will perhaps be able to shed some light upon the military background of Warsaw's tragedy.

War Injuries

The recent case of *Kemp v. Minister of Pensions* raised an interesting and rather disquieting point in connection with pensions for "war injuries," particularly so far as merchant seamen are concerned. The facts are simple. The claimant was the widow of a merchant seaman who was knocked down and killed by an Army truck in Alexandria late at night in December, 1941. His ship was in dock in that port, and he was permitted off shore on ship's business and allowed to stay on his own. It was when he was returning to his ship that the accident took place. The widow's application for a pension was refused, and that refusal was upheld by the High Court.

The trouble arises because the expression "war injury" appears in two Acts, the Act which gives pensions to men in the Forces and in the Merchant Navy, and the Act that takes away from civilians their normal common law right of suing for damages where the injury was technically a war injury. "War injury" is defined in the Acts, but that definition is affected by the construction put upon it subsequently by the High Court, which very naturally has tended to give it the most limited meaning possible, since,

under one Act, it takes away rights at common law as well as, in another, conferring rights to pensions. The result is that the circumstances of the death of this seaman do not make it the result of a war injury. The position in which the widow finds herself is admirably summed up by the Pension Appeals Tribunal itself. If the deceased had been in the Navy, the Army or the Air Force she would have received a pension, for a member of the Armed Forces is always on duty. But at law a merchant seaman is still a civilian. A claim under the Workmen's Compensation Act would fail, as the deceased had stayed on shore on his own affairs when the ship's business was finished. And, finally, his widow has no hopes of sustaining an action for damages for negligence against the soldier driving the truck, since she has no means at all now of finding out what actually did occur in that blacked-out street in Alexandria over three years ago.

The facts disclose an unfortunate loophole in the Pension Acts. It is no answer to say that there can be very few merchant seamen who are killed in circumstances which give rise to no pension for their dependants. There is no evidence that that is so, and, in any case, it is a scandal if one case of failure to pay a deserved pension can arise under the statutes. An injustice does not cease to be an injustice simply because the number of people who suffer from it is small. One answer would be to alter the status of merchant seamen. Another would be to give the Minister of Pensions, or a small special committee, power to pay pensions in cases like these, where the pension is morally due but an unusual set of facts removes the case from the strict letter of the law.

World Trade Union Relations

At this moment of strained diplomatic relations among the United Nations, it is encouraging to hear that complete agreement has been reached between the leaders of the trade union movements about the constitution of their new international organisation. The draft constitution, which has just been adopted by the representatives of the trade unions at their meeting at Oakland, California, will be submitted to the various organisations which attended the London conference in February, and will be finally approved when the recalled world conference meets in Paris in September.

The proposed constitution, it is reported, provides for a World Trade Union Congress, which will meet every two years; an elected General Council representing all affiliated members; and an elected committee of seventeen members elected from the Congress. On this executive committee, Russia is to have three seats, Britain, the United States, France and Latin America two each, there will be three seats for all other European countries and one each for China, Africa and the Pacific. This arrangement has presumably been reached on the basis of numerical strength, for hitherto America, Britain and France have had equal representation on conference bodies with the USSR. The constitution also defines the basis for voting in the Congress, and the financial arrangements for membership.

It appears that agreement was not reached without a great deal of discussion and compromise; in particular, the question of the autonomy of individual trade union movements seems to have given rise to controversy, and to have been settled in accordance with the British attitude. Many other problems will arise before the new organisation can take effect. The question of Polish representation and of the trade unions in Communist-controlled China is likely to be raised by the Russians, while the position regarding the American Federation of Labour is extremely unsatisfactory. But if there is readiness to compromise and to concentrate on the common ground of agreement, there is no reason why such obstacles should prove insuperable. The establishment of satisfactory inter-union understanding may be an important factor in future international relations.

Verdict on the Land Bill

The Requisitioned Land and War Works Bill is at last through its Committee stage in the Commons, and will soon become law. The Bill was complicated originally, and it has been elaborately amended, but its aim is simple and reasonable enough—to recoup some of the taxpayers' money spent on temporarily requisitioned land, and to acquire such land where it is permanently needed for national use. The Government's repeated assurances that the greater part of requisitioned land will be automatically returned to its owners has not convinced Parliament that the land at stake

is unimportant. The Bill's central proposal—the creation of a Commission which will settle the terms of compensation or purchase between the requisitioning Ministries and private owners—is obviously sensible. But Parliament has been anxious to secure that the Commission shall be both strong and independent, and that the number of cases in which the Commission can be ignored or overruled shall be strictly limited. The main effect of the amendments is that the powers of the Commission are stronger and those of the requisitioning Ministries weaker than was originally intended.

One weakness in the Bill which remains is that each requisitioning Ministry will decide the desirability of purchasing or reselling land entirely on its own. Amendments have secured that the views of other interested departments and of planning authorities can be heard by the Commission. But it is odd, to say the least, that Parliament should need to spend time in backing up the rights of planning departments against those of requisitioning departments, and that in the end the independent Commission may be called on to balance their different claims. The Bill's drafters still seem unaware of any need of co-ordinating land use—even where all the land in question is to be publicly owned.

Parliament refused to give even the Commission a free hand where requisitioned commons and open spaces are concerned. After much debate, final concessions have been wrung from the Government which compel it either to provide an equivalent area of substitute land or, when this is not done, to submit its proposals to Parliament. The question of what constitutes substitute land will be decided by the Ministries concerned with open spaces, although what constitutes a common has not been satisfactorily defined. The degree of protection with which the Commons have defended public amenities is all to the good; but surely it should have been foreseen.

Emergency Powers

The emergency powers given to the Government in August, 1939, for the prosecution of the war can be divided roughly into two groups—those concerned with the defence of the realm and those enabling the full mobilisation of the

NYASALAND



THE territory, now known as Nyasaland, consists of a long narrow strip of country lying between Lake Nyasa and Northern Rhodesia, with Portuguese territory forming its southern border. It has a land area of over 37,000 square miles and in 1891 was constituted a British Protectorate. Since the construction of the great bridge over the Zambesi River in 1933, the country has had a direct rail link to the sea at Beira.

The population of about 1,700,000 is mainly engaged in agriculture. The fine quality of the tobacco, which is largely grown by the natives of Nyasaland, is well known. Tea has been grown on an increasing scale in recent years. Sisal, coffee and cotton are also exported in considerable quantities.

The average annual value of the external trade of Nyasaland for the years 1935/39 was approximately £1,600,000.

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country's resources in materials and manpower. The second group are still essential because of the Pacific War, and Mr Bevin has given a reminder that industrial conscription, with all that it implies in the way of Essential Work Orders and control of engagement, is still in force.

The DORA powers, however, or at least a great many of them, are now unnecessary, and the Government took the only sensible course in revoking a great many of the regulations this week. Regulation 39BA, which made it an offence to spread "alarm and despondency," has gone. So have 2C, concerned with the publication of matter prejudicial to the war effort, and the obnoxious 2D, which allows the Home Secretary to suppress, without warning and without allowing an appeal, any newspaper printing such matter. The weather news has come back in its full glory; but at the time of writing it is not known what other topics are still censorable.

More important than the regulations giving power to suppress opinion, which have been very sparingly used—the *Daily Worker* and the *Week* were suppressed and the *Daily Mirror* warned—are the regulations affecting the liberties of British subjects. The war zone courts, which could be set up under the second Emergency Powers (Defence) Act of 1940, were not necessary, but the powers to use them are still there. But the fifty persons still detained without trial under Regulation 18B were released this week. This regulation has, rightly, raised stronger objections than any other regulation made during the war, but the Home Secretary could always defend it, and its administration, by the plea of military necessity. His promptness in releasing the remaining internees and in revoking 18B fully justifies those who gave him their support, however reluctantly, whenever his administration of his powers was attacked.

Holiday Resorts

Victory in Europe has come early enough in the year to set everyone thinking in terms of a summer holiday by the sea—a tonic that the country as a whole both needs and deserves. Unfortunately, the resorts—particularly those in the south and south-east—are in no condition to welcome the crowds that may descend upon them. Some are still encumbered by defence works; some have suffered badly from bombing and shelling; all are in need of repairs and renewals.

The work of rehabilitation is hampered by the acute shortage of labour and materials and by the impoverished finances of the seaside authorities. For four years these areas have been deprived of their chief means of livelihood as pleasure and health resorts and they are already heavily in debt. Moreover, there has been little progress so far in the derequisitioning of schools, hotels and camps.

In their extremity the resorts are appealing for more Government assistance. Some of the worst-hit authorities can already obtain loans from the Ministry of Health for local reallocation—in sums of up to £150 repayable over 5 years—among small traders and proprietors. And seaside caterers resuming business are being granted retail trade licences. How much more can be done to relieve the position in the next few months must depend on the supply of men and materials and the progress achieved in the housing programme, which has clearly first priority.

Even if they are not "at home" summer holidays, 1945, will certainly be makeshift. But the Government could greatly improve the prospects by releasing as many requisitioned premises as possible with all speed. At the moment derequisitioning is a fortuitous by-product of inter-departmental deliberations. It should be the special and urgent objective of a single department.

Forestry Needs

The clearest point which emerged from last week's debate in the Commons on the Forestry Bill was the need for a steady and continuous programme of tree-planting which will not be upset at any point by short-term financial considerations or by pressure from competing interests. Forestry can only be undertaken successfully on a long-term basis, which yields little in the way of quick returns. Too little attention to this elementary fact handicapped forestry policy between the wars, so that losses of woodland during the last war had not been made good by 1939. Shortage of timber has caused even more deforestation during this war, so that Britain's woodland has now shrunk to a million acres, of which most, as Mr Hudson remarked, are "either immature or second-rate woods or woods very thinly stocked."

This sorry and strategically dangerous situation has led the Forestry Commission to propose a minimum planting by the state during the next fifty years of 3 million acres, of which half would be planted in Scotland. Through no fault of its own, the semi-independent status of the Forestry Commission proved too weak for it to handle altogether successfully its much more modest inter-war task. Energy and continuity in forestry policy are now called for, which can only be obtained by placing the work of the Commission, as the Bill does, under direct ministerial control. The argument that the Minister of Agriculture should not be given the job is ill-founded. It is true that agriculture and forestry to some extent represent competing claims on limited land, but it would be hard to find a more suitable person than the Minister of Agriculture to balance their claims.

labour, thousands of men, and millions of pounds to build them; of great trading ships, laden with food for hungry men and women, sunk in thousands by the same device; of men taken from their homes and carried six hundred leagues over seas infested with these submarines, to fight in unknown jungles and uncharted deserts; of the million men and women carried into slavery by one of these great princes in the space of three or four years; of how they starved and toiled under the whips of their taskmasters; and how, when the prince who had enslaved them was conquered, they were turned loose without food or money or compass to find their way to the distant homes from which they had been rapt. I told him of how all the great cities of a country which had sixty million citizens might in two years be destroyed and brought to a heap of rubble and brickdust, in which the common people sheltered as best they could from weapons falling from the air; with no hope of ever having again a home to live in, a place to work in, or any food to fill their bellies, except what might be spared them by the charity of their conquerors. Their towns, I was careful to explain, are not now sacked as in former times, but—in the words of the prince who ruled them—smudged out.

When I had completed this part of my discourse my master interrupted me angrily. My tale, he said, was impossible, and I was surely trying to deceive him. This warfare of which I spoke must be so dreadful that no men rational enough to invent these weapons would consent to be drawn into it; and if the prince ordered his people to engage in it they would certainly refuse.

I was at first confused by this objection of my master's but, as bravely as I could, I answered him that it was due to his ignorance of humans, who might, as I allowed, to one unacquainted with them, be difficult to comprehend. I explained that, when a prince either by inheritance or by seizure of power controlled a nation, it was easy for him also to control their opinions of his subjects. Learning had increased among humans so greatly that every man, woman and child is able to read; and a prince could so arrange matters that they should not have an opportunity of reading any opinions except those that he desired them to hold. In this way, and helped by verbal messages which he can, with the help of his scientists, pass direct into their homes, he can persuade his people that though others will be destroyed by war, they will be safe. To some he will say that war will bring them great glory and profit; to others that there will be no war; to others, again, that they have only to trust him and they will swim in prosperity; to all he will at the last declare that their country is in danger, and their neighbours on the point of attacking them.

Though these things cannot all be true, almost every man will believe at least one of the prince's arguments, and so be reconciled to the dangers of his warlike policy.

Again my master interrupted me. If humans, he said, are as rational as you claim, why do they not join together and oppose such a prince as this? Have you no such things as alliances or treaties of mutual defence?

I exclaimed at once that alliances and treaties of friendship are very well known to us, and are in daily use. They are, above all things, popular with a powerful prince in the preparations of his plans for war; and there is no moment in the life of a small nation so dangerous as the day on which such a prince invites it to sign a treaty of eternal friendship. It is almost always an omen and a sign that the small country will next be invaded by the other party to the treaty. It is the shadow of the executioner's axe; and whenever it is known that a weaker nation has had to accept a treaty of friendship with a stronger neighbour, the wise statesmen of other countries will, for fear of being swallowed in the inevitable catastrophe, have as little business with it as possible, much as friends and neighbours shun the house of an acquaintance who is known to have contracted the plague.

But, said my master, how can these things continue? That the disaster may happen once if humans are fools and madmen, I can comprehend. But have they no memory? Do they not recall their sufferings and determine to avoid them in future? Can they not once they have suffered so arrange their affairs that warfare may hereafter be banned out of their lives?

I tried to explain to my master that the thought of war is seldom out of the minds of humans, telling him that while they are engaged in a great war, the two subjects which are most often debated by them are the date on which the present war will end, and the date on which the next will begin. They spend much time and labour and thought on devising councils and assemblies which may make the outbreak of war impossible, but as each man has his own favourite belief on how these matters should be ordered, much heart-burning is engendered by them; and it will often be found that such important business as who shall be invited to the assembly and who shall sit in this place at the table, and who at that, may, before the first discourse is delivered, have brought the men gathered together to establish perpetual peace to the point of blows and violence one against the other.

My master sighed and raised himself on his haunches—a sign of my dismissal. For your sake, he said, I hope your peacemakers may succeed. For my own, I am thankful to have been born a horse.—Yours faithfully,

LEADENHALL

Letter to the Editor

Gulliver, 1945

SIR,—Two hundred and forty years ago a ship's surgeon named Gulliver was cast away on an unknown island, which he found to be possessed and governed by an intelligent and virtuous race of horses; and there, being taken into the household of a leading horse, he was at pains, after learning the language, to inform his master of the life lived by humans in other parts of the globe. His master was astonished at everything, but most of all at his narration of the causes and results of war. Indeed, with the poor material at his disposal, Gulliver's description was well enough; and we who have behind us a long period of human progress which Gulliver missed must not despise his account of the intrigues of statesmen and the destruction of battle. We should remember that, when he spoke of war, he had in mind such local affairs as the Thirty Years War and the campaigns of Marlborough, fought by small armies without the benefit of big guns, machine-gun nests, bombers, tanks, rockets, submarines, flame-throwers, and propaganda. If Gulliver's generation had had the scientific and cultural advantages we enjoy, how much more effective would his conversation with the horse have been.

In obedience to my master's commands, so Gulliver's report of the conversation might have run, I told him of the

marvellous devices which our civilisation has put at the command of a great prince when he determines to go to war with any one of his neighbours; and how a prince of true foresight will in peace no less than in war encourage with rewards and honours every man of science to invent new weapons and perfect old ones. I told with pride of the great advance of learning under this encouragement, and of the inventions which the men of science have contributed to the better conduct of warfare. As well as I could I described the skill which these scientists have acquired in the working of metals and in the art of combustion. He must know, I said, that when once war has been begun between two nations, the citizens of either of them may at any moment be blown in pieces by the enemy even though they be three hundred miles away from the nearest battle; and if the improvement of human knowledge continues, they will soon suffer immediate and violent death as they sit in their homes three thousand miles away from the enemy. For example, a man might then leave his home in New York in the morning, and returning at night, find his wife and children dead from a weapon shot into the air at mid-day in Berlin—and that without his ever knowing that the war had begun.

I told my master of submarine ships which will destroy in a few minutes great ships of war that require years of

THE WORLD OVERSEAS

Poland's Managed Revolution

LAST Saturday, Mr Molotov informed Mr Eden and Mr Stettinius that sixteen Polish leaders had been arrested by the Soviet authorities and charged with "preparations for diversionary activities against the Red Army." Among the arrested are Mr Jankowski, the Vice-Premier representing in Poland the Polish Government in London, and three other underground ministers, as well as the Commander of the Polish military underground, General Okulicki. In addition, the Soviet authorities have arrested the representatives of the four political parties—the Nationalists, the Christian Democrats, the Peasants and the Socialists—some of whom had been recommended by the British and the American Governments as possible candidates for a new Polish Government, which was to be created on the basis of the Yalta agreement.

The wider political significance of this sudden Russian move and its implications in international policy are discussed elsewhere in this issue. What does the arrest of the Polish leaders mean in the context of Polish politics? How will it affect the outlook inside Poland? Almost simultaneously with the announcement of the arrest of the

Polish leaders, a plenary session of Lublin's quasi-Parliament, the so-called Home National Council, came to an end in Warsaw. The Ministers of the Lublin Government reported to the Council on their activities in the last few months; and those reports have thrown some light on the present social and political conditions inside Poland.

There can be no doubt that at the present time Poland is undergoing a process of virtual Sovietisation. In part, the upheaval seems to have sprung from internal Polish conditions. In part it is certain to have been caused by the inclusion of Poland in the "Russian zone." In many essentials the Sovietisation of Poland differs from the Russian prototype of 1917; in others, it resembles it fairly closely. The present state of affairs, as described by the Lublin ministers, can perhaps be defined as the Polish NEP. The New Economic Policy was the name given to the Soviet economic structure in the early twenties, which was a combination of predominant state ownership in industry, small private ownership in agriculture, and of mixed public and private trading.

The Lublin Minister of Industry and Commerce, Mr

Mine, stressed in his report that large-scale industry is being reorganised on the basis of complete public ownership. Private enterprise, he stated, will be allowed only in small industry. Paradoxical as this may seem to those accustomed to think of pre-war Poland as a normal "capitalist" country, no radical reforms have been needed to bring about this socialisation. Ever since its re-emergence as an independent state in 1918, Poland has suffered from an atrophy of private capital, and state enterprise has played an increasingly dominant role in its economy. Before the war the transport system was almost entirely state-owned, as was 70 per cent of the iron production, 50 per cent of metal manufacturing, nearly a 100 per cent of some chemical industries, and a very high proportion of the timber, coal and oil industries, quite apart from the large state monopolies of alcohol, tobacco, matches, salt, etc. Private ownership in large-scale industry was represented chiefly by foreign capital—the share of foreign capital was about 40 per cent of the total capital of all joint stock companies. It was nearly 50 per cent in mining and metal industries, 85 per cent in oil extraction, 60 per cent in chemical industries, and 85 per cent in electrical works. Polish private capital was pathetically squeezed in between the mill stones of public and foreign enterprise.

In the thirties, the public sector of industry was steadily expanded in connection with the building of armament industries and with the official drive against foreign capital. Under the German occupation, most of the Polish entrepreneurs were expropriated in favour of German companies and colonisers. The economic consequence of the extermination of the Jews, who had held a preponderant position in trade, was the utter disruption of any established private trade, too. Thus, a long succession of "organic" economic trends and of acts of dispossession and violence has very effectively paved the way for complete state control. True, there remains the problem of foreign investments in Polish industry. The members of the Lublin Government have so far made somewhat contradictory statements about their proposals for foreign holdings. Some time ago they stated that foreign investments in Poland would be welcome. Last week the Minister of Commerce intimated that "no private capital would be tolerated in large-scale industry." But no matter how the problem of foreign capital is eventually solved, the nationalisation of industry can be accomplished without the massive expropriation of a native class of capitalists carried out by the Bolsheviks in Russia.

The Land Reforms

In agriculture, the situation was very different. Here a root and branch reform has taken place. Under the land reforms, nearly 7,000 land-owning families, possessing more than 10 million acres, are being expropriated in the area to the west of the Curzon line alone—far more land than had belonged to the Polish aristocracy in eastern Poland was shared out among the peasants in 1939 to 1941. Of the 10 million acres only half will be distributed to landless peasants or owners of tiny plots—the rest has been taken over by the state. The fund of land available for distribution is far too small to still the hunger for land in the countryside. Even after the completion of the reform some millions of land-hungry peasants will remain, and the new small holdings—their standard size is 12½ acres—can hardly prosper, deprived as they have been of agricultural implements and cattle. As in Russia during the NEP, agriculture will need state credit, state guidance, and state-produced industrial goods. Some form of collectivisation or co-operation can be expected to take place sooner or later; and the technical conditions of agriculture—the need to replace animals by tractors—will demand it perhaps even more strongly than the collectivist bias of the régime. But even the reorganisation of agriculture on a collective or co-operative basis will not do away with rural over-population. The Lublin Government, therefore, treats the annexation of East Prussia and all the other German lands east of the Oder and the Neisse as part of its schemes for land reform. The annexed lands are to be used for the mass colonisation of the landless peasantry.

In the political field, the Lublin revolution has led to the formation of a completely new state apparatus. The old police, which was highly unpopular as a tool of the pre-war dictatorship, and whose record under the Nazi occupation was not very shining, has been disbanded and replaced by a Militia. The Militia is controlled by the Communists, and organised more or less on the model of the Soviet police. The Russian security police is active in

the background. Similarly, the new army is officered by new men drawn from the working classes, though it has also absorbed some of the elements of the old officers' corps, from which has come its Commander General, General Rola Zymierski, now promoted to Marshal. While the training of the new officers' cadres is still taking place, great numbers of Russian officers have been detailed as instructors to the Polish army. A similarly radical change in personnel is being carried out in most branches of the administration, which is based on the Committees of Liberation, the new version of the Councils of Workers and Peasants or Soviets.

It would probably be a mistake to attribute this upheaval entirely to Russian making. The years of the war and of Nazi occupation have brought a strong tide of Left wing radicalism all over Europe, and especially in Eastern Europe. If one can judge from the results of the recent elections in France and in Finland, two countries with a much more solid democratic tradition than Poland has ever had, Communism must have grown very strong in Poland too. Even before the war Polish Communism was never negligible. It had its ups and downs; and was at times, in spite of ruthless persecution, a very strong popular movement. The social unsettlement of recent years, and the attraction of victorious Russia, have undoubtedly imparted to it a new and great momentum. The entry of the Soviet army was followed by a quasi-spontaneous establishment of some sort of a workers' control over factories. The rising tide of radicalism has caused a crisis and internal split in the ranks of the Socialist Party, some groups of which have joined the Lublin Government. Even so, it is fairly certain that had it not been for Russian backing, the Communists and the factions attracted by them would not have been able to assert themselves against the combined forces of the old parties.

Prefabricated Revolution

The peculiar trait of the "revolution" that has been taking place in Poland has been its apparent lack of popular élan and its monotonously imitative character. No great battle of ideas and programmes has accompanied the upheaval. Poland is receiving the Soviet system in a ready-made authoritarian or totalitarian form, which has in Russia itself been the end-product of a long, painful and yet "organic" evolution. The prefabricated elements of that end-product are simply being transplanted to Poland together with all the fashions prevailing in Moscow to-day. Thus, the workers' control over production is now being suppressed in favour of the "authority of the employers," which presumably means the authority of the state organs. Strikes are prohibited and the Stakhanov system of premiums and widely differentiated wages is being started in Poland, together with the fight against the "reactionary demands for the equalisation of wages." The rehabilitation of the Orthodox Church in Russia has its counterpart in Lublin's rather ostentatious coquetterie with Roman Catholicism. Russian Communism pays tribute to Peter the Great, Ivan the Terrible, and to the legendary warriors of Russia's remote past. Polish Communists, too, link up the threads of a remote nationalist tradition which leads back to Poland's first dynasty, the Piasts, whose kingdom had spread westwards to the Oder. And, last but not least, there is the absolute, tedious and unnatural unanimity in all votes, decisions and resolutions. The picture of this managed revolution is completed by the fact that the Committees of National Liberation, the National Councils, and all the other institutions that form the fabric of the new régime, have been called into existence by appointments from above, not by popular election. The Polish "Soviets" are an imitation of the Russian models of 1945 rather than those of 1917 to 1920.

The position of the old parties is extremely difficult. The Lublin Government has rather stolen their thunder. Public ownership of industry was a plank in the Socialist programme, and land reform of the Peasants'. The Lublin Government poses as almost more Catholic than the Christian Democrats, and as more nationalist than the Nationalists themselves. What is still effective in the programme of the old parties is their struggle for national independence, which has lost little of its meaning—though the Lublin Government has succeeded in persuading quite an important section of the educated classes that it, too, stands for Poland's independence. The old parties also struggle for the survival of the party system against the single party régime which is already striking roots. The arrest of the sixteen Polish leaders is an ominous sign that Poland's *Gleichschaltung* to a single party system is proceeding apace.

Denmark Looks Back

DENMARK was for five years and a month an important sector of Germany's totalitarian war economy; but at this moment of economic chaos in Central Europe, it can resume at least a measure of independent economic activity. Fundamentally, Denmark's economy comes out of the war largely intact. There has, however, been some change in the relative importance of the different branches of economic life, and a period of readjustment will be necessary.

During the five years of occupation, Denmark's economy went through several distinct phases. The first phase, which ended roughly in the middle of 1942, was marked by the gradual exhaustion of the stocks of agricultural and industrial raw materials imported from overseas. During this phase direct German interference was slight, although Danish exports were monopolised by Germany. From June, 1940, to June, 1942, the total number of pigs decreased from 3,218,000 to 1,141,000, that is by 65 per cent. The reduction of poultry was even greater, and it seemed at that time that Denmark's most important export industry would be completely ruined. But the cattle herds, which numbered over three millions at the beginning of the occupation, suffered only small losses. Before the war Denmark's large livestock industry needed, on an average, annual net imports of more than 600,000 tons of cereals, and roughly 800,000 tons of oilcake.

During this phase of wholesale slaughter of pigs and poultry, Danish farmers, organised in highly efficient co-operatives, were forced to expand the area under cereals and oilseeds, while the area under root crops, particularly potatoes and sugar beet, was maintained at the pre-occupation level. From 1942 to 1944, that is, the phase of expanding arable land, cereal harvests increased, and the prospects for the 1945 harvest are reported at the moment to be good. This is a considerable success for the highly efficient Danish agriculture. It cannot, however, be doubted that the land has been worked to the utmost, and, especially during the 1944-45 season, without adequate supplies of fertilisers, which could no longer be imported from Germany. But the actual production of fodder was sufficient for a considerable increase in the number of pigs during 1943, and at the end of 1944 the number of pigs had reached roughly two million, or double the number in June, 1942.

At the end of 1944, there were signs that the farmers' efforts could not prevent a general deterioration in economic conditions. German demands for foodstuffs increased, the shortage of fodder became acute, and this time a heavy slaughter of cattle could not be avoided. This is how Danish agriculture stands at the moment of liberation. If the harvest of cereals and root crops yields an output equal to that of 1943 and 1944, food supplies for the Danish population will be secured, and will be the highest on the whole continent. The rations were comparatively high in the last five years. The bread ration was higher than in Germany, the sugar ration was twice as high as in Britain, and the fat ration was 40 per cent higher than the British ration. As soon as shipping tonnage is available for imports of fodder and fertilisers, Denmark could in a very short time resume exports of bacon, butter and eggs on a large scale. There is no doubt that Denmark could then play an important part in preventing starvation in other parts of the Continent.

Industrial Difficulties

This, however, is only one side of Denmark's economic situation after five years of occupation. A return to full agricultural production demands that industrial activities should be brought back to the pre-war level. But industrial problems are more difficult. Since January of this year Denmark has received no coal from Germany. Before the war the average annual imports of coal and coke amounted to about 6 million tons. During the last three years of the war Germany supplied annually some 3 million tons of coal and coke. The balance was covered by peat and brown coal. The output of peat increased from 400,000 tons before the war to roughly 6 millions in 1944, and the production of brown coal reached some 2½ million tons against 20,000 tons in 1938. The cutting of peat and the mining of brown coal absorbed a relatively large number of workers, and can hardly be maintained for a long time. Coal and other fuel are badly needed in agriculture, especially if the large acreages are to be maintained. At present

fuel, gas and electricity are severely rationed, and without imports of coal and coke industrial activity cannot be increased, while railway transport will have to be reduced. Moreover, the Danish resistance movement concentrated on attacking the railway system—it is said that 753 attacks were made on railways during the war. Motor transport has also been considerably reduced. Out of a total number of motor vehicles of 190,000, not more than 20,000, mostly lorries, were still on the roads when the occupation ended, and these were driven by generator gas. Before the war annual imports of petrol, kerosene, and fuel oil amounted to roughly 900,000 tons. Without adequate coal and oil supplies transport, industry and agriculture cannot resume full activity.

Manufacturing Changes

During the occupation 50 per cent of fuel consumed was covered by domestic supplies, whose production was largely responsible for the high index of industrial activity; but it was an extremely wasteful use of labour. The Danish manufacturing industry, which was largely employed on German orders, shows even more profound changes. The famous Danish silverware industry changed over to the manufacture of steel and metal goods. The shipping industry was engaged more and more on the construction of wooden ships for Germany. The bicycle industry, on the other hand, came practically to a standstill, and all civilian industries were severely restricted either under German pressure or because of a lack of raw materials. The supply of home-produced wool and artificial fibres amounted to a small fraction of pre-war supplies of cotton and wool from overseas. New processing and manufacturing methods for using inferior hides and fish skins demanded more labour. Engineering capacity and raw materials were diverted to the manufacture of generators, which were used not only for motor-vehicles, but also for stationary engines in agriculture. Lastly, growing numbers of workers and much valuable material were diverted to the construction of fortifications. More and more, the available supplies of manpower, materials and industrial capacity fell short of the demands. Sabotage wrecked a number of important industrial buildings and factories; and, above all, industrial plant, factories and railways have been stretched to their full capacity without undergoing repairs and renewals. The new steel works, with an annual capacity of 40,000 tons, will come to a standstill without fuel. The overall picture is, in fact, of an industrial capacity, largely intact and unimpaired by bombing, but badly in need of reconstruction.

The most serious loss sustained by Denmark's economy is the reduction in the shipping tonnage. The actual loss appears to be about half the pre-war tonnage, which means that without foreign assistance imports must remain small for some time, even if coal, oil, cereals and oilseeds are available in the countries of production.

Although the material damage is slight, the actual loss of productive capital is proportionately high. For years, exports have exceeded imports, whereas before the war there was an import surplus. Revenue from shipping services has fallen, and the costs of occupation have had to be paid either in material or in labour. The accumulated clearing credit and the various enforced contributions to Germany's war economy are large, and may have risen to about Kr. 8,000 millions at the end of the occupation, which is slightly more than the present nominal national income. This debt is at the moment a dead loss. Nevertheless, the fact that its economy is largely intact gives Denmark a unique position in the economic reconstruction of the Continent.



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THE BUSINESS WORLD

Liquidation of War Contracts

ONE of the most difficult of the many tasks that now clamour for Government attention on the economic front is the working out of plans for the orderly liquidation of war contracts and the establishment of flexible machinery to ensure that such plans can be carried through with the minimum of friction and red tape. The formulation of even the initial arrangements is bound to take some time, and their eventual form must certainly be governed by actual experience of negotiations with contractors. Meanwhile, it is of prime importance that Supply departments should not plunge into wholesale cancellations or, indeed, take any major steps to curtail war production until their policies can be adequately co-ordinated with those of the departments responsible for planning the rebuilding of civilian industry. The attention that has been given in the past year or so to problems of postwar employment ought, on first principles, to provide a substantial assurance against precipitate action. But experience of the working of the Government machine at times of major change and great pressure suggests that policies evolved and recognised in general terms at the highest levels are not necessarily a sure guide to detailed action at the periphery—not, that is, until they have been reduced to practical workaday plans for the guidance of officials in all departments and at all levels.

A more reliable assurance against undue haste comes from the continuance of the Far Eastern war. The Chancellor's Budget estimates indicated that the end of the war in Europe was not likely to lead immediately to any really spectacular reduction in Government demands. The effective reduction may, however, be more substantial than he had in mind, especially in that part of the expenditure which directly affects the home market. The cease fire has apparently come somewhat sooner than the date—"some time in the early summer"—assumed for the purpose of budgeting; the Chancellor's estimates, even on that assumption, were admittedly conservative; and it seems reasonable to suppose that the underlying Service department programmes were even more so. Those departments, however complete their forward planning, may now be expected to take stock of the position afresh. But until the stocktaking is complete, the departments responsible for supply are likely to adopt a cautious attitude, at least in those directions in which it is not already clear that there will be large surpluses of productive capacity on any hypothesis of military requirements.

In some directions, indeed, the real danger in this second phase of war may be, not that the Supply departments will act too hastily, but that their tactics will be both too timid and too rigid. Subject only to the need for dovetailing the curtailment of war industry with the re-expansion of civil industry, it is clearly desirable that the curtailment should proceed as rapidly as military requirements permit. That is so obvious a fact that it might easily become the basis of popular clamour, or of action by pressure groups, for release of war capacity or curtailment of war expenditure without sufficient regard for either orderliness in transition or military needs. There is no doubt that official propaganda will be directed towards ensuring that this does not happen. But it is greatly to be hoped that fears of this kind will not force the war production departments into a defensive role. It may well be thought that the major task of such departments is done, or shortly will be. But the truth is that, if they manage well and wisely, they can play much more than a negative part during their liquidation phase. They are the departments of Government which have been in intimate contact with industry for the past five years and more; they know the extent to which its structure has been distorted by war; and they are in a position to appreciate—perhaps better than the "post-war" departments, and certainly better on matters of practical detail—its reconversion needs. So far as the war industries are concerned, the key to smoothness in transi-

tion is in the hands of the Supply departments, no matter where the constitutional responsibility may lie.

In the pursuit of their primary task, these departments will have the support of the Government directive, long since both public and unequivocal, that until the final V-Day the Far East war will have first claim on the national resources. But it is of first importance that this directive—which in VE-Week has found unqualified and universal approval—shall not be narrowly used simply to maintain the paramountcy of war production and of the departments responsible for it. The task now is to meet all Service and other war requirements, not only with speed and efficiency, but subject to those overriding needs with minimum obstruction of the transition to peacetime production.

This principle is the only proper basis for Government policy in the termination of war contracts. It postulates a highly flexible and discriminating policy, and will require of the production departments not only an accommodating attitude towards the pleas of the "postwar" departments, but a positive initiative of their own. The attitude of different industries, and of individual firms within them, towards cessation or curtailment of war orders will vary widely. Four main categories will perhaps be distinguishable. There will be some firms that will expect to be able to resume peacetime production at an early date. There will be some who know that their suppliers or customers will be otherwise occupied for some time ahead, or who have reason to think that their normal production will rank low on the Government scale for release of scarce materials, and who, accordingly, will be anxious to keep their wartime orders. A third group will be undecided, and will want maximum flexibility in their Government contracts; while a fourth group will welcome some curtailment, but would deplore a complete or sudden withdrawal. As their requirements contract, the Supply departments will have a greater choice of capacity than they have ever had before. If their choice is made simply by reference to their own convenience, it is certain that their policies will cut right across these differing needs of industry. An indiscriminating technique might, from the point of view of employment, be hardly less disastrous than precipitate cancellations would be. Firms might be released who had no prospect of early resumption of civil work, and firms retained who could not only have changed over rapidly, but whose re-establishment was a condition precedent to the re-establishment of others.

To operate a fully discriminating policy will, admittedly, be no easy task. The needs of individual firms, even of individual industries, are in themselves of only secondary importance; they are of prime significance only if they conform to the Government's master plan—which has yet to emerge—for postwar priorities. Each individual claim will need to be vetted and tested by reference to this plan. Moreover, it is clear that the departments will be subjected to a babel of conflicting pleas from all sides. It will be impossible to satisfy everyone. In particular cases, military requirements or peculiar conditions of production may leave little scope for choice, and may compel departments to override even important reconstruction objectives. In other cases it may be necessary to curtail orders rapidly even though no civil work is in sight for the capacity thus released. The detailed administrative task will be one of huge complexity, and may tax to the utmost the resources of the officials directly involved. Departments will inevitably be pre-occupied with these and similar difficulties in the coming months; what is important is that their consciousness of them should not be allowed to stampede them into abandonment of rational principles simply because they know that the theoretical ideal will not in practice be wholly attainable.

Second only in importance to the orderly planning of production curtailment is the question of the adequacy and

flexibility of the actual termination conditions in the contracts themselves. The notice that must be given on termination varies according to the type of supplies involved, but the norm is generally understood to be three months or slightly less. Subject to this major variation, the bulk of direct contracts are governed by a standardised "break" clause—from which, at certain points only, the Admiralty deviates for shipbuilding contracts and the Ministry of Aircraft Production for certain aircraft and engine contracts. The general clause requires contractors to impose parallel "break" conditions upon all substantial subcontractors, so that in theory virtually the whole of war production is governed by the same basic structure of termination provisions; but it is not certain how far this requirement has in fact been implemented by contractors and subcontractors.

To analyse the implications of what are necessarily somewhat involved conditions lies beyond the scope of a first survey of the liquidation problem as a whole. But it can be said at once that the smooth application of the clause will depend very largely upon the understanding and flexibility with which it is construed by the departments themselves. On such vital but debatable matters as the extent of the liability of the contracting authority to indemnify a contractor against "commitments, liabilities or

expenditure reasonably and properly chargeable" to the contract, there is clearly room for discretion, since the contractor must "satisfy" the authority that these would otherwise represent an "unavoidable loss." Moreover, this indemnity provision, together with that for "hardship" pleas—which is wholly a matter for departmental discretion—is placed outside the arbitration clause. The whole question evidently bristles with opportunities for prolonged and intricate discussions. In the generality of cases, these must be avoided at all costs. But the danger to be guarded against is that the need for speed and relief from administrative pressure may lead to the use of rule-of-thumb formulae in cases in which discretion can and should be exercised. One means of minimising these difficulties may be to distribute the curtailment of production in such a way as to allow contracts to run their course wherever possible, and thus reduce recourse to the complicated "break" provisions. Fortunately, the extended use of the liberal progress payments system in the past makes it improbable that delays in settlement will, in the majority of instances, seriously aggravate the problem of financing industrial reconversion. But this is a matter that will need to be closely watched, both by the Government and the banks. If real trouble arises, there may be need for joint action to devise special financial facilities.

US War Loan Drive

(From Our New York Correspondent)

THE Seventh War Loan Drive marks a new phase in war finance, with an attempt to restrain undesirable practices which have grown up in the past. The drive opened on April 9th with the offer of the non-marketable issues that are designed to tap workers' pay-packets at the source; the active general campaign will follow from May 14th to June 30th, and all securities paid for by July 7th will count towards the goal of \$14 billion. The emphasis in this new drive is upon personal subscriptions, as distinct from institutional; the target for the former is \$7 billion, compared with the \$5 billion at which the Sixth Drive originally aimed, but actually exceeded by \$900 million. Steps have been taken which, it is hoped, will substantially curtail the practices known as "free-riding," which was especially marked by non-banking corporations, and "high" interest borrowing.

The practices now deemed undesirable have, indeed, arisen from what, until now, have been two fundamental features of the system of war finance. The first is the rigidity of the interest-rate structure adopted by the authorities at the outbreak of war as the basis on which borrowing would be done at least for the duration. The interest scale starts with rates of $\frac{1}{8}$ per cent for 3-month Treasury bills and rises in steps to $2\frac{1}{2}$ per cent for 22-27 year issues; the three-month rate is officially pegged, and the others are maintained within a narrow range by official market intervention when necessary. The second feature has been the incompleteness of the rules designed to minimise the recourse to bank credit creation. New Treasury issues (except bills and refunding issues) have been offered only to others than the commercial banks; but subscribers to all but the long-dated issues have been free to resell to anyone, including the commercial banks, after a short period. Moreover, the banks have been kept supplied with excess reserves so that they could and would take up any surplus issues.

The practical result of this system has been that non-banking corporations and individuals who subscribed for new securities could, if they held them for a short time until the maturity shortened, and the price consequently rose (as, in market jargon, the issues "rolled down the curve") then sell them to the banks at a useful profit. If the subscription was financed by borrowed money, an interest differential could often be obtained, between the coupon on the issue and the rate charged by the bank, and this differential, with the profit on re-sale, gave a handsome return on the equity stake put up by the subscriber. Even without the leverage of borrowed money, a return of something like 3 per cent per annum, or even more, could be made by buying the 2 per cent issues, holding them a few months, and then selling them at half a point premium; with two Drives a year this made possible two operations with the 3 per cent return—and sometimes the return

was better than that. This could be done even while the highest rate paid by the Treasury was $2\frac{1}{2}$ per cent on the longest maturities, and could be done with "investments" with a maturity of 10 years or less. Even on shorter-term issues than the 2 per cent's, the coupon return could be somewhat increased. The authorities did, however, try hard to prevent the more flagrant abuses by "policing" the subscriptions, and met with considerable success.



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Voice of the North

This practice of "riding down the interest curve" was even enlisted by organisers of the loan Drives themselves. A regional organiser who found difficulty in placing his quota of securities could entice a few wealthier individuals or corporations to "take a ride" and thus get the quota met. In the shorter term issues this quota "riding" was, indeed, frequently on a pure "accommodation" basis, designed simply to meet the regional target, but without any profit to the operator.

But these operations, whether for profit or accommodation, had the same eventual result: securities recently offered, or offered earlier and now showing marked appreciation, presently appeared in considerable volume among bank assets. And the banks' appetite was maintained, not only by the availability of ample excess reserves, but also by official assurances both that the interest curve would be maintained (which was, in effect, a guarantee that they would not suffer market depreciation even by taking maturities formerly considered outside their proper range) and that they would be free from examiners' criticism for holding government issues.

The results of this situation were that, whilst the Treasury was ostensibly selling virtually all its securities outside the banking system, bank holdings were in fact rising by an amount equal to about one half of the new financing. Moreover, a high proportion of the issues going to the banks were 2 per cent issues. And bank earnings were (and are) rising at a rate and reaching levels which evoke considerable criticism.

To restrict these market practices, the Treasury in this Seventh Drive is offering only the non-marketable securities (E, F, G and Savings Notes); long term 2½ and 2½ per cents, which cannot be bought by the banks for a number of years; 1½ per cents which (with minor exceptions) can be subscribed only by individuals; and ¾ per cent certificates. Fiduciary institutions have been officially requested not to sell present holdings in order to buy new issues. Thus, except for the certificates and a probably small portion of 1½ per cents, there is nothing that can move into the banks. And if previously acquired issues are, in fact, sold to increase the subscriptions in this Drive, and for the appreciation now shown on such holdings, it will be the last time that this can be done. As already noted, the quota for individuals has been substantially increased, and that for non-banking institutions sharply reduced; whilst the period for individual subscription to the non-marketable issues has been greatly lengthened.

The new policy has already had repercussions in the market. Ever since the turn of the year there had been

rumours of some such measures, with suggestions that the highest coupon issue to be offered would be 2½ per cent. The result was a bull market in outstanding unrestricted issues and in the 2½ per cents. With the announcement that a 2½ per cent issue would be available after all, these fell back somewhat, though they still command a substantial premium, for it is now suggested that the new 2½ per cent issue will be the last issue of its kind. The 2 per cents sold in the Sixth loan at the end of last year are approaching a 3-point premium and other free issues are strong.

Strength in Government securities has spread to the market for corporate issues. New issues of long-dated public utility bonds—30 years and over—are being sold to yield 2.65 per cent to 2.70 per cent, and some outstanding issues have risen to yield 2½ per cent or less—which is parity with the Government yields. The high-grade preferred stock market is at or near a 3½ per cent level. These trends are expected to stimulate the refunding of a large amount of corporate issues now outstanding, and to produce a change in the yield basis of mortgages, and perhaps of common stocks, too.

If the new level now being established is maintained, it will naturally involve a reduction in the income of insurance companies and saving banks, the universities, and other groups to which investment income is significant, with a consequent increase in cost of their services. It would also involve, eventually, a readjustment of capital values in general, and may already be a factor in the rising trend of land prices. The gentle rain of lower interest rates falls on all alike.

While it may solve some problems, the new policy raises others. The rise in capital values has already so concerned Mr Eccles, the chairman of the Federal Reserve Board, that he has proposed a special tax to try to restrain it. Some are disturbed, too, about the implications of the restriction of negotiability of government issues which is implicit in the request to fiduciaries not to sell their holdings.

And, just at this point of development with the many questions which it raises for the future, another major uncertainty has come into being. What does the death of Mr Roosevelt mean to those who have been responsible for the formulation and operation of monetary policy in war finance thus far, especially Mr Morgenthau, who was an intimate of the late President? The theory has long been prevalent that the forces and arguments for easy money are so powerful that the policy would certainly be continued regardless of personality—and also regardless of the end of the war. We shall presently see whether this theory is to be validated by events.

Business Notes

Fall in Equities

Monday was a bad day for the "bulls." The news of the arrest of the Polish representatives from London; the Russian announcement of a new Austrian Government, without prior consultation with the Allies; the talk of a General Election in June or July; and, last but not perhaps not least, the probability of a two days' holiday, caused jobbers to mark down most prices sharply. Partly, no doubt, because of this marking down there was a steady trickle of small selling orders until fairly late in the session, when a firmer tone developed. The net result is a fall of a point in the industry share index of *The Financial News* to 116.0, as compared with 118.5 a week before, the highest since 1936, and with 100 for July 1, 1935. Actually this attracted less attention than a drop of ½ to ¾ points in the whole range of Government stocks. Almost every section was definitely weak with the exceptions of some Kaffirs and virtually all Far Eastern securities.

The only new element in the situation was the further evidence of differences between the Anglo-American Allies and Russia, and it was to this that the new weakness was attributed. Insofar as this element in the complex of causes determining prices is concerned, it is probable that the fall in quotations will be short lived. For the rest, it seems not improbable that there is at present a tendency to over-emphasise both the political risk, so far as most companies are concerned, and the general effects of such movement towards increased liquidity as may occur. When the markets re-opened on Thursday, there was a widespread feeling that little serious attention would be

given to investment business until Monday at earliest. There was some buying of "Internationals" and of some gold-mining shares, but prices in other sections tended to sag.

British Meet French Industrialists

Business contacts between Britain and France are gradually being re-established. The trade unions of the two countries resumed relations soon after the liberation of France; an exchange of views between employers' organisations has been delayed by the dissolution of the Confederation of French Employers in the summer of last year. For some time French industry was without a central organisation; the need for some body able to represent industry in discussions with the Government about prices, wages and working conditions has led to the creation of a new central organisation, the *Commission d'Aide aux Entreprises*, composed of paid executives rather than of owners. In addition to this body, another new organisation has been set up to represent the employers of small and medium-sized firms. A delegation of these new organisations has been in London this week at the invitation of the Federation of British Industries.

The discussions held between British and French industrialists were mainly in the nature of an exchange of views; more could hardly have been expected at a first meeting. Nevertheless, the resumption of contacts was not without significance. It was recognised in discussions that, fundamentally, British and French industries have many problems in common (such as the need for exports and for an increase in productivity), that their interests are

largely identical, and that, in consequence, closer co-operation is likely to be of advantage to both countries. Both sides felt that the possibilities of co-operation should be examined jointly in detail as a first step towards the closer integration of the economies of the two countries. Although the scope for co-operation will inevitably be conditioned by the policies of the governments of the two countries, much will depend on the ability of British and French industrialists to appreciate the advantage of a division of labour and on their willingness to accept its implications. Those are questions that remain to be answered.

BIS Swan Song?

The fourteenth report of the Bank for International Settlements, which has just been published, may well be the last, or at least the penultimate, of the familiar annual surveys by the bank. The Bretton Woods plans, including that for the International Reconstruction Bank, naturally envisaged the winding-up of the BIS. That the high hopes which some were disposed to build upon its formation fifteen years ago have not been realised is certainly no fault of the bank. As it is, it has had in some spheres a useful, if unspectacular, career. Indeed, were it not for the virtual certainty that the new institutions will be equally assiduous recorders of the trends of international finance, the passing of the BIS, when it occurs, would be a matter for real regret.

The latest survey has all the thoroughness of its predecessors. Despite the extensive black-out on the statistical front, it brings together a great mass of data on international finance and trade for the period 1943-44. In view of the difficulty of collating diffuse material in these days, the value of the BIS compilations is hardly diminished by the fact that, in detail, the statistics they present are in most cases already available separately elsewhere. This is not always true, however, of the data on enemy countries: the tables showing the accumulation of indebtedness on German clearing accounts, and payments to Germany by the former occupied countries, are especially valuable. This analysis of German external finance is part of a survey of the course of the three main international capital streams during the war—the other two being British disinvestment, and mutual aid and lend-lease. The related tabulation of Latin American trade balances shows how it has happened that record US exports have been associated with the first "cash" import surpluses (i.e., excluding lend-lease) since 1893 and with a progressive decline in US gold holdings.

In the chapter on foreign exchanges there is a useful account of the exchange and currency arrangements made last year by the Allied forces, or repatriated Governments, in liberated territories. Other noteworthy material includes tables of relative birth-rates; price movements; bank deposits and note circulations (with secondary analyses of their relationship to national incomes); and surveys of gold production, gold prices and the growth of internal governmental indebtedness.

Women in Engineering

Details can now be given of the survey conducted by the Amalgamated Engineering Union (referred to in *The Economist* last week) which indicated that the majority of women who had entered the engineering industry during the war wished to remain in it in peacetime. The questionnaire was actually sent to 26,000 women members of the union, but only about 7 per cent replied. The results of the survey therefore cannot be taken as representative of the attitude of women in the industry in general; nevertheless the 2,000 who replied represented a broad cross-section and their replies indicate a significant trend.

An analysis of the survey shows that two-thirds of these women said they wished to remain in the industry after the war, and that the desire was greater among older than younger women, and in the Midlands area than in London or the North. Of the 21-26 age group, 57 per cent wished to stay on, compared with 66 per cent between 26 and 35, and 81 per cent of the women between 41 and 50. The percentages were highest in Coventry and Birmingham, with 77 and 76 respectively, compared with 63 per cent average for London, 63 per cent for Manchester and only 50 per cent for Glasgow.

Only 19 per cent of the women who replied had been in

engineering before the war. A high proportion had been in domestic service, and it is significant that as many as 78 per cent of these ex-domestic workers wished to stay in engineering, whereas the proportion was only 38 per cent among former blackcoated workers. A third of the women who replied were married women, and as many as 79 per cent of the married women who had no paid occupation before the war expressed a desire to continue in industry.

Two interesting facts were revealed incidentally by the inquiry. One is that the earnings of women directed into industry tend to be higher than those of women who had been in it before the war, 31 per cent of the former were earning less than 1s. 6d. an hour, compared with 48 per cent of the latter. Another is that long hours were being worked at the beginning of this year, when the inquiry was conducted. The average was about 50 hours per week, though a number of women worked 60 hours and over.

The AEU is to be congratulated on its initiative in undertaking this inquiry, which obviously has a very direct bearing on postwar employment problems. It is a pity that it did not cover a larger number of women and it would be extremely interesting to know the results of a similar survey which the Ministry of Labour is said to be conducting on a much larger scale.

One of the most urgent problems raised by the desire of women to remain in industry is that of the relation between men's and women's wages. Many of the women questioned by the AEU prefaced their remarks by saying . . . "provided they were not used as 'cheap labour.'" An interesting sidelight on the question of "equal pay" in engineering is thrown by another unofficial survey, conducted by the National Shop Stewards' Council. This body surveyed the earnings of 30,643 women in 58 factories, and found that 6,010 women were replacing men and 6,475 women were on the same work as men, yet only 2,050 were receiving the full men's rate.

There are clearly a great many anomalies in the position and it seems difficult to determine the "rate for the job," whether it is performed by men or by women. It is to be hoped that the Royal Commission on Equal Pay will lay down certain criteria to guide employers and the unions.

Bank Window-dressing

Whether or not the Cohen Committee makes any specific recommendations on the form of published bank accounts, it is greatly to be hoped that the banks will conform to the trend towards greater clarity and frankness in company accounting in general. The very least that might be expected, when present depleted staffs are replenished, is that all clearing banks should adopt the "Cunliffe" model balance-sheet that has been the basis of the accounts of several of them for a number of years. That would afford useful additional information on the banks which at present employ the less extended statement, and would be a first step towards standardisation. It would, perhaps, be naive to suppose that any possible post-war improvements are likely to include the adoption of a suggestion made in these columns some time ago—that the banks should include in their monthly statements a marginal note of their daily average or "undressed" cash ratio. When that suggestion was made, it evoked an unofficial comment that *The Economist* was crying for the moon, that what it was really asking for was an abandonment of the whole practice of window-dressing, since it was absurd to dress the window and then reveal to the public the undressed window as well. Certainly, the suggestion was that window-dressing should be abandoned, and it was hoped that marginal publication of "true" cash ratios would eventually have that effect. But the window-dresser's retort about absurdity does not really dispose of the suggestion, since the absurdity already exists. Ever since the Macmillan Report and the subsequent public issue each month of the Bank's Statistical Summary, including figures for clearing banks' till money, it has been possible to estimate, with tolerable accuracy, the undressed volume of bank cash. *The Economist* has published such estimates at regular intervals since 1942. It will continue to do so, in the hope that the availability of the two figures, the dressed and the undressed, will eventually have its effect on the practice itself.

The latest estimates, based on the Bank of England

"Summary" for March, cover the first three months of this year. They are shown below, with comparative figures for the similar period of 1944:

	Clearing Banks' Cash (£ million)		Published Ratio	True Ratio	Window- dressing Index*
	Making-up Days	Wednesdays			
1944					
January . . .	416	332	10.5	8.4	20.0
February . . .	414	315	10.6	8.1	23.6
March	423	323	10.6	8.1	23.6
1945					
January . . .	460	368	10.3	8.3	19.4
February . . .	455	331	10.3	7.5	27.2
March	464	346	10.4	7.8	25.0

* Difference between true and published ratio expressed as percentage of the latter.

The volume of window-dressing here indicated has in each of the last three months been less than in the last quarter of 1944. It is premature to assume, however, that this represents the beginning of a return towards the much lower figures that ruled before the war, when the "index" normally stood below 10 per cent. Not only were the figures abnormally high in the last quarter of 1944—the index ranged from 27.9 to 30.0 per cent—but there is normally some recession in the first quarter of each year. The latest evidence points rather to a continuation of the upward trend.

US Manufacturers on Cartels

At a meeting on April 30th, the Board of Directors of the American Association of Manufacturers passed this resolution against cartels and international economic controls:—

The National Association of Manufacturers stands squarely against cartels of every description, both private and governmental. . . . It has opposed and will continue to oppose every attempt to restrict freedom of opportunity and freedom of competition in our domestic economy. . . . The United States Government should take the lead and seek to promote voluntary agreements with other nations to prevent the formation or operation of international cartels and should seek the abrogation of those already established.

There is nothing in the cabled reports of the resolution to suggest that the Association has recommended a reduction in American import duties which would contribute generally to an expansion in world trade. But it specifically asked that, pending the abrogation of cartel agreements, United States traders should be "encouraged by the Government to operate in other countries in accordance with the internal laws and business practices of such countries, without harassment from their government." Is it possible that the Association is taking a somewhat pessimistic view of the likelihood of the abrogation of monopolistic practices in other countries?

Canadian Pacific Prospects

Mr Coleman, the chairman, at the annual meeting of Canadian Pacific Railway, made out a plausible case for some increase in Canadian railway charges. He pointed out that, while during the war charges have "in general remained stationary" under Government control, labour costs have risen by 25 per cent, coal costs by 35 per cent, and other costs by varying amounts. Altogether, operating expenses in 1944 are estimated to have been \$43 million higher than pre-war. The increase in costs has been more than offset to date by the great expansion of traffic, but it is evident that this expansion has now passed its peak. Further, there is likely to be a decline in the proportion of high rate goods traffic and a reduction in the average haul, both of which may be semi-permanent. Although gross earnings in 1944 reached the record total of \$319 million, net earnings were actually down by \$6 million. Mr Coleman indicated that 1945 net earnings cannot be expected to show any improvement on 1944, even although the 1944 accounts included \$4 million provision for retro-active wage rates. The anticipated decline in railway traffic is not indeed likely to be considerable. It may not extend to agricultural products, which form a large part of the freight handled by Canadian Pacific, while the prospects for passenger traffic for the rest of the year are said to be "very favourable."

The payment of an ordinary dividend for 1944 of 5 per

cent, against 2 per cent, was in the nature of a special bonus made possible by the satisfactory accumulation of reserves in previous war years, and by a temporary reduction in fixed charges which is unlikely to be repeated. Average costs are unlikely to fall in the immediate future, so that it is reasonable to suppose that only the authorisation of some increase in railway charges can prevent a gradual fall in profits. Mr Coleman can plead in support of his case that freight charges in Canada are lower than in the other Dominions and the US, although operating conditions in Canada are, generally, less favourable. In several respects, CPR has perhaps a rather stronger case than the British railways, who may shortly be putting forward rather similar arguments for further increases in their fares.

Dissentient Shareholders' Rights

It has frequently been maintained that the law as it exists to-day provides insufficient protection for those shareholders who are not prepared to accept the majority view on the terms offered in reconstructions and amalgamations. The decision of the Court in a recent case under Section 155 of the Companies Act, 1929, seems to support this contention. Evertite Locknuts entered into an arrangement to transfer its share capital to another concern, RD and Company, and the transfer was accepted by holders of more than nine-tenths of the shares concerned. In consequence, under Section 155, those who had not accepted could be compelled to sell unless they were prepared to make an application to the Court and could convince it that it should order otherwise.

In this case the application was made and the ground advanced for not accepting the offer was that the holder (of shares in Evertite Nuts) had been unable to obtain any information about a company in which that concern had a substantial interest and that, in consequence, he could reach no conclusion whether the price offered him was fair or not. The Judge maintained that on the basis of a previous decision the applicant could only succeed if he could show that the offer was unfair, and he held that, although the applicant might have some grievance against the company he had been unable to produce any evidence that the offer was unfair and that the application must be dismissed.

There is no reason to doubt the correctness of this decision in law, but its effects would seem to be the reverse of desirable. While the obligations laid upon directors of companies concerning disclosure remain what they are, no shareholder who has not special sources of information is able to reach a reasoned conclusion as to the value of his holding. Consequently it is in the nature of the case that he is not in a position to produce the proof which the Courts require. It is no answer to say that over nine-tenths of the shareholders have accepted. If the information had been available, perhaps none would have done so. That is the whole question; and until fuller information has to be given, Section 155 will afford no protection except in the very improbable event of the dissentient having inside information of real importance.

Unit Trust Accounts

The publication by the Trust of Insurance Shares of their first accounts under the regulations, made by the Board of Trade last summer, is the occasion of a critical review of the requirements by Mr J. H. Batty, chairman of the management company. He raises three main points, namely, the failure of the Board of Trade to deal with (i) the bid price of units, (ii) the conversion of units into cash by the managers selling securities and so reducing the number of units in issue, and (iii) the question of amortising the management charge in such a way that the sub-unit holder who acquires sub-units when the trust has lived, say, half its life shall only pay his fair share. It need hardly be said that this group has found its own solution to all these points, but that does not reduce the need for regulation.

Two further points emerge which are also criticisms of the regulations as they exist. One is that there is no obligation to publish the accounts of the managers. Again, the group does this, and *The Economist* has always maintained that such publication is likely to be both useful to the investor and beneficial to the management. Against this,

the managers consider that the publication of actual figures for individual trusts, but not necessarily for the management company, is harmful. There is some substance in this, for it gives information about the size of the trust, at least in retrospect.

With the explanations which accompany the accounts, it is possible for the investor to obtain a very fair idea of what he pays for the services which have been rendered. It remains to be seen, however, whether the prescribed form of accounts will satisfy this criterion when permission to create new units is given. That is perhaps, a matter which must be left to experience, but it is quite clear that the points raised by Mr Batty, which correspond very closely with criticisms of the regulations made in various quarters at the time of their issue, ought to receive immediate attention.

Industrial Reconversion

Speaking to the Paint Manufacturers' Research Association last week, Mr Dalton held out hopes that the Government would soon make labour and materials available for the switch-over from war to peace production. The announcement of peace will undoubtedly hasten the process, which had been delayed until at any rate the European victory was complete. There has been considerable criticism among manufacturers at the delays and the slow working of Whitehall's machinery, and it will be interesting to see whether the Government departments concerned, and especially their regional machinery, are sufficiently prepared to cope with the applications for materials and labour which are bound to increase every day.

The latest figures of the number of applications for permission to manufacture prototypes or to undertake experimental work, given by the Board of Trade, are as follows: Out of 1,545 applications between August, 1914, and the present time, 1,388 have been granted, 145 are under consideration, and 13 have been refused. Permission is only withheld where the firm is behind with its war contracts and the list of refusals is constantly being reviewed. Nearly all the applications come from engineering firms, and the majority are for experimental work in household appliances, textile machinery or machine tools. The engineering industry more than any other manufacturing industry will be most affected by reconversion, for it has been the most fully concentrated on war production. To assist its Regional Controllers on engineering problems, the Board of Trade has appointed technical specialists in each area.

Planning Civilian Supplies

Although complaints of shortages have been made periodically, the Board of Trade has achieved a measure of success in its wartime task of ensuring the largest possible supplies of essential civilian goods and of distributing them fairly. In the issue of the *Board of Trade Journal* for May 5th, an article describes the role of statistics in wartime.

Whether articles of civilian consumption have been rationed or not, an attempt has had to be made to steer limited labour and materials into the production of the most essential goods. Perhaps in the case of rationed goods this has been more important, since deficiencies would be more obvious. Rationing has however to some extent made the Board's problems easier to solve. For rationed goods the information required by the Board falls into two classes: the information concerning the manufacture and supply of articles, and information concerning consumer demand. The former enables the ration to be fixed, and the latter enables production to be steered, if necessary, to the types of goods most wanted by consumers.

The information required in planning non-rationed goods is broadly the same as that for rationed goods, although the planning cannot be quite as successful. There is naturally a tendency for the demand for non-rationed goods to be larger, in relation to peacetime demand, than that for rationed goods, which is largely controlled demand. Thus the most serious complaints of shortages have been made in non-rationed goods, and particularly in those which are most essential. Of all articles of household linen, for example, there was a time when towels were the most difficult to get. When they were included in the clothes ration, it was almost at once possible to buy them—on the surrender of coupons. The conclusion might be drawn that more rationing would have meant less shopping difficulty

for those in real need, but the Board's answer to suggestions of extended or total rationing has always been the administrative problems of rationing a large number of miscellaneous articles.

There have been cases where production fell so far short of what the civilian population considered to be their minimum and indispensable requirements, that drastic action had to be taken. An outstanding example was domestic pottery. The shortage was mitigated and, indeed, largely overcome by limiting the industry's production to a few, undecorated articles. Standardisation was adopted, and output increased sufficiently to provide a reasonable output so that supply and demand were more or less balanced without recourse to rationing.

Another system used in cases of acute shortage has been the priority system. This has been done by two methods. One was by empowering shopkeepers to sell certain goods only to certain classes of customer. For example, sieves at one time were sold only to holders of children's ration books, and vacuum flasks only to certain workers, such as those in Civil Defence and agriculture. The other way was to give priority consumers dockets entitling them to certain goods.

Up to now the Board's main problem has been to distribute equitably a volume of goods which has on the whole been contracting. For the future, it can look forward to a gradually expanding volume of supplies. This expanding volume will need to be steered and guided no less than the contracting one did until it is large enough to meet the total demand. Perhaps the case for guidance in the next year or so will be even stronger, because the end of the war in Europe will release pent-up demand and the pressure on supplies will be considerably greater. The Board's task will still be to see that the main effort is put into producing essential goods and to ensure that the goods reach those who need them most.

Building Costs

In reply to a question in the House of Commons on May 2nd, the Minister of Works, Mr Duncan Sandys, gave an analysis of the pre-war cost of a house of about 800 square feet, exclusive of land and estate development costs, overheads and profits. His analysis, in other words, refers to the cost of the type of house built by local authorities. Total costs ranged from £335 to £405; materials absorbed £230-£280 and labour £105-£125. The distribution of the costs of materials is shown below:—

COST OF MATERIALS PER HOUSE
(Average 1935-38)

Bricks	40-50
Timber (joists, rafters, flooring, etc.)	30-35
Metal castings	18-25
Cement	18-20
Roofing tiles or slates	14-17
Sand and ballast	10-16
Windows (metal)	11-12
Plaster and plasterboard	10-12
Doors and staircase	11-15
Paint and distemper	7-12
Flooring tiles	4-5
Other materials	56-65

Mr Sandys pointed out that the overall cost of a similar type of house is at present 70-100 per cent higher than before the war. Unfortunately, however, he did not give an itemised analysis of present costs. His estimates emphasise the need for a determined effort to bring costs down, by increasing the efficiency of traditional methods of construction (between 30 and 40 per cent of the total labour cost of a small house is absorbed by bricklayers and labourers) and by the use of new ones. True, the immediate task is to make good the deficiency in houses at "all costs"; but, in view of the shortage of labour (to be alleviated by the employment of prisoners of war), "all costs" must mean the most economical methods.

Oil Production Trends

The end of the war in Europe has not reduced the pressure on oil supplies. At the end of last year the United States Petroleum Administration for War announced that demand for the Pacific much exceeded the 1942 estimates

of the maximum for all fighting zones. Since the beginning of this year, Far Eastern war requirements have increased substantially and the next few months will undoubtedly witness a further expansion. It is only natural, therefore, that all possible steps should be taken to increase production to new maxima.

In the United States, the daily production goal for May has been set at 5,198,480 barrels (seven barrels roughly equal one ton), an increase of 41,520 barrels on the previous maximum—for April, 1945—and an expansion of 332,000 barrels on the average for 1944. After the heavy increases in recent years, this new expansion requires an unusually great effort at all stages of the US oil industry.

Despite considerable increases in the United States oil output, however, the bulk of this year's additional world supplies will, for the first time since 1939, come from the extra-United States producing regions. While the United States oil output had advanced from 1,260 million barrels in 1939 to about 1,700 million barrels in 1944, the combined extra-United States output had, until early last year, remained well below its 1939 rate of 820 million barrels. Since then oil production outside the United States has expanded and, despite the destruction of wells and refineries in the Pacific region, Burma and Europe, it is now above the rate of 850 million barrels a year. Within the next few months a new and marked intensification of production in the Caribbean area and the Middle East will take place since development programmes are now approaching completion, including the Saudi-Arabian refinery of Ras Tanura which will yield the first oil from Arabia.

It is more than likely that this year's production outside the United States will reach a record of more than 900 million barrels. The marked expansion in international oil production during the war will undoubtedly lead to major changes in supply conditions on the international oil market. Until the end of the Pacific war, however, there is not much prospect of a de-restriction of civilian supplies, although there is at least a chance that owing to the heavy strategic accumulations of oil and petrol here and in Europe, which will no longer be needed for military purposes, a small basic ration for civilians may be restored before long.

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Hydro-Electric Development

The development of the water power resources of the Highlands requires a very large capital outlay, and it is open to question how fast development should proceed during the period of shortage of men and materials. But the eventual balance of advantage which development will confer not only on the Highlands but on the whole nation is becoming increasingly apparent with the elaboration of the Hydro-Electric Board's policy. The export of electric power to the South can be undertaken at prices that are certainly not higher than those required by steam generation, while yielding a profit which will enable the Highlands to enjoy the benefit of cheap electric supplies.

As regards the more remote areas, electricity, as the Board points out in its first annual report, can only be provided at considerable loss, and its sole but sufficient justification is the improvement of local amenities. The Electricity Commissioners have stipulated that un-economic schemes of this character cannot be undertaken until the Board has made some profit from the export of power to the South. The Board can draw on the State's credit for its borrowing, but it is obliged to pay its way. For this reason, and because of the urgent need of increased supplies in industrial Scotland—at the moment Scotland is actually importing electricity from England—the Board's first two constructional schemes have been mainly directed to providing electricity for export.

There are, however, other and more accessible areas in the Highlands which are capable of industrial development. In some areas, such as that around Inverness, which is served by the Grampian Supply Company, there is already an unsatisfied demand. The Board's third constructional scheme, recently published, which provides for a new generating station near Cromarty Firth, is partly designed to supply the Grampian Company's needs in this area, and should help to dispel accusations that the Board is neglecting its duty to existing supply companies. The Board is also planning to commence the construction of an inter-linking grid for the North of Scotland which will facilitate industrial development.

Industrialising the Highlands

The value of cheap electric power to the Highlands depends largely upon the degree to which it is used to develop the industrial and agricultural resources of the region. New industries would be more important than the Board's constructional schemes in providing employment and creating prosperity. An interesting survey of the possibilities of such development has been carried out by a committee of the Association of Scientific Workers.* The Highlands contain considerable quantities of limestone and dolomite, which it is suggested should be utilised for the manufacture of two main products for which world demand is rising, carbide and magnesium. The manufacturing processes involved require large quantities of electric energy—in fact, it is urged that a fifth of the total power to be generated under all the Board's schemes could profitably be used in the production of carbide alone. Carbide is also an important source for the manufacture of synthetic rubber and plastics, which could be developed as subsidiary industries. Highland agriculture would gain greatly from the demand for milk and vegetables which would arise from the creation of industrial centres, although the direct advantage to it of rural electrification might be more limited. The committee also suggests the desirability of electrifying Highland railways.

It is clear from this and other surveys that the Highlands, notably the areas around either end of the Caledonian canal, are well suited for the creation of electro-metallurgical industries. The most suitable form of development is probably the creation of several compact medium-sized towns containing a number of associated industries; but it is only too likely that, unless strict control is exercised, it might take the form of numerous straggling industrial villages, dependent on one or two factories. The creation of any such villages, with their lack of amenities and liability to unemployment, would be a sad mockery of Highland prosperity. Sprawling or unsightly building can, in addition, do far more to spoil the amenities of the Highlands than any of the carefully designed hydro-electric schemes. The Hydro Electric Board's powers are limited to the provision of electricity. It is not a Tennessee Valley Authority, and although analogies with this American model often tend to be misleading, it may be wondered whether some authority should be established in the Highlands to see that full benefits are derived from the public provision of cheap power and that they are passed on to the right quarters.

Currency for Celebration

Currency requirements for the week's celebrations tend to confirm the general impression that the attitude of the public has been, on the whole, one of restraint. The outflow of notes has, indeed, been heavy, but it represents only a fraction of the amount that normally goes into circulation in the pre-Christmas period or for the August holiday. Last week the banks took the precaution of increasing their till money reserves, and the total circulation rose by £5.5 million. This week—the Bank return was made up on V-plus-One—a further £9.4 million has gone into circulation. This last demand was only fractionally less than the available reserve, and in consequence a sudden increase in the fiduciary issue—which otherwise had not been expected for a week or so—was necessary. The increase, as on most occasions in the past, is one of £50 million, raising the total fiduciary issue to £1,300 million. This is the fifteenth expansion since the outbreak of war and the fourteenth for purely currency purposes—the first increase was for the purpose of releasing the Bank's gold to the Exchange Account. Excluding that transaction, the aggregate of the increases is £720 million.

The enlarged currency demands were reflected in the Money Market in a somewhat sharp pressure for funds immediately after the holiday. The banks, which at the end of last week had shown a better appetite for bills than for some while past, were no longer buying, and there was some substantial calling-in of balances. The banks and the money market opened in the morning both of V-Day and of V-plus-One, so that there was no interference with the maturity dates of bills; but business was naturally confined to the barest essentials.

* Highland Power. William Maclellan, Glasgow. 3s. 6d.

COMPANY MEETINGS

ROYAL INSURANCE COMPANY LIMITED

ANOTHER SUCCESSFUL YEAR

MR. P. R. ENGLAND'S SURVEY

In a statement circulated with the annual report of the Royal Insurance Company, Limited, the chairman, Mr P. R. England, said that total fire, accident and marine premiums, at £17,225,000, were higher by £825,000 over 1943. Total underwriting profit was £1,607,000 compared with £1,356,000 in the preceding year, and, with the exception of 1942, was the highest figure ever recorded by the company. New life net sums assured, at £3,770,000, represented an advance of more than £1,000,000 over the 1943 figure.

1945—CENTENARY YEAR

The chairman referred to the fact that the "Royal" was founded one hundred years ago on May 31, 1845. He wondered if the founders could have visualised a time when the company would be covering risks in 100 different categories, transacting business in 100 different countries, and settling losses in fifty different foreign currencies. Could they have contemplated that by 1945, the "Royal" with its 38 associated companies (after absorbing other insurance companies), would constitute the world's largest fire, accident and marine insurance group, with a world-wide staff of 10,000? The history of the "Royal" closely reflected the development of the nation and of the countries in which it works. It progressed with the rise in the standard of living.

INTERNATIONAL NEED FOR INSURANCE

In the building up of a new economy between nations, insurance had an important part to play. International commerce and industry could not thrive without the protection given by insurance companies on land, at sea, and in the air. The widespread organisation, long experience, and financial strength of British insurance was a primary factor in a world of changing values. The British offices' network of overseas branches, agencies, and associated companies would contribute greatly to the full restoration of the delicate fabric of international trade, commerce and finance.

Insurance had played an essential rôle in the success of the war effort, in the days to come it could serve efficiently and economically the peace-time needs of all nations. The chairman hoped that in the plans for peace, Russia might open the way for a wider interchange of insurance of its nationals with those of other countries.

CIVIL AVIATION

The war had provided a world laboratory for the development of the aeroplane and the years immediately ahead held prospects of great expansion in civil aviation. It might well be that the latter would provide the greatest single channel for the extension of insurance since the introduction of the motor car. The "Royal" was equipped to meet the insurance needs required in this direction.

ROAD ACCIDENTS

Unfortunately, the fall in the number of road accidents in the past year or two received sharp check in 1944, a serious aspect being the incidence of loss of child life. There seemed justification for the view that the increase was influenced by the vehicles concentrated for the invasion of Europe, for an improvement, noted later, was continuing. It might be hoped that, following the interim report of the Road Safety Committee, active measures would be taken to resolve this urgent problem.

QUINQUENNIAL LIFE VALUATION

For the quinquennial valuation—at December 31, 1944—of the company's life and annuity business, the stringency of reserves was increased by reducing the rate of interest used in valuing life assurance contracts from 2½ per cent. to 2¼ per cent., the rate used in valuing annuity contracts remaining unchanged at 2½ per cent. This change in the basis of valuation strengthened the reserves by £670,000.

As a result of the valuation, it was found that the assets of the life and annuity fund, taken at their balance-sheet values, exceeded the liabilities on the strengthened reserve basis by £4,022,929. It was decided to declare a bonus of 25s. and a special centenary bonus of 5s., making a total reversionary bonus of 30s. per cent. per annum on the sum assured for the five years ending December 31st last.

A sum of £200,000 was allocated to shareholders and an unappropriated sum of £2,037,418 was carried forward.

Since its foundation, the Royal had, without interruption, declared reversionary bonuses of at least 30 per cent. per annum, and the present declaration at this rate, after the stringency of the valuation basis had again been increased, worthily upheld this striking record in the centenary year. With an unappropriated carry forward of over £2,000,000 and an exceptionally strong reserve basis, the life assurance and annuity funds of the company were in a stronger position than ever.

For the new quinquennium, the rate of interim bonus would, as usual, be reviewed each year, and for 1945 would be 25s. per cent.

PROFIT AND LOSS ACCOUNT

Provision had been made for British taxation on the profits of the year under review and profit and loss account was charged with an amount of £850,000.

The directors recommend, to mark the centenary of the company, that part of the undivided net profits should be capitalised and applied in discharge of the 7s. 6d. per share remaining uncalled on the issued shares. For this purpose an amount of £2,099,974 had been transferred to the uncalled capital fund, and a formal resolution will be placed before the extraordinary general meeting following the annual general meeting.

The balance carried forward after making the above-mentioned transfer amounted to £1,068,141.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY, LIMITED

109th ANNUAL REPORT

In a statement circulated with the annual report of The Liverpool and London and Globe Insurance Company, Limited, the chairman, Mr P. R. England, says that in the company's 108th year, and after more than five years of war, the directors are able to report a position of outstanding stability and vitality in the 1944 accounts.

Total Fire, Accident and Marine premiums at £10,577,894 showed an increase of £333,636 over 1943. Underwriting Profit was £730,639 against £732,666.

New Life business at £1,807,657 was nearly half a million pounds higher.

Fire premiums at £4,045,636 compared favourably with £3,905,437 in 1943, due in part to higher values at risk.

Accident Department trading was again satisfactory, premiums at £5,390,257 comparing with £5,018,075.

The Marine 1943 Account closed with a record profit of £236,105.

Net Interest was £343,637 against £303,942.

The directors recommend a final dividend of 13s. 6d., making 27s. per share, less tax, for 1944.

INCORPORATED ACCOUNTANTS

MR. RICHARD WITTY'S ADDRESS

Mr Richard A. Witty, president of the Society of Incorporated Accountants, took the chair at the society's annual meeting on the 9th instant in London, and in the course of his speech said: In normal circumstances the society might have been inclined to celebrate its diamond jubilee, but under war conditions any such celebration would be out of place.

I mentioned last year that we had had conversations with the committee of vice-chancellors and principals of the universities with a view to evolving a scheme by which accountant students of the future should be more readily able to link a university education with their professional qualification. Details have now been published. We believe this to be a step of the utmost importance and we trust that every practising member of the society will encourage his articled clerks and by-law candidates to take advantage of the opportunities offered.

IMPORTANCE OF COSTING

Industrial accountancy has been greatly developed during the war, and this reminds one, naturally, of the subject of costing. It is nearly 25 years since the Society of Incorporated Accountants, realising the importance of costing, amended the syllabus to include special papers on cost accounts, economics, and statistics. There has undoubtedly been a recognition of the absolute necessity for costing records on the part of large commercial units but the war years and the period of Government contracts have shown the need for a still further recognition, particularly in manufacturing and contracting businesses of medium size. It is unfortunate that the various Government departments have insisted on the use of different formulas in arriving at basic costs and overheads for the purpose of cost-plus and other contracts. But that difference of view only serves to emphasise the vital importance of costing, and I want to suggest to our members, particularly those who are in public practice, that they should continue to impress upon their clients the importance of this subject. The reply usually given by the manufacturer has been to inquire whether cost accounts would provide him with additional profit.

That attitude was, I think, perfectly natural, and we must be careful not to over-elaborate the technique of costing by insistence upon forms with adjustments and apportionments which could only be comprehended by a few. There is room for action by all qualified accountants in the matter of popularising costing, and by so doing we shall be helping the future commercial prosperity of the country. It is not a matter which is dependent upon Government contracts only or upon Government control. I think that now is the time to engage in this form of missionary work.

The negotiations towards co-ordination in the accountancy profession have continued during the past twelve months. Some of the difficulties have been solved and today there is a greater degree of unanimity than at any previous date.

It has been agreed that members of the society returning from the Forces shall be welcomed at special courses on the lines of those held by the society in peace days at Cambridge and Oxford.

RESETTLEMENT ADVICE SERVICE

A panel of accountants is being compiled who are ready in an honorary capacity to advise ex-Service men who contemplate the purchase of small businesses. The panel will work in conjunction with the Ministry of Labour and their resettlement advisory officers. A substantial list has already been compiled of those incorporated accountants who are willing to help.

"Design of Accounts" was well received by the profession and the commercial world generally. The first edition was sold immediately on publication, and a second extended edition will be published when the necessary paper can be obtained.

The report and accounts were adopted.

CALEDONIAN INSURANCE COMPANY

SATISFACTORY FIGURES

The one hundred and fortieth annual general meeting of the Caledonian Insurance Company was held within the company's office, Edinburgh, on the 10th instant.

The chairman, Mr William Blair, W.S., in the course of his speech, said: In the Life Department the net new assurances issued during 1944 amounted to £1,292,873, the premiums thereon being £56,345, of which £11,791 were single premiums.

In view of the changed war conditions, the Directors decided to investigate the position of the Life Department as at December 31st last. Our last valuation was as at December 31, 1941, when, as you will recall, no general distribution of profits was made.

Having regard to the fall in interest rates during the intervening years (the average net rate for the last three years being £3 3s. 5d. per cent.) and acting upon the advice of our Actuary and Hon. Consulting Actuary, we have strengthened our valuation. Formerly our liabilities were based on the latest Tables of Mortality in general use with interest at 2½ per cent. for assurances and 3 per cent. for annuities, whereas now we have valued our liabilities, using the same Tables of Mortality, but with interest at 2½ per cent. both for Assurances and Annuities. The strengthening process has required a sum of about £200,000.

At the annual meeting following the 1941 valuation, the chairman indicated that it was our intention to take into consideration at the next division of surplus the fact that no profits, excepting Interim Bonus, had been allotted to Policyholders in respect of premiums due and paid in the quinquennium ended December 31, 1941.

Not only have we declared bonuses under participating policies in respect of each year's premium due and paid for the years 1937 to 1944, but we have also decided to re-open claims by death and maturity under participating policies which arose in the years 1941 to 1944.

I think you will agree that the results are highly satisfactory considering the difficulties with which in recent years insurance companies have had to contend.

FIRE, ACCIDENT AND MARINE ACCOUNTS

The premium income in the Fire Department for 1944 was £1,061,555, as compared with £910,493 for the previous year, and exceeds one million pounds for the first time in the history of the company. The year under review was not a favourable one for fire underwriting in the United States of America. This experience, which we believe to be transitory, resulted directly from war conditions, and has affected adversely all insurance companies doing business there. This accounts for our profit from the department being only £3,348, compared with £57,081 in 1943.

The premium income of the Accident Department for 1944 was £579,541, as compared with £485,478 for the previous year. The profit was £41,920, compared with £48,235. In the Marine Department, on account of the satisfactory condition of the accumulated Marine Fund, a sum of £50,000 has been transferred to the Profit and Loss account, leaving the fund at £682,328 (222 per cent. of the year's premium income) as compared with £628,001 (162 per cent. of the 1943 premium income).

If the recommendations of the directors be approved the balance to be carried forward in the account, after payment of a dividend of 15s. a share and the allocation of £20,000 to the Staff Pension Fund, will be £107,422, against £72,523 a year ago.

The report was adopted.

ARMY AND NAVY STORES, LIMITED

STOCK POSITION AND OUTLOOK

The 73rd annual general meeting of the Army and Navy Stores, Limited, was held on the 9th instant in London.

Major-General Guy Dawnay, C.B., C.M.G., D.S.O., M.V.O. (the chairman), after expressing regret at the death of Mr W. W. Workman, who had been a director for 25 years, proceeded to deal at length with the items in the accounts, in the course of which he said that the net profit for the year at £337,459 would appear to be £13,046 higher than that of the previous year, but was actually £15,446 down, having been arrived at before deduction of Schedule "A" tax, which was now included in "Provision for Income Tax, etc." They recommended a dividend of 10 per cent., the same distribution as last year; £2,000 had been placed to the Indian Good Service Fund. The various appropriations disposed of all but £94, which they proposed to add to the balance brought in from the previous year, leaving £105,959 to be carried forward.

THE FUTURE

Continuing, he said: I should like to say a few words about the future. The turnover, so far as we have gone this year, is slightly in excess of that for the corresponding period of last year, but whether we shall be able to maintain it at that level depends entirely on our ability to replace stocks as they are sold, and that depends, in turn, on the Government's policy in regard to releasing raw materials and manpower to manufacture the necessary merchandise. Our stock-in-trade is down from £579,000 to £466,000, and the tendency is for it to fall. However, sooner or later, stocks must be made available to industry if the large number of men and women in the Services and on other work of national importance are to be re-absorbed into their former employment, and that remark applies to the retail trade as well as to factories.

If nothing untoward occurs in the meantime, and we are able to replace our sold stock at about the same rate as last year, we hope to maintain our dividend at 10 per cent., but I think it may be desirable to give a word of warning to any of you who may think that one of our particular aims in the post-war world will be to pay higher dividends.

OBJECT OF THE COMPANY

The object of the company is to supply its clients with the best articles of domestic consumption and general use at the lowest remunerative prices. Our object has been, and most certainly will continue to be, to enable our customers for a given expenditure, to buy better goods at the stores than elsewhere, or to buy more cheaply at the stores than elsewhere goods of equal quality.

The real element of risk in this particular type of business lies in the competency of the management to judge correctly what the public wants to buy, how to obtain those goods, what stocks to carry, and to sell them at prices satisfactory to our customers, after taking a reasonable remuneration for the service.

What does "reasonably remunerated" mean? The right goods having been bought and sold at the right prices, and the various attendant services having been provided and paid for, the shareholders are entitled to a fair and reasonable return on their capital. This return is now 10 per cent. of the nominal value of the shares. Then, in the interests of the shareholders themselves, it is necessary to build up certain reserves out of the undistributed profits, to enable us to maintain and, as necessary, develop the scope and efficiency of the business.

The report and accounts were adopted.

DAVIS AND TIMMINS, LIMITED

IMPROVED TRADING RESULTS

The forty-sixth annual general meeting of Davis and Timmins, Limited, was held, on the 2nd instant, in London.

Mr F. Le Neve Foster (chairman and managing director) said that the net profit for the year, after making provision for taxation and other items, was £52,202, as against £50,733 for the previous year. Trading profits, before taxation, were £81,780, as against £72,072 for the previous year, which was a substantial increase of £9,700, but that increase was not attributable to better trading conditions, but rather to the fact that this year they had not found it necessary to make certain provisions which they had found it advisable to make out of the 1943 profits. The provision for taxation amounted to £23,105, as against £14,707, and that increase had largely offset the improved trading results.

The consolidated account showed a thoroughly sound and strong financial position. The amount of general reserves and undivided profits, after a deduction of the provision for final dividends, totalled over £200,000.

During the period of reconstruction, with its tremendous rehousing programme, which would call for great quantities of fittings and equipment, the demand for the company's products was likely to be high. On the other hand, automatic machine capacity had been greatly increased during the war, and for that reason conditions would be highly competitive. He had every confidence, however, that with the benefit of its long experience in the trade and of its goodwill in the name of Davis and Timmins, which was renowned in its sphere for quality and service, the company would give a good account of itself. The report was adopted.

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

A STRONG POSITION

The adjourned twentieth annual general meeting of this company will be held in London on the 31st instant.

The following is an extract from the report of the directors which embodies the annual statement of Mr A. Chester Beatty, the chairman.

The net profit for the year ended June 30, 1944, was £812,899, compared with £912,230 for the preceding year. The consolidated profit statement shows a total provision for taxation, including excess profits tax, of £1,002,811. The two dividends for the year total 1s., free of tax, which is the same as for the previous year.

The directors continue their policy of maintaining the company in a strong financial position as a protection against uncertainties in the diamond market which may arise during the post-war period. Operations at the mines continued satisfactorily notwithstanding war conditions, but development and other work has fallen behind owing to shortage of staff.

The total diamond sales of this company and its subsidiary, Sierra Leone Selection Trust, Limited, reached a high peak in the year ended June 30, 1943, and the sales for the year to June 30, 1944, although lower, were nevertheless at a very high level. These resulted from abnormal deliveries which were made possible owing to stocks accumulated in London as the result of a decision taken early in the war to mine out some very rich portions of ground as a measure of security. The need for this emergency measure fortunately disappeared some time ago, and production is proceeding on the basis of working to the average grade of our reserves. In consequence, there will be a further reduction in deliveries to the market for the current financial year ending in June, 1945, but this is unlikely to result in any marked decrease in the net balance of distributable profits.

E. POLLARD AND COMPANY, LIMITED

FIFTY YEARS' PROGRESS

Mr. H. Edward Pollard, the chairman and managing director, presiding at the thirty-third annual general meeting of E. Pollard and Co., Limited, held at 159 St. John-street, Clerkenwell, London, on the 8th instant said: This is the thirty-third annual general meeting of the company, and this year marks the fiftieth anniversary of the business founded by my father, Mr. Edward Pollard, in 1895. Over ten years of those fifty have been devoted entirely to war work. Our second span, starting as it does with the coming of peace in Europe, surely offers a more unbroken prospect for our shopfitting and engineering work.

If you will turn to the printed accounts you will see that the trading profit for the year ended December 31, 1944, after deducting excess profits tax, was £112,246, which compares with £112,866 of the previous year. Against this we have to deduct the usual charges of depreciation, amortisation, etc., and a slightly larger amount of interest payable, which is due to the higher bank overdraft necessary to finance the great amount of Government contracts we have in hand.

These deductions leave a balance of profit of £83,518, and when the 1943 carry-forward of £35,827 is added we have £119,345 for taxation, reserves, and dividends. Income tax takes away £47,778 and war damage and Debenture redemption reserve a further £3,274. Then we have placed £10,000 to the general reserve and paid the Preference dividend of 7 per cent. It is proposed to pay a dividend of 7½ per cent. on the ordinary shares and this will leave us a carry-forward to 1945 of £37,396.

Coming to the balance-sheet you will see that the issued capital is unchanged at £718,044, including the Debentures for which we now have a reserve of £10,407. Our general reserve with the £10,000 added from the 1944 profits is £41,000.

There is an increase in the bank overdraft at £289,447, which is due as I mentioned before to Government orders. The creditors and provisions for accrued expenses has also increased slightly to £180,548. On the asset side there are few changes. The properties, the plant and machinery, and the goodwill and the investments in subsidiary companies are more or less as in 1943. The stock has decreased a little for obvious reasons and the debtors account has increased to £889,335 as the outstanding Government matters accumulate.

The notable figure is the work in progress, which is the highest on record for the company—namely, £972,967—and is an indication of the importance of our contribution to the war supplying Ministries. The excess profits tax very effectively prevents us from showing a profit in any way commensurate with the effort we have put into the business during 1944, but I feel that our accounts show a satisfactory state of affairs.

We have been concerned with a wide range of supplies from Bailey Bridge complete with pontoons to fuselages, wings and parts for fighter and bomber aircraft. We have erected some thousands of special type bungalows in camps all over England for civilian war workers and played our part in the rush supply of components for the Mulberry Harbours. Gun mountings, tank trainers, bomb throwers, and a host of similar items have been turned out in large numbers for Ministries of Supply and Aircraft Production and also a number of special items for the Admiralty.

During all these war years we have not forgotten the demands that will be made upon us after the war. Shops and buildings are our business and many thousands have been destroyed or damaged. To deal with the vast amount of work that is coming we are lucky to have been

able to retain many of our pre-war staff, while others who have joined the Services, and with whom we have kept in constant touch, will be welcomed back as soon as they are released.

Our plant, machinery, and other facilities are right up to date and ready for the change over to peace production. We want our fair share of materials released at the very earliest date so that we can build up steadily and consistently to a high rate of production and efficiency which I believe will continue for many years to come. It is very encouraging to see that the enthusiasm of our executive staff during the greatly changed conditions of war is now being directed more and more to the preparation for the flood of work we anticipate.

The report and accounts were unanimously adopted.

PINCHIN JOHNSON AND COMPANY, LIMITED

RECORD SALES IN 1944

MR EDWARD ROBSON RETIRING IN JUNE

The annual general meeting of Pinchin Johnson and Company, Limited, was held at Tigbourne Court, Witley, Surrey on the 11th instant. Mr. Edward Robson (the chairman) presided.

The directors' report stated that trading during the year continued under the difficulties of control of essential raw materials and labour, but despite such difficulties the total sales represented a record in the history of the company.

All foreign and overseas units, with the exception of those in enemy-occupied territories, continued to operate successfully.

The chairman's statement was as follows:—

65 YEARS IN PAINT BUSINESS

It is with great regret I have to inform you that after 65 years spent in the paint business, of which approximately 50 years represents my active association with Pinchin Johnson and Company, Limited, the time has now come when the responsibility must fall upon younger shoulders. Consequently I am retiring from the company's service on June 30th next.

The immediate post-war problems and competition confronting your company during that period will call for very strenuous efforts, which can only be rendered successfully by a younger man.

This occasion, therefore, will be the last time that I shall have the pleasure of presiding at the company's annual meeting, a function at which I have presided for the past 30 years. It is, of course, hardly necessary for me to say that, although I am retiring, my interest in the company will definitely continue unabated, for I hope I may claim to have done my share in building your small business of 50 years ago to its present pre-eminent position in the trade to-day.

I feel very confident that your company will continue to grow and prosper under the management which I shall leave behind me.

WAR-TIME ACTIVITIES

The shareholders will naturally be interested in hearing of the company's war-time activities, which they must have assumed to have been on a very large scale and to have been carried out under extreme difficulties. I hope it will be possible in the near future to present a short statement for circulation to shareholders which will briefly cover these points.

In conclusion, I wish to thank my co-directors and staff for their loyal support and excellent work during the past year, and, for that matter, during my whole period of service with the company.

The report and accounts for the year 1944 were adopted, and a final dividend of 7½ per cent., less tax, was declared on the ordinary shares, making 10 per cent., less tax, for the year. The retiring directors were re-elected and the auditors reappointed.

G. BEATON AND SON, LIMITED

COMPANY'S WAR ACTIVITIES

The annual general meeting of G. Beaton and Son, Limited, was held on the 8th instant, in London, Mr S. C. Goodwin, J.P. (chairman of the company) presiding.

The following is the Chairman's statement circulated with the report and accounts:—

Consequent upon the great improvement in the war situation I am happy to be in a position to refer in greater detail to the company's activities during recent years. On the outbreak of war the demand for motor car accessories, for which your company is well known, practically disappeared and, although a small output of such products has been maintained for the use of the Fighting Forces during the war years, the energies of your directors, staff and workpeople have been directed to securing the utmost possible output of aircraft components, for the production of which a department was set up in 1936. The demand for the company's products was only limited by its capacity to produce and, by stages three additional factories have been put into commission and operated under arrangements which cover the period of the national emergency.

POST-WAR PROSPECTS

Your directors continue to give constant consideration to the post-war position when it is anticipated that the company's normal business will provide the bulk of its output.

The joint venture in which the company held an interest was terminated during the year. The assets were acquired by the respective parties and the business is now being carried on by your company.

The net profit of £12,629 is arrived at after providing for all taxation and does not show any material change from last year. Reserves have again been strengthened to the extent of £5,000, and the liquid position remains strong.

To our employees who are serving in the Forces I extend our best wishes for a speedy return and to those who are still with us I offer our thanks for their services.

The report and accounts were unanimously adopted.

AMALGAMATED METAL CORPORATION, LIMITED

MR W. GARDNER'S STATEMENT

The sixteenth ordinary general meeting of the Amalgamated Metal Corporation, Ltd., will be held in London on May 9.

The following is the statement of Mr. Walter Gardner, the chairman, which was circulated with the report:—

Following the now customary procedure, to save paper and unnecessary travel, I am including with the annual report of the directors the few remarks I have to make. Once more they are brief as the report of the directors is comprehensive.

The principal change in the investment holdings, to which reference is made in the directors' report, is that during the year under review we reduced our holding in C. Tennant Sons and Co., of New York, from a majority to a minority interest.

War conditions continue to restrict severely the opportunities for earning revenue and it is unfortunately evident that a return to anything like normal trading conditions must be slow and difficult.

Meantime it is our privilege to render service to the best of our ability and I have again pleasure in thanking all associated with our joint concerns for their wholehearted co-operation.

RECORDS and STATISTICS

GOVERNMENT RETURNS

For the week ended May 5, 1945, total ordinary revenue was £52,845,000, against ordinary expenditure of £97,492,000 and issues to sinking funds of £400,000. Thus, including sinking fund allocations of £856,993, the deficit accrued since April 1st is £242,845,000 against £337,799,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1945-46	Receipts into the Exchequer (£ thousands)			
		April 1 to May 5, 1944	April 1 to May 5, 1945	Week ended May 6, 1944	Week ended May 5, 1945
ORDINARY REVENUE					
Income Tax	135,000	68,471	84,809	12,702	14,089
Sur-tax	80,000	4,077	4,519	477	449
Metals, etc.					
Duties	115,000	11,073	11,295	1,665	2,015
Stamps	18,000	452	925	20	20
N.D.C.	900,000	1,861	3,211	470	380
E.P.T.	1,000	36,073	36,248	5,218	5,218
Other Ind. Rev.					
Total Ind. Rev.	306,000	122,017	134,832	22,263	22,171
Customs	589,000	55,252	61,023	15,139	12,905
Excise	541,000	56,200	64,500	13,500	15,362
Total Customs & Excise	1,130,000	111,452	109,523	28,639	28,267
Motor Duties	30,000	1,810	1,934	598	663
Post Office (Net Receipts)		1,400	4,400	1,400	1,400
Wireless Licences	4,850	320	350	...	...
Crown Lands	1,000	140	140	...	...
Receipts from Sundry Loans	11,500	750	60	689	...
Miscell. Receipts	23,000	5,861	1,215	1,089	344
Total Ord. Rev.	324,000	243,750	253,555	54,679	52,845
SELF-BALANCING P.G. & Bdrdgstg.	114,100	10,700	10,400	1,700	1,700
Total	337,000	254,450	263,955	56,379	54,545

Expenditure	Estimate, 1945-46	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to May 5, 1944	April 1 to May 5, 1945	Week ended May 6, 1944	Week ended May 5, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	465,000	59,057	51,291	20,358	12,537
Payments to N. Ireland	11,000	664	713	332	356
Other Cons. Fund Services	8,000	266	265	...	...
Total	484,000	59,987	52,269	20,690	12,893
Supply Services	508,126	521,094	463,773	107,400	84,600
Total	556,526	581,061	495,542	128,090	97,493
SELF-BALANCING P.O. & Bdrdgstg.	114,100	10,700	10,400	1,700	1,700
Total	567,931	591,761	505,942	129,790	99,193

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £260,463 to £2,988,221, the other operations for the week (no longer shown separately)

increased the gross National Debt by £45,043,951 to £32,644 million after allowing for £16 million of sinking funds in 1944-45.

NET RECEIPTS (£ thousands)	
Tithe Act, 1936	420
NET ISSUES (£ thousands)	
P.O. and Telegraph	120
Overseas Trade Guarantees	45
	165

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England		
1944						
May 5	1220-0					
1945						
Feb. 2	1440-0					
" 10	1430-0					
" 17	1430-0					
" 24	1430-0	2309-2	542-4	1801-0	6082-6	
Mar. 3	1430-0					
" 10	1430-0					
" 17	1430-0					
" 24	1430-0					
Apr. 7	1430-0					
" 14	1430-0					
" 21	1430-0					
" 28	1430-0	2 203-7	571-4	1859-5	6209-0	
May 5	1440-0					

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
May 5	110-0	209-1	110-0	19 11-81	32
1945					
Feb. 2	110-0	225-0	110-0	20 0-26	29
" 9	110-0	218-0	110-0	20 0-13	31
" 16	110-0	207-3	110-0	20 0-53	37
" 23	110-0	208-6	110-0	20 0-99	17
Mar. 2	110-0	237-6	110-0	19 11-37	21
" 9	110-0	239-2	110-0	19 11-50	21
" 16	110-0	236-1	110-0	19 11-77	27
" 23	110-0	225-3	110-0	19 10-88	25
" 29	110-0	225-6	110-0	20 1-28	30
Apr. 6	110-0	235-1	110-0	20 1-86	20
" 13	110-0	244-4	110-0	20 2-24	24
" 20	110-0	244-3	110-0	20 0-17	24
" 27	120-0	227-3	120-0	19 11-85	30
May 5	130-0	255-2	130-0		

On May 4, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of the following week, were accepted at about 30 per cent. of the amount applied for, and applications at higher prices were accepted in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £130 millions of Treasury Bills are being offered for May 11. For the week ended May 12 the banks will be asked for all Treasury deposits at a maximum amount of £75 millions.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

Date	Gold		Silver	
	Rs. a. p.	100 Fine Toas	Rs. a. p.	100 Fine Toas
1945				
Apr. 26	75 9	133 2		
" 27	75 7	133 2		
" 28	75 0	133 6		
May 1	74 14	130 6		
" 2	74 6	130 8		
" 5	75 0	130 14		

BANK OF ENGLAND RETURNS

MAY 9, 1945

ISSUE DEPARTMENT	
Notes Issued:	
In Circul.	£ 11,111,100
In Bank, De-1250,055,536	
partment	
50,186,182	
Govt. Debt	11,111,100
Other Govt.	1288
Securities	
Other Secs.	
Silver Coin	
Amt. of Fid. Issue	1300,000
Gold Coin and Bullion (at 168s. per oz. fine)	241,718
1300,241,718	1300,241,718

BANKING DEPARTMENT

Props' Capital	14,553,000	Govt. Secs.	181,442,764
Rest.	3,196,115	Other Secs.	
Public Depts.	19,547,284	Discounts & Advances	17,618,919
Other Depts.		Securities	14,471,493
Bankers	176,126,045		
Other Accts.	51,552,847	Notes	32,090,408
		Gold & Silver Coin	50,186,182
			1,255,940
	264,975,291		264,975,291

COMPARATIVE ANALYSIS (£ millions)

	1944	1945
May 10		
Apr. 25		
May 2		
Issue Dept.		
Notes in circulation	1129-2	1235-2
Notes in banking department	21-0	15-0
Government debt and securities	1149-1	1249-3
Other securities	0-9	0-7
Silver Coin	0-0	0-0
Gold, valued at s. per fine oz.	0-2	0-2
Deposits:		
Public	12-1	8-5
Bankers	166-1	229-6
Others	55-2	50-5
Total	233-4	288-6
Banking Dept. Secs.		
Government	208-0	256-3
Discounts, etc.	5-7	20-0
Other	16-0	13-6
Total	229-7	289-9
Banking depart. res.	21-5	16-4
" Proportion "	9-2	5-6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
1945				
Feb. 20	5,197	1,849	7,655	13,801
" 27	4,841	1,767	5,857	12,201
Mar. 6	4,394	1,923	10,312	18,160
" 13	4,387	1,789	15,134	15,258
" 20	4,107	1,816	8,142	19,285
Apr. 3	3,292	1,686	6,537	12,546
" 10	3,626	1,243	6,351	14,041
" 17	3,891	2,156	7,941	13,370
" 24	4,093	2,145	10,666	12,938
May 1	4,571	1,803	7,137	11,432
Totals to date	1,366,001*	809,348*	1,951,891*	260,968*

* 284 weeks. † 228 weeks. ‡ 26 weeks. Including all Series. Interest free loans received by the Treasury up to May 8th amounted to a total value of £71,164,465. Up to April 28 principal of Savings Certificates to the amount of £223,620,000 has been repaid.

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Defence Policy

Prime Minister's Victory broadcast was, in the end, a retrospect of pride, as it had every right to be. The history of this island has no finer record of perils met by valour and wisdom and no clearer example of one man being entitled to speak for all. But to content ourselves with the bestowing of laurels—meet though that is—would be to miss the point of history. There are lessons to be learned from the years, and now, before their urgency fades, is the moment to learn them. Even now, in these expansive days, it comes with a new shock to remember how very narrow, how desperately close, was the margin that lay between disaster and disaster. Indeed, had the enemy made a few mistakes, not all the bravery and devotion of the British people could have saved this island from being a part of Hitler's slave empire. Had the German General which foresaw everything else, foreseen the necessity of crossing the Channel, had they begun the Battle of Britain earlier or continued it longer, had they concentrated their air-raids on the ports instead of on London the list of these might-have-beens is long, and each one contains a lesson. It would be unwise to rely on our enemies always making so many blunders.

The whole nature of war has changed in these last few decades. Not only is it more total and more horrible while

it is going on, it has also changed profoundly in the obligations that it imposes on a peaceful state in time of peace. In all of recorded history, until the present century, the period within which a country could win a war and the period within which a country could organise itself for defence were broadly similar—if anything, the advantage was on the side of the defence. But once the industrial revolution was fully applied to the business of war, the picture changed very radically. The last war demonstrated the change—but the Battle of the Marne obscured the demonstration, which was fully comprehended only by the Germans. This war has made it clear for all to see. It is possible to win a war, and a major war at that, in three weeks. But it takes at least three years to mobilise for defence. It is of the very nature of mechanised war that it shortens the first period as it lengthens the second. Where our present situation differs from that of 1919—or at least from what that of 1919 was thought to be—is not that the risk of war in the near future is any greater but that, so long as there is any risk of war at all, the minimum defensive precautions are so much more elaborate.

It would be foolish, however, to run from one extreme to the other and to embark upon a policy of making this island fully secure at all times against every imaginable peril. For one thing, given the geographical position of

the British Isles, complete security, even within an alliance, is not possible. For another, the temper of the people has always been hostile to a standing army and it would certainly not tolerate the burdens that complete security would impose. Moreover, such a policy would certainly defeat itself. In modern history, it has usually been the civilians who have won wars and the militarists who have lost them. If, which God forbid, the people of Britain could ever be induced to saddle themselves with a policy of militarism, they would certainly lose that flair for ardent improvisation which wins the last battle. If the only lesson that was learned from these last thirty years was that safety lies in military regimentation, then it would indeed be true that the only lesson to be learned from history is that no one ever learns from history.

There must, in short, be a rule of reason in these, as in all other matters. No country ever completely failed to take any precautions at all against the possibility of war, and no country can ever make itself completely secure. Somewhere between the two extremes lies the reasonable course and the duty that the country owes to itself is, in the light of the evidence of the new nature of war, to review its precautions and decide which of them are reasonable.

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Emotionally first on the agenda of any such inquiry is the question of conscription. And already it is clearly arousing emotion. On balance, the weight of arguments, not all of them strategic, will probably seem to the majority of people to favour a policy of conscribing young men for a short period of national service. But it would be a mistake to expect too much from this. The number of boys born in the United Kingdom twenty years ago was only some 430,000 a year, and in the five years before the outbreak of war the number of boys born—who would be the conscripts of 1954-58—was only 370,000 a year. Unless it be believed that Parliament would vote more than twelve months' conscription (and that would take some hardihood), the number of conscripts in uniform at any one time could hardly be more than 320,000, falling to 280,000, for all three services together. It is true that the military value of conscription does not lie in the numbers under arms at any one moment so much as in the number of trained men in reserve. But it is clear that not even with conscription can Britain maintain a large military establishment.

All the more important is it that the emphasis should be laid on the quality of what there is. It would be monstrously ungrateful for any civilian pen to write slightly, at this moment, of the quality of the armed forces of the Crown. The individual qualities are certainly the equal, if not the superior, of those of any other nation. But what is excellent can always be improved, and the story of 1940 does suggest that the British regular forces, though they had all the valour of their forefathers, also had their forefathers' habit of preparing for the last war. The armed forces have never been in this country what they have been in Germany, in France and (it would seem) in Soviet Russia, active competitors for the services of the intellectually gifted. In part, this is a matter of social framework and political preconceptions, and no one would have it very sharply altered if it involved any of the taint of militarism. But in part also it is due to the much humbler matter of pay. There is a point beyond which the able man cannot be expected to ignore the attractions of civilian employment. One of the first steps in any defence policy should be to make the career of officer one that holds out attractions instead of imposing crushing handicaps. And a second most practical step would be to insist on the standard of research into all matters of military technique and equipment, and of development of the results of research, being kept up to the highest attainable level. Money spent in these two ways will be the truest economy.

But trained manpower is not the narrowest bottleneck, either in its quantity or in its quality. The greatest perils, both in this war and in the last, have arisen on the material side. In the earlier phases of both wars, there has been a lamentable lack of equipment to put in the hands of eager defenders, with the result that the aggressor's

first onslaught nearly—more nearly in 1940 than in 1914—won him the war. And in both wars the major threat to Britain's ability to sustain the long attrition, by which alone the victims of aggression can ever win wars, has been the threat to her sea communications. Production and imports are more important chapters of a defence policy than even manpower.

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The production target should be to ensure that men called to the colours, whether they be returning reservists or raw recruits (the difference disappears in a few months), shall never again have to drill with broomsticks or pikes, or go into battle without air cover. This does not mean, of course, that a full war establishment of equipment must be maintained all the time—that would be incredibly wasteful. But it does mean that something above a peace establishment, as hitherto understood, should be kept. The aim should be a "Battle of Britain" standard. That is to say, there should be enough equipment on hand to meet the minimum defensive needs of holding a potential enemy at bay until more can be produced. What that standard should be is a matter for technical decision, and it might reasonably vary from time to time. But there should always be clarity about the aim—to have enough in hand to ward off the worst that can reasonably be expected to happen in the next x years, x being the period within which production can be expanded to the mass level.

This will inevitably be an expensive policy and will involve considerable waste, the more so since it is essential that the equipment should be up-to-date, and therefore frequently scrapped. But clearly it will be the less expensive the smaller x is—that is, the more rapid the expansion of production that can be relied upon. This is almost entirely a matter of how widely spread in general industry is the "know-how" of munitions production. One of the great discoveries of recent years is the shadow factory principle, and some modification of it should form part of the permanent policy of the country. All sorts of industrial hands in at munitions production, in small quantities, but sufficiently to preserve the "know-how." This is a policy that will be most distasteful to the Service departments, tractors; but the inconvenience and the extra cost of spreading orders wide are part of the price that will have to be paid.

There are some sorts of "know-how" which may not exist in this country at all, or in quite inadequate volume, unless special steps are taken to secure them. The manufacture of machine tools, for example, was before the war on a scale too small for a country that may have to turn itself into an arsenal. There is even now no production on a commercial scale of synthetic rubber or the other important derivatives of petroleum chemistry, such as high-octane fuel. This is a field in which it would be worth paying some price to have indigenous "know-how." Light metals and alloy steels are other examples of materials in which there is a strong defence interest. It should be unnecessary, at this time of day, to add that more protection of private interests is not by itself likely to be a satisfactory remedy. The public interest extends even more to the efficiency and modernity of these industries' practices than it does to the volume of their operations.

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Against the perils of blockade the most effective and the cheapest antidotes are ships, aircraft and stocks. The maintenance of the Royal Navy—particularly its numbers of destroyers and other escort vessels—and of a strong Coastal Command of the RAF and the first line of defence for the ship lanes. Fighter Command and Anti-Aircraft Command for the ports. But these protective measures cannot be perfect, and it should be one of the objects of shipping policy to ensure that there is at all times a reserve of carrying capacity revolving fund of merchant shipping, amounting to as much as, say, a year's sinkings at the highest rate recorded

during the war. This could be achieved by the Government chartering ships for short periods to be laid up. Or it could also be achieved by the policy, which has been advocated on far wider considerations in these columns, of a Government-owned, though privately-operated, merchant fleet.

Another precaution against blockade that is frequently advocated (most recently by Mr Lyttelton last week) is the stimulation of a larger domestic agriculture. But if by larger is meant an agriculture employing more men, that would be a definite weakness in war. One of the great strengths of this island, which has enabled it in this war to put into fighting and munition-making a higher proportion of its total population than any other belligerent, is precisely the fact that it does not have to devote more than a single million of its labour force to growing food. To be able to obtain food from abroad, more particularly if it can be obtained without current payment in exports, is an enormous reinforcement to the nation's manpower, the scarcest of all commodities in wartime. (Since misunderstanding on this subject is so easy, it should be added that this is not the whole case for or against a larger agriculture; still less is it the whole case for or against the policy of making a limited agricultural industry more prosperous.) A much more economical way of ensuring food supplies is to build up stocks of staple imported foodstuffs. Sir Arthur Salter suggested before the war that the target should be the equivalent of one year's wheat imports—though it should not, of course, be held entirely in wheat. This policy of storage should be extended to certain essential raw materials and, as Lord Keynes has frequently argued, the holding of stocks in this country could be made to serve the economic purpose of stabilising prices as well as that of ensuring safety.

New Priorities for Europe

REPORTS on the material condition of Europe are confused and incomplete, but there is quite enough evidence to show that the chaos is appalling and will grow worse. Even countries as relatively intact as France and Belgium are living on the shortest commons and their industrial recovery is retarded by the shortage of raw materials, particularly of coal. The Dutch crisis is such that it has thrown out all calculations based on the predictable needs of Western Europe and the emergency supplies sent to Holland have unbalanced the programmes of neighbouring states. The situation is worst of all in Germany itself. The major towns are flattened. The transport system has broken down—not one of the old Rhine bridges remains standing. Agriculture is being disrupted by the mass exodus of foreign labourers. The able-bodied manpower of Germany sits in the prisoners' cages, and although President Truman has promised a speedy settlement of the reparations problem, it is not known yet how many of these men will be sent to work abroad.

All this is familiar. It is even difficult to grasp the magnitude of the problem, so accustomed are we to ruin and devastation. Yet what a challenge it presents. To restore a functioning system in these lands ravaged by battle and distorted by years of Hitler's war economy is a more formidable task than the actual waging of the war. Not only is the problem itself more complex, but the machinery is lacking to accomplish it properly. The war in Europe has been simply directed from Shaeff. It has been jointly provisioned by the Combined Boards in Washington. It has been governed by the simple principle that military needs enjoy an absolute priority. In the field, all military needs are under a single clearly defined authority. Their powers and responsibilities have been clearly laid down. Even with all this relatively straightforward machinery, the procedure it has been difficult enough to avoid over-lapping, confusion and waste.

The structure of authority and administration for peace is much more complex. There is, first of all—and for the time being—the direct military power represented by Shaeff and, concerned primarily, it must be presumed, with

To this list of items for a permanent defence policy there are doubtless many additions. Nothing, for example, has been said here about the new development of rocket warfare, which, when it is further studied, may have considerable implications for the life of a crowded and exposed island. But what is necessary is that there should be some systematic thought about the requirements of defence policy instead of the flight from thought on the subject that took place after the last war, and that the thinking should be begun while the public mind is still comparatively clear on the subject. To tackle it on the lines here projected would, admittedly, be an expensive undertaking. The figure of £500 million a year for defence expenditure, at pre-war values, has obtained currency; the cost would certainly not be less and might well be more, and figures in pre-war values have to be considerably inflated before they can be applied to the post-war world. If the figure could be kept down to 750 million post-war pounds, that would probably be nearly ten per cent of the national income, against the two to three per cent that was customary in the 1920s and the early 1930s. The question whether this can be afforded cannot be lightly answered, unless it be by the reflection that the cost of not having a defence policy has, in the last six years, proved to be well over £20,000 million. It is always sound policy, in a matter of insurance, to pay a high premium and get effective cover than a low premium and face disaster. How many hundreds of millions a year the nation can afford for defence precautions is a matter for debate. What is quite certain is that the country cannot face another 1940 without being overwhelmed, or another six years of total war without being ruined.

liquidating the war. It controls the vast armies which are still in the field, it is responsible for the prisoners of war, it has first call on all transport even in Allied countries; in short, for the time being it is supreme and autonomous. It is, however, already changing its character. It will shortly assume the role of military government—AMG—and there will then be two distinct Army authorities—the military proper and AMG—both responsible to the Supreme Commander acting either through Shaeff or through the Allied Control Commission which is to be set up at some unspecified time. Shaeff will presumably wither away once the Commission is functioning. Meanwhile, the division of authority and work between the Army proper and the AMG officers has not been entirely smooth.

The American plans for AMG recently announced by Mr Stimson make it clear that the Americans in their zone will fulfil all the functions of government. British plans will probably be very similar. What is not certain is how soon the transfer of authority from Shaeff to the Control Commission can be made.

It is obvious that the role of such civilian bodies as Unrra will be strictly subordinate. The Director-General has announced changes in the direction and staff of Unrra so that it can be ready to engage in "intensive field operations." It appears to have been decided long ago that Unrra's activities in Western Europe and Germany should be confined to the care of displaced persons, but even in this restricted field the military authorities appear to be performing, and to be preparing to go on performing, all the tasks originally allotted to Unrra. One class of civilian authority has, however, already asserted its independence of the military. The Allied Governments in Western Europe have complete responsibility for a section of their supplies—their National Civil Imports—and control all transport, industrial capacity and local supplies not required by the military authorities. Their powers have been steadily extended since the time of liberation, and it is the policy of Shaeff to leave them full responsibility for their own administration, except where overriding necessity demands a measure of military control. Hitherto

it has been easy to determine what could be classed as "overriding necessities." They were needs dictated by the war. Now that the war is over the position is less clear.

Thus in place of the unified direction of Shaeff over the whole battle area, there will shortly be a divided military authority and, except in Germany, different national civilian authorities. This is not an ideal administrative structure for a time of extreme scarcity. It allows obviously for overlapping and collision. It can be improved by a settlement of all disputed questions between AMG and the Army proper. Even then the relationship between AMG and the civilian authorities—local in Germany, national in the rest of Western Europe—will be difficult. It is, however, useless to envisage anything else. For some time to come the military authorities will be the only officials able to administer the reconstruction of Europe. They are on the spot. They include every kind of technician and expert. No other cadres could be built up—Unrra is proof of this—on a comparable basis of efficiency.

The difficulty in adapting this military administration to the needs of Europe lies in the fact that hitherto its job from the first planning to the last execution has been a straightforward one, based on a very simple objective—to win the war. As a result, the priorities have been simple—military needs first. And this in turn has simplified administration. Now the objective is very complex—to restore a shattered continent. The priorities are correspondingly complex. And behind all the complexities, a primary decision has to be taken which military authorities will naturally find it very difficult to take. Civilian, not military, needs must now come first. For example, in the present state of transport, the movement of agricultural workers to their own countries and the establishment of German workers on their own—or other people's—farms has a higher priority than the bringing back to Britain or America of millions of soldiers. The American authorities are already talking of withdrawing some 3,000,000 soldiers. The priority of such a vast flitting must be established if it is not to act as a fatal disruption to civilian transport. Again, when soldiers are no longer fighting, do they need rations so greatly in excess of what is available for civilians? But could the military authorities be expected to reverse absolutely the thought and practice of years and to fix such priorities at their proper level?

The answer is not in doubt. A military administration will almost automatically continue to give first attention to military needs, and if the military administration of liberated Europe—which is inevitable—is not to act as a brake on reconstruction there must be from the outset a reassertion of civilian control at the highest level. The task is to use the military administration for civilian purposes—not, indeed, to submit soldiers to detailed interference by ignorant civilians, but to ensure that the programme of priorities to which the army works is determined, in the ultimate resort, by a body that has a far wider reference than any army can have. There has been talk

of establishing a Supreme European Council for Reconstruction. The fate of the European Advisory Commission, or indeed of Unrra itself, suggests that the mere creation of representative bodies, however high-sounding their titles, may accomplish little. Whether the proposal of a Supreme Reconstruction Council is a good one or a bad one depends entirely on its real nature. The only civilian authority powerful enough to control the military administration would be that of the President and the Prime Minister, acting through deputies who enjoy their complete backing and confidence. To them it would be necessary to add a direct representative of General de Gaulle, since France is also an armed and occupying Power. But any further dilution would probably lower the effectiveness of the machinery. Ideally, the American, British and French armed forces ought no doubt to be willing to take guidance from an international civilian body. In fact, they would not, and since the needs are urgent it would be as well to stick close to the most practical method. A triumvirate, a Commission representing in the most immediate way the supreme civil authority in the three States, would alone have power and prestige enough to impose a civilian stamp on the military administrations in Western Europe. If Soviet Russia would effectively co-operate, so that the purview could be extended to Eastern Europe, so much the better; but this is another matter which appears to be out of practical reach.

There is no obvious obstacle to the creation of such a Commission in the traditions and practices of Great Britain. The military authorities are accustomed to taking their highest directives from civilian ministers. It might be more difficult in France, where General de Gaulle, himself a soldier, has given his first attention and the nation's chief resources to the building up of a military machine. In the United States, too, the tradition of military independence is strong, and Mr Stimson recently remarked that the aim of AMG would be to put military needs first. A considerable assertion of the Presidential authority would be essential to override the military.

Yet the civilian supply authorities—the Combined Boards—are still in being. The Governments of Britain, the United States and France are civilian Governments. Their statesmen do not ignore Europe's desperate need for physical reconstruction and recovery. It would be failure indeed not to create the civilian control necessary to see that these needs are now put in their proper perspective.

The existence of an effective civilian authority for reconstruction matters would not solve all problems. Relations with the national Governments would still be delicate. The division of very scarce supplies between sharply competing needs will grow worse, not better, as the winter approaches, but the fact that a body existed to which governments, civil authorities such as Unrra and the military could all turn—none of them being judge in its own cause—would give some guarantee that the right priorities would emerge and that reconstruction would be pursued with at least some of the vigour and efficiency hitherto devoted to war.

The Redistribution of Labour

MR BEVIN'S eagerly awaited statement on manpower release and resettlement in the House of Commons on Wednesday did not exactly signal the green light to industry. Rather, it sounded a note of caution. The Minister of Labour reminded the House that there can be no general demobilisation until after the end of the Japanese war and that the present stage is one of re-allocation of resources between war and peace purposes. The call-up is to continue and the present age-limit of 30 is to be retained, not reduced, as originally intended, to 27, while production of munitions for the Far East will necessarily take precedence over other forms of production. But in the sector of industry which can be turned over to civilian production, and which, as Mr Lyttelton has indicated, will be a substantial proportion of the total resources, stringency of labour may prove a delaying factor

in reconversion. This may sound strange, in view of the reports of mounting "redundancy" in aircraft and munitions factories, and in view of the impending large-scale return of men and women from the Forces. Nevertheless, if an overall view be taken, it is clear that the demand for labour will exceed the supply for several years to come, and that any unemployment that arises should be purely frictional or transitory. What matters is that the process of re-allocation and reabsorption should be as rapid as possible. It would be deplorable if the unwinding of industrial resources were to be as slow and fraught with bottlenecks as the initial mobilisation in 1939-40.

A welcome sign that the process will in fact be speeded up is shown in the decision to advance the date of demobilisation by six weeks. It had originally been planned to enforce a standstill of three months from the

end of the European war. Now there is to be only a six weeks' gap, and the first releases from the Forces will start on June 18th and will apply to all theatres of war, including Burma. The releases of the first eleven groups in Class A should be completed by the end of August, and by the end of the year something like 750,000 men, mainly from the Army, may have returned to civilian life. As the first to be released will be the older men with industrial experience, there should not be a long delay in effecting their reabsorption at the end of their eight weeks' leave, or even sooner, for men are being encouraged to take up jobs as soon as possible after their release. The questions which have been causing concern to industry are first, how many and which key workers will be released under the Class B procedure, and secondly, how soon their industrial capacity can be diverted to peacetime production. Mr Bevin has given the general target of 60,000 "B" men within a year. The majority will be building operatives, but 50 per cent of the remainder will be directed to underground mining, in order to maintain the coal industry's labour force. The balance, which can only be very small, will presumably be made up of specialists. It is, however, anticipated that a considerable proportion of the craftsmen needed by industry will be automatically included in the early groups released in Class A.

It is still extremely difficult to make any estimate about the speed of reconversion. It will obviously vary from industry to industry, and from factory to factory, according to the extent to which it has been engaged on war production and on the degree of re-tooling and re-equipment needed to bring about the change of product. The labour situation will be more difficult for some industries than for others. Numbers of workers may take advantage of the relaxations which have just been announced to retire from industry. No obstacles will be placed in the way of the withdrawal of men over 65, women over 60, women with domestic responsibilities and married women who want to join their husbands. Women over 50 will be allowed to leave industry unless their firms need them for urgent production reasons, and women over 40 will not be regarded as "mobile." Workers who have been away from their homes for three years or more will be allowed to transfer to work nearer their homes. But unless a large number of those who are now entitled to withdraw their labour in fact decide to remain in industry, it is feared that the programme of replenishment and reconstruction may be delayed. The shortage will be particularly felt in certain sections of the engineering industry producing for household needs, in the clothing and textile industries. Indeed unless the cotton industry can expand its labour force, there is a danger that the clothing coupon will not be honoured. The Ministry of Labour is therefore appealing to employers not to get rid of their older workers, and to the workers not to rush from the factories, even if they qualify for release, until there has been a general demobilisation.

A few figures from the White Paper on the war effort will serve as a reminder of the extent to which the labour force of some of the consumer goods industries has been allowed to run down. From 1939 to 1944, the textile industries' manpower declined from 1,002,000 to 626,000; the clothing trades' from 587,000 to 349,000; and the number of distributive workers from 2,887,000 to 1,928,000. In all, the Group III, or less essential, industries lost one-third of their labour force and provided more than half the numbers required for the Armed Forces and a considerable proportion of the men and women required for the munitions industries. These facts indicate the scale of reallocation of manpower as between munitions and civilian production which will be necessary if anything approaching pre-war standards is to be aimed at.

Mr Bevin emphasised the need for continued control over the national economy during the transition period. The prosecution of the war against Japan, involving the conscription of younger men, and the need for orderly re-allocation of scarce resources so as to satisfy the essential needs of the community, are arguments which only the dithard anti-controllers would contest. It is in fact not now a question of control or no control, but of how much control and what control.

The Trades Union Congress is insisting on the retention of the maximum control over materials, prices, industrial location, trade and finance, but apparently wants the minimum control over the movements of labour. It has all along declared its opposition to the continuance of compulsory direction to work after the end of the European war, and is also pressing for the abolition of controls which carry with them penal sanctions. They contend, with some justification, that penalties have been enforced one-sidedly against the workers, while the employers have been relatively lightly treated. Instead, they advocate that an unemployed man who unreasonably refuses to accept a job should forfeit his unemployment benefit. This sanction might be of considerable importance in encouraging labour mobility in the normal year, but so long as labour is in a seller's market, it would be largely ineffective. Mr Bevin who himself has often expressed the view that the advantages of continued direction to work would outweigh its disadvantages has compromised, and the present proposals represent a measure of relaxation of the rigid controls which have of necessity been imposed upon the working population during the war. Obviously, to continue these controls in full would be politically inexpedient, however theoretically desirable it might be, and the Minister of Labour hopes that he will have a sufficiently effective and flexible instrument for the reallocation of labour in his new Control of Engagement Order.

This Order will largely supersede Regulation 58A, which gives the Ministry of Labour power of direction and which, without being cancelled, will eventually be kept in the background and only used if there is a serious emergency. The new Control of Engagement Order, which will be intro-

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duced in a few days' time, means that men from 18 to 50 and women from 18 to 40 can only be taken on through Employment Exchanges. It is particularly designed to ensure that no employer will take more than a fair share of skilled labour, and would seem in effect to represent a check on the employer's freedom to choose his workers, rather than on the worker's to choose his employer.

The Essential Work Orders, which have been such a necessary part of the war economy, will be retained during the transition period, though they may not be applied to the same industries as at present. Indeed, the industries which have been of secondary or tertiary importance from the point of view of war production and were consequently drained of their labour, may need to be rebuilt through the EWO mechanism. The Orders now apply to over 8,000,000 workers, and their purpose, officially described as being "to prevent loss of production owing to unnecessary turnover of labour, absenteeism or indiscipline," would seem as applicable in the transition period as it was at the height of the war. The Orders have been criticised on the ground that they undermine labour discipline and managerial authority, but on the whole they have worked remarkably well. They contain, moreover, a number of elements which the unions would like to incorporate in their permanent agreements, such as the guaranteed working week, the right of appeal against discharges and the "fair wages and conditions" clause.

One wartime labour regulation, whose appearance excited a storm but whose disappearance has passed almost unnoticed and certainly unlamented, is Defence Regulation 1AA, aimed at the instigators of strikes. The argument originally raised against this regulation—that it was an unnecessary addition to existing powers—seems to have been justified by events. There has not been a single

prosecution under this regulation since it was introduced in April, 1944.

Another piece of wartime legislation which will probably disappear, though not before the end of the Japanese war, is the Conditions of Employment and National Arbitration Order, which prohibits strikes and lock-outs and provides for the reference of industrial disputes to the National Arbitration Tribunal. The unions have already declared their opposition to compulsory arbitration. The right to strike is the time-honoured method of enforcing demands and its abandonment in wartime (imperfect though it may have been) is regarded as one of labour's major sacrifices. The Wages Councils Act, which aims at strengthening industry's voluntary conciliation machinery, may have a restraining effect in the transition period. But whether arbitration is compulsory or voluntary, there will be some obligation on labour to refrain from exploiting the strike weapon in the transition period.

From every point of view the next six to twelve months will be a testing time for industry, and the test will be its ability to effect the readjustment speedily and smoothly, and to engage the men and women from the Forces and from war industries in productive employment. The return to party politics may have its counterpart in the industrial sphere, but continued cooperation between both sides of industry will be necessary in the immediate future as it has been in the immediate past. Industry too will have to turn its attention to the urgent task of raising its technical efficiency and show the initiative and enterprise of which it has so frequently boasted. For the Government, the duty is to keep a firm hand on the reins, but to guide and facilitate the path back to peacetime production and to make sure that a timid or cautious approach does not impede the process of reconstruction.

Russia 1815 and 1945

IT is almost a truism that the most severe test for any coalition of belligerents comes on the morrow of their victory over a common enemy, when the military links of their alliance weaken and old or new rivalries awaken. This is especially true after a war in which the downfall of the enemy thoroughly upsets an old balance of forces and creates a political vacuum, which each victor is inevitably tempted to try to fill to its own satisfaction. A historian writing on the aftermath of the Napoleonic wars described the diplomatic outlook in the years 1815-1818 in the following words:

... almost everywhere in Europe during these three years, their (i.e., Britain's and Russia's) policies apparently conflicted. The Czar, or at least some of his servants, engaged in multifarious activities which were in almost all cases hostile to Britain. There was a kind of diplomatic duel between the two countries which extended over a large area. At Paris they appeared to be rivals for the favour of Louis XVIII, at Madrid there was a fierce contest on which large issues hung, in Italy and Germany Britain supported Austrian influence against Russian, at Constantinople there were almost openly confessed divergences of view; the contest extended into Asia; and the struggle over Persia had already begun. It must be remembered that this was an entirely new part for Russia to play. Before the French Revolution she had appeared as a half-barbarous Power who had no relations with Western Europe. ... Now her influence was supreme and apparently increasing at half the Courts of Europe, and her agents were engaged in stirring up strife all over the West. No wonder, therefore, that many men accused the Czar himself of hypocrisy and trickery. His professions of Christian principles were thought to be merely designed to cover his far-reaching schemes of European domination.

To apply this entire description to the present relations between this country and Russia would probably be pushing the analogy too far. But the recent crises over Poland, Trieste, Austria and some of the other still brewing inter-Allied controversies inevitably recall the tense atmosphere in which Napoleon's victors quarrelled in the days of the Congress of Vienna. Even the words "hypocrisy and

trickery" have now and then been flung at Marshal Stalin; and here and there his professions of democratic, if not exactly of Christian, principles are being thought "to be merely designed to cover his far-reaching schemes of European domination." Yet the Congress of Vienna was followed by a very long period of peace between Britain and Russia. In spite of many tensions and conflicts between the two countries, only one minor and rather pointless war—the Crimean War—was waged between them for a century after 1815. Can it be hoped that the present controversies, too, will dissolve into a long, though perhaps not age-long peace?

After the defeat of the *Grande Armée* it was the expansive policies of Russia, then the greatest single military Power on the Continent, that bred the fear of Russia all over the Continent. Russian expansion was to be achieved at the expense of her own and Britain's Allies—Prussia and Austria, whose Polish lands Alexander I wanted to unite to his Kingdom of Poland. The secretiveness of the Czar's diplomacy, his tactics of taking his Allies by surprise, and his alternation of conciliatory attitudes and rude power politics caused confusion and embarrassment among his Allies. It is really striking how these traditional patterns have reasserted themselves in contemporary Russian diplomacy. On the Polish issue, for instance, Mr Eden might now well repeat the words spoken by Castlereagh:

The Emperor insinuated that the question could only end in one way, as he was in possession. I observed that it was very true, His Imperial Majesty was in possession, and he must know that no one was less disposed than myself hostilely to dispute that possession; but I was sure His Imperial Majesty would not be satisfied to rest his pretensions on a title of conquest in opposition to the general sentiments of Europe.

There are, however, essential differences between 1815 and 1945. In 1815 the Russians stood in Paris; at present their zone of occupation ends much further to the east—on the Elbe. A modern military occupation, on the other hand, involves incomparably more direct and comprehensive political control than any occupation did at the begin-

ning of the nineteenth century. Politically, if not territorially, the Russian expansion now tends to be less limited and less temporary. Its motives, too, are partly different. Czar Alexander was eager to uphold Russian prestige and national pride; he wished to be fêted as the chief victor in Paris. These same motives, undoubtedly, impelled Marshal Stalin to order General Zhukov to accept unconditional surrender from Keitel in Berlin. Besides prestige and national pride there was the Czar's anxiety to secure strategic benefits for Russia in Poland and in the Balkans. But here and there he had to contend with the strong resistance of the Austrian Empire, of Prussia and of the Ottoman Empire. Europe then was not quite the military vacuum which it is today if left to itself. And—finally—Alexander's policy of territorial acquisitions was, on the whole, not put forward as compensation to Russia for her own losses in the war.

In this last respect the present Russian policy is very different. This time there is a popular economic motive behind the Russian expansion. In order to understand the popular Russian mood behind Marshal Stalin's policy one ought, perhaps, to imagine what would have been the mood in this country if vast portions of it had been invaded by the enemy; if Britain had lost something like 8 to 10 per cent of its population in killed soldiers and murdered or starved civilians; if most of its coal-pits had been flooded and some of its most prosperous areas laid waste; if a very high proportion of its people—a fourth or perhaps a third—had been compelled to live in caves and earth huts; and if after all this the British people had succeeded in driving the enemy out of the country and in beating him down in his own land. Who can say with certainty that, after such sufferings and tribulations, even the British people, with their moderate temper and sober outlook, would raise no clamour for tangible compensation and would not fall a prey to some sort of irrational expansive dynamism?

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This is not meant either to excuse or to blame Russian policies; it is merely an attempt to understand them. Russian foreign policy has evolved throughout the war under the potent pressure of economic motives. Marshal Stalin's stubborn endeavour to widen the sphere of Russian influence is, apart from its strategic objectives, designed to enlarge the material basis for Russia's post-war reconstruction. This would, of course, imply that the countries now lying within the purely military sphere of Russia are to be associated with the Russian planned economy. The sphere of influence thus tends to become a sphere of economic and social upheaval in which the economic structures of the outlying lands have to become adjusted to the Russian system. To take one instance, the industrial area of Greater Upper Silesia with its rich coal mines and great metal-manufacturing capacity may well be regarded as a substitute for the destroyed Donbas; its productive reserves may speed up the reconstruction of the Ukraine. Hence Russia supports the claim for the incorporation of Upper Silesia into a "friendly" Poland on the basis of the "adjustment" of Poland itself to the Russian planned economy. This would undoubtedly constitute some departure from "Socialism in one country," the doctrine associated with Marshal Stalin's name, and its gradual replacement by "Socialism in the Russian zone." On the other hand, such a policy would seem to indicate that the hope for Allied credits and Allied co-operation in Russia's reconstruction is now no longer very seriously entertained in Moscow; and also that not very great hopes are set on the contribution which reparations from Germany can make towards reconstruction. Implicitly, the emphasis in Russian economic policy seems to be back on self-sufficiency and isolation, but on self-sufficiency and "isolation" within an area considerably wider than that of pre-war Russia.

The strategic motives and fears with which Russian policy seems to be riddled coincide with the economic aspirations. The whole effort of Soviet diplomacy is now concentrated on the creation of a vast defensive *glacis*, stretching from the eastern and central Baltic to the Adriatic sea. Stettin is to serve as the westernmost bastion

in the north, and Trieste in the south. Every territorial claim that may strengthen and widen the defensive *glacis* is sponsored and encouraged, no matter how justified or unjustified the claim seems to be by ethnic or political standards. The nationalisms of the small nations are stirred and kindled to the utmost. The Yugoslavs are encouraged to insist on the incorporation of Trieste and Carinthia. Austrian nationalism, too, must have its reward, and so the demand is raised that Austria should regain the whole of the Tyrol from Italy. Poland, pushed back beyond the Bug in the east, is to reach out for the Oder and the Neisse in the west, while Königsberg is to become purely Russian.

Against whom are these strategic bastions being erected? Germany, beaten and prostrate, can by itself hardly constitute any danger to Russia for many decades to come. The fear that seems to dominate all Russian policy is the fear of an anti-Russian coalition of which Germany might be the spearhead. One of two policies must spring from this fear. Russia must either attempt to destroy all German military potential so radically that even in a coalition with the West the German potential would be a negligible quantity, by modern technical standards. This conception underlay the Russian demand for a Carthaginian peace. Since the achievement of this purpose does not seem to be feasible—the reduction of the strongest industrial Power on the Continent to complete industrial impotence is, for physical and economic if not for political reasons, an almost impossible policy—the logical alternative to it is a policy designed to bring about, sooner or later, a link-up between Russia and Germany. No sober observer of the Russian policy towards Germany can fail to realise that Moscow has been exploring the possibilities of a switch over from the one policy to the other. Though such a switch-over may be dictated by the logic of Russian foreign policy, its practical execution undoubtedly presents very great difficulties. A policy of some reconciliation with defeated Germany would have to bridge over a terribly wide gulf between the two countries, a gulf created by the unspeakable horrors of the war in eastern Europe. The events of the last days of hostilities, when guilt-conscious and fear-stricken masses of Germans surrendered to the western allies, but not to the Russians, threw a glaring light on that gulf. To start an effective policy of reconciliation the Soviet Government would now have to overcome a strong psychological resistance in Russia itself; and it could hardly dispel the deeply rooted German fear of Russia otherwise than by a rather over-generous treatment of the defeated foe.

The final choice of policy has probably not yet been made. The more determined and unrelenting has been the Russian effort to organise the absolute Russian hegemony in all the countries of the "middle zone" between Russia and Germany. That this effort is being made in more or less open disregard of the policies of the western Allies and of the sentiments prevailing in their countries, and even in disregard of ordinary politeness, is quite obvious. The style of Russian policy is marked not only by fear, but also by something of that "dizziness from success" for which Marshal Stalin has sometimes blamed his closest associates and followers. The two moods—fear and dizziness from success—are not likely to be the best advisers to the makers of Soviet foreign policy.

Inter-Allied diplomacy is now opening a new chapter which will undoubtedly be filled with the political conflicts, the pressures and the counter-pressures which inevitably accompany the creation of any new world-wide political balance. Never before have the statesmen and diplomats of any coalition been confronted with a task so prodigiously difficult as the one with which the Allied leaders have to cope now. The sources of tension and the potential storm centres are scattered all over Europe. Clarity of thought and a careful choice of ends and means are now as urgently needed in the field of diplomacy as they were needed in military strategy when the defeat of Germany was being planned and prepared. Coping with a similar task in 1815, Castlereagh used to say that "the climate of Russia is often the more serene after a good squall." We are quite obviously in for a few "good squalls." Let us hope that, after that, the climate of Russia will become "the more serene."

NOTES OF THE WEEK

Big Three Again ?

There are hints and rumours of a Big Three meeting. Little resulted from the Yalta Conference, and it is not easy to say whether a new Conference at this stage would have a more positive outcome. Yet the three Great Powers have so obviously drifted into a crisis of confidence that possibly a meeting of their heads of state might persuade Stalin that his friends are not preparing a stab in the back and the Western Allies that Russia is not planning to fill Hitler's vacuum with its own New Order.

All the crises of recent weeks—Poland, Trieste, Carinthia, Ruthenia—bear the marks of fear. Distrust on each side is breeding more distrust, and the outcome of distrust is "protective" action, which can look dangerously close to provocative action. The virtual incorporation of Europe east of a line drawn from Stettin to Trieste into the Soviet system is a function of the Russian Government's waning confidence in Western co-operation. But this whole strategy makes it more certain that the Western Powers will draw still further away from Russia.

Can anything be done to arrest this fatal drift? The question of a German Administration is still unsolved, and the possibility of two rival German Governments—one Russian-sponsored, the other backed by the Western Allies—could split the alliance wide open. For this reason alone, a new meeting of the Big Three is essential. It will, however, achieve a real success only if the British and American leaders have a firm policy of their own.

No Darlan for Germany

For a long time now it has been obvious that trouble would brew for the Grand Alliance if they allowed a "Lublin" situation to arise in Germany, with two rival governments. It can be disputed whether at first any central administrator ought to be appointed, difficult as it would be to carry on military government without a German civil authority. But if there is to be a central administration obviously it must fulfil two conditions. It must be acceptable to all the occupying Powers; and it must be entirely non-Nazi and non-military.

It is therefore good news that the self-styled Fuehrer, Admiral Doenitz, is being held both as a prisoner of war and a war criminal and that the British and the Americans have at no time recognised his government, which contained confirmed Nazis such as Speer, Backe and Seldte, and represented a coalition of Nazis and high military officials. The team was so obviously unacceptable that one may well ask why its pretensions were not immediately denounced.

It is, of course, possible that in the general confusion of surrender, the German generals and their Nazi allies were able to attempt a peculiar and grotesque *coup d'état*, seizing a non-existent state with the aid of a non-existent army. If so, the problem still remains why an immediate denunciation did not come from Shaeff. General Eisenhower was quick to prohibit fraternisation between his own officers and captured German generals; but the Doenitz issue was far graver and should have been more promptly denounced. The sudden visit of General Eisenhower and Field-Marshal Montgomery to London suggests that new political directives had to be issued at the highest level.

The whole incident throws a disturbing light on the political advisers now attached to Shaeff. The responsibility for tendering advice on non-military matters rests with Mr Ivone Kirkpatrick and Mr Robert Murphy. It is only a presumption that they did not immediately warn General Eisenhower of the very grave dangers inherent in any leniency towards Doenitz's claims. Yet Mr Murphy's connection with the Darlan episode is not altogether irrelevant. The excuse made in London for the failure of the British and American Governments to denounce Doenitz was that by appearing to accept his authority, they would be able more quickly to secure the surrender of the remaining German U boats. This very much resembles the basic argument of Darlanism—that a temporary military advantage is worth a disastrous long-term political risk. Such an approach betrays a disturbing failure to grasp the under-

lying ideological issues of the war. To accept ex-Nazis and war criminals in any official capacity is to take the heart out of the non-Nazis, to disquiet all the Allies and even to encourage the Russians to launch an experiment with a Paulus or a Seydlitz of their own. Only a really stupendous military advantage would be worth such a risk. Today, no such advantages remain.

Mr Churchill on Ireland

Almost the only passage of Mr Churchill's broadcast that could be regarded as at all controversial was the passage relating to Eire, and people have naturally been asking what can be happening behind the scenes to justify it. The probability is that nothing is happening behind the scenes, and that the Prime Minister was merely giving expression to the universal sense of outrage at Mr De Valera's egregious act in offering formal condolences on Hitler's death.

Mr Churchill's approach to the Irish matter (it is no longer an Irish problem) was that of the great majority. The high indignation of 1940-41 had somewhat died down under the double influence of the gallantry of individual Irishmen and of the element of benevolence in the official Irish policy of neutrality which grew larger as it became more evident which side was going to win. But any softening produced in this way has been wholly cancelled out by a single act of ceremonial foolishness. What is left is a feeling of relief that it was not ever quite necessary to lay hands on Eire, a hope that it never will be, and a profound thankfulness that Northern Ireland remained part of the United Kingdom. This last feeling, it should be noted, is shared by the great majority of former Home Rulers, and it has nothing at all to do either with admiration for the Orangemen or liking for their party dictatorship.

By their official behaviour in these last few years, the Southern Irish have thrown away any chance they had of enlisting English support for putting an end to Partition. In fact, they have probably thrown away the power to stir any English interest in their affairs. If ever a country wanted complete moral isolation, none can ever have been so successful in achieving it. And since that is what Mr De Valera has always said he wanted, everybody ought to be happy. The lifting of the censorship in Eire will give the Irish people an opportunity to find out whether they really like their position in the world.

Issues Before Labour

Contrary to general expectation, Mr Churchill did not drop any hint about the date of the General Election in his broadcast speech on Sunday. He may not have wanted to drag controversy into his review of the war, or it may be that no decision has yet been reached. But the parties are still left very much in mid-air, and it would certainly be awkward for the Labour Party if it met in conference on Monday without knowing if it has four weeks or four months in which to complete its election preparations. This, indeed, may be part of the Tory calculation, and by no means unfair, as the Labour Ministers have it within their power to postpone the election by staging a stay-in strike and simply remaining in office.

Whether the election is held in July or October, however, this year's Whitsun conference will certainly be the last party conference before the election, and the discussions will inevitably be concerned mainly with election policy and plans. It seems doubtful if the question of electoral agreements with other parties against the Conservatives will even be raised at Blackpool, for, under the three-year rule, this issue, which was apparently settled at the December conference, can be ruled out of order. But certain events in recent weeks will strengthen the hand of the advocates of "Left unity." There was the success of the Common Wealth candidate at Chelmsford, a seat which will undoubtedly revert to the Conservatives, if, as is now threatened, Labour, Liberal and Common Wealth candidates all stand. Then there was the resolution carried by the Distributive Workers' union, which has a high proportion of membership affiliated to the Labour party, in favour of electoral

agreements, and the results of a Gallup Poll, showing a large majority in support of a Popular Front. Lastly, the decision of the Labour candidate at Bridgwater not to oppose Mr Vernon Bartlett because of his progressive views, has just been made known. But there is no real reason to suppose that the adamant refusal of the Labour Party machine to contemplate anything of the sort has been in any way weakened. The party has always put purity above success in the past, and still does so to-day.

The Labour Party conference agenda itself seems dull and gives very little indication about what the main issues at Blackpool will be. Partly because of the slow working of democratic procedure, many of the resolutions on the agenda have already been out-dated by the European victory. But, apart from the election, which will be the main issue, two matters, not on the agenda, should provide copy for the journalists. One is conscription. Labour Party and trade union leaders discussed what their attitude to conscription should be after the end of the Japanese war at a special meeting last week and, according to reports, there is by no means unanimous support for Mr Churchill's announcement that conscription will continue. The other matter, rather more personal than political, is Sir Walter Citrine's outburst against Mr Attlee at San Francisco. This is regarded by many Labour people as a gaffe and an unfortunate indication of cleavage so near to the election. But Sir Walter, however egregious he may be, is rather too eminent in the movement to be publicly rebuked.

Party Programmes

The Conservative Party machine is also getting into condition. It has already produced 480 prospective candidates, and hopes to find 120 more before the election. The Conservative Party's programme, on the other hand, is still lamentably vague. Its latest exponent, Mr Oliver Lyttelton, speaking at Exeter on Friday of last week, produced a draft plan of campaign that had no more cohesion than an old-time music-hall poster. The starred item was Mr Churchill. He was supported on the bill by Private Enterprise with Minimum Control, Healthy Agriculture—"it eases from day to day the burdens which the need to import food imposes on us"—Vigorous Export Policy, Social Insurance, Financial Stability and a chorus of protest against the theme of Nationalisation.

All this repetition of general aims and objects—many of which might have been lifted from Socialist declarations, though different methods are proposed—is disappointing. Perhaps the Conservatives intend to remain unstudiously vague about their policy and to rely entirely on the superior attractions of their leader. If so they may be underestimating the intelligence and temper of the electorate. There have been abundant signs in recent months that Socialism—even of the visionary brand—is much more palatable to a war-weary public than tentative Conservatism. So is it too much to hope that the Conservative Party will produce a really workable plan of campaign before the election?

In his capacity as Minister of Production, Mr Lyttelton was more revealing. He said that some peace production could begin immediately not because the defeat of Germany brought British commitments to an end, but because it is physically impossible to bring the full power of the 5,000,000 munition workers mobilised for D-Day to bear on the Japanese. The very distance of the Japanese theatre of war makes total war mobilisation in Britain both unnecessary and impracticable; and here, as in America, redundant labour can be set free immediately to tackle the first of the manifold problems of reconstruction.

Trieste and the Powers

The question of Trieste is one more instance of the tension between the Great Allies. Locally, it is a dispute between Italy and Yugoslavia. Internationally, it represents a cleavage in Great Power policy, the Russians encouraging Marshal Tito to attempt a unilateral solution by force, the British and the Americans supporting Signor Bonomi in his temperate appeal that the question should be solved at a Peace Conference after the election of free Governments in both Italy and Yugoslavia.

There can be no question that in this instance the Italian, British and American Governments represent the way of sanity and moderation. Responsible opinion in Italy admits

that changes must be made in favour of the Yugoslavs along the frontiers of Venezia Giulia. Many Italians would accept an autonomous status for Trieste, resembling the settlement of the Danzig question. What is inadmissible to all save the Italian Communists—who are badly out of step with Italian opinion—is that Marshal Tito, by marching his Yugoslavs into Trieste and bringing into the city Croats and Slovenes from the surrounding countryside, should seek to annexe Trieste and to put 140,000 Italians under 40,000 Slovenes without reference to Italy or the Great Powers.

At present the situation is frankly unsatisfactory. The Yugoslavs control and administer the town of Trieste and have forced the Italians into quiescence and even hiding. British troops fully control only the harbour. It is imperative that the Allied armies—with Yugoslav representation if necessary—should at once extend their control to the whole area.

Friction in Austria

Carinthia has the same social and ethnic structure as many other Central and East European lands, and presents a similar problem. The dominant race—Poles in East Poland, Italians in Venezia Giulia, Austrians in Carinthia—form the landlord class and the great majority of the urban population. In the countryside dwell the Slav peasants—Ukrainians and Slovenes. It is this sharp social and ethnic division that makes so difficult the clear drawing of national frontiers or the sorting out of racial claims and counter-claims. The final solution tends to represent the relative balance of forces in Europe at the end of any particular struggle; to forecast accurately the settlement in any disputed area, it is necessary to know not only local conditions, but how deeply the interests of the Great Powers are implicated, and to what extent they are ready to force the issue.

In Trieste, the line between Russian and Western pressure and Yugoslav and Italian policy is easy to determine. In

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Carinthia the position is much more confused, for Austria as a whole is at present an area of pressure and counter-pressure between the Great Powers. The Allies still do not recognise the Renner Government, and there are disquieting rumours that they are playing with the idea of an alternative administration under Schuschnigg, the former right wing Chancellor of Austria. In Graz, in the British zone, a "pro-British" Government was set up before occupation, with local Socialist and Catholic backing. Then the Russians occupied the city, and no more was heard of the new administration. Finally, in Carinthia, Marshal Tito, who seems to be acting rather as the Russians' agent, is claiming the whole area, on account of its Slovene peasantry, and has put troops into Klagenfurt alongside the British occupying forces.

These dangerous complications cannot be solved locally. The proper solution is the formula proposed for Trieste—settlement at a peace conference, after free elections in both countries. A plebiscite successfully settled the frontier issue in Carinthia after the last war, when 60 per cent of the people in the most Slovene areas of Carinthia voted to remain in Austria, and against inclusion in the new Yugoslav state. The relative attractions of the two countries may have slightly shifted since then; but local plebiscites will occur only as a result of Great Power agreement. The first necessity is then to redetermine the zones of occupation, and then to arrange for an impartial control until a plebiscite or some other method of final demarcation can be fairly arranged. The alternative is perpetual friction, and even the outbreak of local war.

Coal Questions

Victory celebrations, European politics and demobilisation have tended to obscure the fact that the nation is once more faced with a serious coal crisis. It is now plain that there cannot be a debate on coal until after the Whitsun recess—and not before it, as had originally been intended. Whatever the reasons the delay is deplorable, because the speed of reconstruction both at home and in Europe depends largely on the measures which can be taken immediately to restore British coal production. It is now nearly two months since the Reid report was issued, and the House of Commons has not yet had an opportunity to discuss it. It is true that the report is concerned with long-term rather than with short-term solutions. But a start must be made, and the longer the delay, the less likelihood is there that a coal shortage can be avoided this winter.

It seems that the sub-committee of owners and miners, which was set up last winter, jointly to investigate the causes of falling output, has fallen into abeyance. The committee met at Christmas, and then purely formally, though a second meeting is now planned. It may be that things have gone too far for this kind of approach to be of any value—in any case, the chances of successful co-operation would seem to be slight—and that nothing short of drastic Governmental action will produce any results.

Some indication has, however, been given about the manpower situation. The Bevin ballot has now been suspended, and youths will no longer be directed to the mines instead of the Forces, though they will still be allowed to opt. Few tears will be shed at the passing of the Bevin boy scheme, which has not been one of the most successful episodes of the war, though it is claimed that the 20,000 Bevin boys in the industry have enabled 11,000 men to be upgraded to the coal-face. Bevin boys already at work will be treated like other boys in military service, and will be released with their age and service group. The Government has decided to direct a number of miners under Class B to underground mining, and it is also probable that a considerable proportion of miners, who joined up in 1940 and are likely to be in the older age groups, will be included in the first Class A groups to be released. To maintain, or even to increase, the number of men in the industry is, however, only one side of the problem. It is equally essential to increase the output of each man. Until the thorough technical and organisational reform advocated by the Reid Committee is put into operation, the coal problem will be as far from solution as ever.

Training Building Labour

Details of the Government's scheme for training adult able-bodied men, for the building industry, on their release from the Services, have now been announced. After six months' training at a Government centre, during which

maintenance allowances will be given, there will be fourteen months' practical training, on actual building work, during which wages slightly below the normal skilled craftsman's rate will be paid. After these twenty months, trainees will be accepted by both sides of the industry as skilled craftsmen.

The Government's aim is eventually to train 40,000 craftsmen a year under this scheme, though there is some likelihood that the rate of training will be slowed down because of a shortage of instructors. The Ministry of Labour is therefore appealing for qualified teachers to give instruction at the Government centres in the seven main building crafts.

This special, short-period training is entirely separate from the ordinary long-term apprenticeship scheme, under which it is proposed to train 25,000 apprentices each year, in order to offset the wastage among building craftsmen, and to maintain a proper proportion between labourers and craftsmen. This scheme, too, may suffer from a shortage of instructors, and special arrangements for increasing the number of teachers both for junior and senior courses are now being worked out between the Ministry of Works' Building and Apprenticeship Training Council and the education authorities.

If the intended rate of recruitment and training under these two schemes is achieved, it would mean a net addition of 65,000 craftsmen annually. The Government's aim is to expand to 1,250,000 men the permanent size of the building labour force, which is now down to about one-third of its pre-war size. There is obviously a danger that an inflation of the recruitment rate to accord with this target, and to meet the pressing needs of the industry, might be succeeded by an equally drastic deflation, with consequent unemployment. In this process, the ex-Service men, who entered the industry by the special channels, and not under the apprenticeship schemes, would probably be the first to suffer. It might, therefore, be wiser, even at this late hour, to scale down the programme of recruitment to more manageable proportions, so as to ensure that those who do enter the industry can look forward to some stability and continuity of employment.

The exceptional plans to use prisoners of war on non-constructional work, such as road-making, sewerage and site clearance, do not, of course, affect the issue, since they will not represent any permanent addition to the building labour force. Nor is there any question of German prisoners being used as cheap labour. They will be paid trade union rates; the money will go to the War Office, which will deduct the cost of feeding and billeting, leaving the prisoners with 1s. for an eight-hour day for skilled and 6d. for unskilled workers, as laid down in the Geneva Convention.

Ordeal by Water

Britain is plentifully endowed with natural resources of water, both above and below ground, yet its urban dwellers have several times in the past few years been threatened with the danger of drought, while at least a seventh of all rural dwellers lack any proper supply at all. A start has at last been made towards improving this deplorable situation. The Rural Water Supplies Act of last year provided £21 million of public money for the extension of piped supplies to villages and hamlets. The more ambitious Water Bill, which has now completed an unspectacular course through the Commons, will set in motion an elaborate and exhaustive survey of the nation's water resources of all kinds. Both money and research are clearly important; but the reorganisation of distribution, which the Water Bill is also concerned, is far more important and has been handled far less satisfactorily.

The basic problem here is the excessive number of supply undertakings and their lack of co-ordination. As long ago as 1908 a Royal Commission saw complete centralisation of distribution as the only workable solution. The Water Bill goes so far as to enable the Minister of Health to amalgamate supply undertakings, to force one undertaker to sell bulk supplies to another, and in the last resort to deprive of its powers any undertaking which does not furnish a satisfactory supply. But experience has shown that powers of this type are always sparingly used; and in this case the number of statutory undertakings is so great—there are over 1,000—that a few piecemeal changes, however useful, can do little to energise the system. It should not be assumed that private water companies are the main stumbling-block. In most cases local government areas are quite different from, and smaller than, the natural catchment

area; yet only about 50 joint boards have been formed, while over 700 local authorities continue to organise their supply independently. Such a situation leads to overlapping and misuse of available resources, and stands in the way of the development of a national water grid. The Water Bill will enable the nation's resources to be ascertained and to be protected from pollution; but it will go only a little way towards seeing that they are fairly and efficiently distributed.

My Brother's Keeper?

The Foreign Secretaries of the Four Great Powers have left San Francisco. They have achieved a measure of agreement on a number of points—for instance, the representation on the Council of the Middle Powers—but two important issues are still unsettled—the relation of regional pacts to the general security organisation and the problem of trusteeship.

Unfortunately the handling of these two topics does not bode well for the spirit in which the Powers are to work their international system. That each should fight to defend its own interests is understandable and was to be expected. What is really alarming is the anxiety of each to counter and thwart the interests of others. In the discussions on regional pacts it soon became clear that while the Latin American republics were anxious to exclude the Act of Chapultepec almost entirely from world supervision, they were strongly in favour of close supervision of alliances and regional blocs elsewhere. Similarly, the Russians attacked Chapultepec while defending their security pacts in Eastern Europe. Will the result be a system devised to supervise all regional arrangements closely, save those worked out by the Americas and the Soviets—in other words, to supervise the British Empire and Western Europe?

On the question of trusteeship, the United States is in essence endeavouring to tighten up very much the international supervision of mandates, and at the same time to exclude from supervision any mandates it may secure for islands in the Pacific. The Americans' desire for a free hand is understandable, but why should they try at the same time to tie both hands of the older mandatory Powers?

From the reports available, it is not easy to make a clear picture of the British attitude, but it seems that on the question of trusteeship the British delegation has very largely accepted the Americans' proposals and thus completely failed to make clear to them how inconsistent and illogical their position is. Mr Eden has earned praise for his work as negotiator and oil-pourer. But is honest brokerage always enough?

France Looks for Trouble

It is right that the British and the American governments should be concerned at the Yugoslav attempt to impose a unilateral settlement on Trieste. It would, however, reassure public opinion at home—and possibly a watchful Russian Foreign Office—if they were equally emphatic in checking what begins to look like an unworthy manoeuvre on the part of the French. On the frontiers of Northern Italy, in an area already completely freed of Germans, largely by the Italian partisans themselves, the French have set up an AMG—in the valley of Susa and Aosta—which is apparently being used as a cloak for straight annexation. Similar happenings are reported from the Riviera. The inhabitants are being asked to state the preference for French or Italian nationality, and the issue of a ration book is dependent on the right choice. Italian officials are being dismissed, French currency introduced and there are even reports that the large electricity stations in Val d'Aosta are being modified to switch the current from Italy to France.

The French explain their peculiar activities by saying that they are not bent on annexations, but that they were not signatories of the Italian armistice, do not feel bound by it and, while deferring frontier questions to the peace conference, must take precautions "against an Italian attack."

Such explanations ring singularly hollow after twelve years of Nazi diplomacy. It is tragic, indeed, that General de Gaulle should feel compelled to re-assert the greatness of France by methods which can only undermine it.

Emergency and Transitional Powers

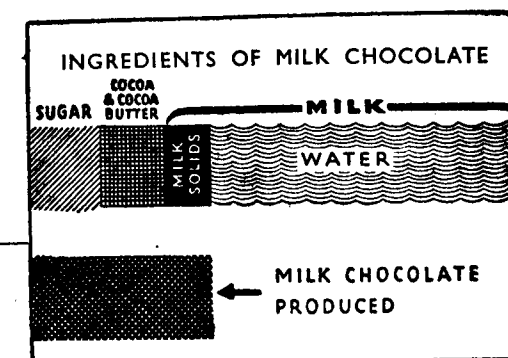
The Order-in-Council revoking certain defence regulations, which had not been published when *The Economist*

went to press last week, is now available (SR and O 1945 No. 504). Altogether 84 of the Defence (General) Regulations 1939 have been wholly revoked, and 28 more partially revoked. Among the more important ones not mentioned in last week's Note (page 629), are Regulation 1 AA, making it illegal to incite workers in essential services to strike, which was severely criticised when it was made in April, 1944; 18 AA, giving power to control and wind up organisations subject to foreign influence or control or whose controllers are associated or in sympathy with a hostile government; 29 A, giving the Ministers concerned power to coordinate and control certain civil defence functions of local authorities; 38 A, imposing the death penalty for looting; 94 B, giving power for the seizure of printing presses used by newspapers publishing matter prejudicial to the war effort; and the regulations enabling very wide powers to be given to Regional Commissioners. In addition, several of the special sets of defence regulations have been revoked in whole or in part. These include the Defence (Fire Guard) Regulations of 1943 and the Defence (War Zone Courts) Regulations of 1940.

The Emergency Powers (Defence) Acts, under which these regulations were made, and could be re-made if necessary, are still in force. So, too, are the vast majority of the regulations made under them "for maintaining supplies and services essential to the life of the community." In particular, these include the regulations giving the Government virtually complete powers over industry (54 C and 55) and over the services of every man, woman and child in the country. To what extent, and for how long, such economic controls will be necessary after the end of both wars is not known, but a Bill introduced in the House of Commons last week—the Supplies and Services (Transitional Powers) Bill—enables any of the regulations imposing such controls to be used, not only for the prosecution of the Pacific war, but also for the equitable distribution of supplies and services at fair prices, for facilitating the readjustment of industry and commerce to peacetime requirements, and to assist the rehabilitation of Empire and foreign countries that "are in grave distress as the result of war."

No new defence regulations can be made under the new Bill, which is to remain in force for two years in the first

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place and will then be renewable for a year at a time; but existing regulations can be adapted for the new purposes. It is further provided that Parliament may have forty days in which to annul a regulation, instead of the twenty-eight allowed under the Emergency Powers Acts, and that in future every subordinate Order made under all defence regulations shall be placed before Parliament and be subject to annulment.

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The second reading of the Bill should give Mr Morrison an opportunity to indicate which of the defence regulations it is intended to retain. The position of the Defence (Finance) Regulations, which are apparently not included in the powers given by the new Bill, also needs clearing up. Another dubious matter is the position of civil servants. Sir John Anderson announced this week that a new regulation—58 AAA—will prohibit any whole-time civil servant under the age of 60 from leaving his employment except with the consent of his, or her, Department or of a National Service officer. This, he said, will have the effect of bringing the non-industrial civil service into line with undertakings scheduled under Essential Work Orders. Does this mean that, in accordance with one of the provisions of those Orders, the persons coming under them must be paid the rate for the job—in other words, that temporary civil servants will henceforward be able to claim the same salaries as their permanent colleagues?

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Colonial Minerals

It is regrettable that more publicity should be given to the somewhat theoretical questions of trusteeship and mandates at present being raised at the San Francisco Conference than to the far-reaching question of colonial minerals debated in the House of Lords on Tuesday. The debate turned largely on the ownership of mineral rights, and three out of the four speakers urged that in all the colonies they should be vested in the state. This is not a matter of political theory. The colonies are poor; their minerals are one of their few rich assets—in Northern Rhodesia, in 1938, mineral exports accounted for 99 per cent of total exports. Yet only a small proportion of this rich but wasting asset accrues to the colonies in the form of wages or taxation. If the mineral rights are vested in the state, at least it will be able to collect royalties on concessions worked—in Northern Rhodesia, royalties are paid to the British South Africa Company, which owns the mineral rights, and amounted sometimes before the war to a sum equal to the wages paid to the Africans employed on the mines.

It is true that there would be no financial gain where existing mineral rights are bought by the state, which would have to pay compensation. But there might well be other less calculable gains. How, for instance, can a government develop its territory if it has no say in what minerals are to be exploited? There are instances of unworked bauxite deposits in the colonies, and it could be made a condition of the grant of a concession that the concessionaire should show good cause why the concessions were not being developed. The new Nigerian mining ordinance vests the ownership of all minerals in the Government and provides that a lease cannot be granted for more than 21 years. A similar ordinance might well be made throughout the colonial empire, at least in respect of future mineral rights, and the advantages and disadvantages of buying out existing owners of rights should be thoroughly investigated. It is no answer for the Colonial Office to claim that local governments now supervise labour conditions in the mines or for the mineowners to claim that the welfare of their labourers is properly provided for. The point is that mining operations, particularly in Africa, have very far-reaching consequences on the economy and social conditions of a colony, and colonial governments ought to have some control over them from the beginning.

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Food Cuts

The end of the European fighting had given rise to the irrational hope in some quarters that food rations in this country would somehow be increased. Perhaps the almost immediate announcement of the restoration of the basic petrol ration was fuel to this hope. Now, once again, it has been denied that any increase can be expected; and more, Colonel Llewellyn's statement last Tuesday makes it plain that there will be even less food than before. The facts are

simple enough: the United Nations, now that the war in Europe is over, have more mouths to feed and the last year of war has produced poorer harvests almost everywhere.

This country has been well enough fed during the war to maintain its health unimpaired. During the last eighteen months or so it has been possible even to increase the variety of its diet. In view of this, it is scarcely too much to expect that as a thank offering some further sacrifice should be made to help feed the unfortunate peoples of Europe. The greatest shortages are in meat, fats, dairy produce and sugar. Of these foods a reduction in fats would probably be the greatest hardship in Great Britain, but if there are others receiving even less than the 8 oz. ration current here, a more equitable balance must be found. The time has come—indeed, is overdue—when there should be laid down a minimum standard of diet below which no dweller in a liberated country should be expected to fall.

At the same time, the best hope for the adequate feeding of the world is to increase food production. Demobilisation and repatriation will help. In addition, machinery, fertilisers and other agricultural equipment must be sent as speedily as possible to those parts of Europe which can make best use of them.

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Petrol

The promised restoration of the basic petrol allowance, described by Mr Churchill as this "modest indulgence," has given unmitigated satisfaction to a public long inured to the irksomeness of war transport. This consolation is more important as a foretaste of the comforts of peace than as a mere relaxation of control. The return of the civilian car will greatly ease the daily burdens of fetching and carrying, and journeys by train and bus will become less of a scrimmage. But the return of the tradesman's van will do most to please the long-suffering housewife. During the war Shanks's pony has done yeoman service. It has suffered under every scheme to "rationalise" retail distribution. Now it is to be afforded a measure of relief.

Before the trickle of petrol becomes a flow there will be many repairs and renewals to be effected. For a long time the breakdown gangs will be busy. But this may be a blessing in disguise. It would be courting disaster on the roads to allow transport to switch over suddenly to the conditions of 1939. In five years the nation's road sense, never conspicuously good, must have suffered serious deterioration.

Shorter Notes

During the committee stage of the Family Allowances Bill last week an amendment was passed making the allowance payable to the mother.

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The Government order for the purchase of 50,000 temporary aluminium houses will enable large quantities of "secondary" and scrap material left over from war production to be usefully employed. Orders may be placed eventually for permanent aluminium houses.

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A Note in *The Economist* last week (page 628) discussed the case of *Kemp v. Minister of Pensions*. It was announced in the House of Commons on May 10th that Mrs Kemp, widow of a merchant seaman, who was killed in circumstances that did not entitle her to a war pension, has been paid by the shipowners the full amount that would have been paid under the Workmen's Compensation Acts if her case had fallen under these Acts. This gratuitous payment does not invalidate the statement in the Note that the facts disclosed an unfortunate loophole in the Pension Acts. But it is satisfactory to know that in this particular hard case justice has been tempered by generosity.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, and this may mean a gap of many months before the despatch of copies can be resumed.

AMERICAN SURVEY

The New President

(From Our Washington Correspondent)

WITH the passing of the first shock of that mid-April week-end when Franklin Roosevelt died, it was as if on the screen of American public life a newsreel, done in black and white, had succeeded a feature done in technicolor. The audience is still mostly interested in identifying people. The cast of the feature were well-known stars. The newsreel does not even have the same clarity of focus on the central figure. And there is no indication at all as to who are those men on his right and on his left.

What is going on? The drawing of past parallels has, of course, been busily undertaken. Johnson and Coolidge are the two Vice-Presidents-become-Presidents on whom most interest has centred—the former as successor to the only other President to die in wartime—also in mid-April—with a reconstruction period ahead; the latter as another rural townsman whom fate suddenly touched.

Neither parallel is very compelling. The hatreds that descended with Lincoln's office do not seem to be part of Mr Truman's inheritance. Part of the strength that he brought to the Vice-presidential nomination last summer was the Truman Committee's critique of the administration—by taking him in, the ticket came as near as the American system permits to including the opposition in the government. Moreover, Roosevelt as a war leader commanded wide respect across the country; during the war years the New Deal had very largely withered away, and upon occasion been thinned out; and Roosevelt's post-war programme, unlike Lincoln's, had not been sufficiently defined, particularly in its domestic aspects, to become the centre of controversy.

The Coolidge comparison is closer; both men share the background of small town life in a not-too-prosperous agricultural setting. Both came up, politically, the regular way; neither, before entering the Presidency, had very broad acquaintance with the other main features of the national life, nor with the world abroad. Yet the slogan "Keep Cool with Coolidge" seems unlikely to be revived in some such phrase as "Be True with Truman." Political non-participation in the economic process is generally agreed to be impossible at home; and to foreign correspondents who were recalling Coolidge's famous monosyllables about the World War I debts, Mr Truman's endorsement of the Bretton Woods idea at his first press conference came as something of a correction.

For the international documents that are currently in the works—Bretton Woods, Civil Aviation, Food and Agriculture, Dumbarton Oaks—there could probably have been no more favourable development than Mr Truman's taking office just at this time. However much the distance from Capitol Hill to the White House may lengthen as time goes on, for the present it will be only five minutes by taxi, and no one will have forgotten in which direction the first trip was made. The fact that the new President's immediate friends are politicians—and they come from both sides of the aisle that divides the parties—gives new content to the words "advice and consent"; more than for a long time, the advice is likely to be sought, and the consent to be given.

In this connection, the name of Jimmy Byrnes has been the subject of almost as much talk as that of Mr Truman himself. It is highly likely that Mr Byrnes, the ex-Senator, the ex-Supreme Court Justice, the ex-Director of the Office of Economic Mobilisation, the ex-Assistant President, is by no means at the exit of his career as a politician. As one of the chief American repositories of the Yalta conversations—he took shorthand notes—he has a short-term value to the new President comparable to that of Mr Harry Hopkins. But he was hardly a member of the inner circle of the Roosevelt intimates, as was shown by his resignation shortly before the late President died; and unlike them, he will probably not pass from the scene as soon as President Truman has been briefed. If, after the fruits of San Francisco have been gathered and presented to Congress, Mr Byrnes should become Secretary of State, he would achieve, in the line of constitutional succession,

the Vice-Presidency that he thought was to be his when he went to Chicago to the Democratic Convention last summer—and he would have achieved it in a position where he could exercise concurrent power.

Over the longer term, comparable interest may well attach to the relations between the new President and the other contender for the Vice-Presidency last summer, now Secretary of Commerce, Henry Wallace, or if not to the relations between the two men, at least to the relations between the President and Mr Wallace's following, whose representation in the Congress is not proportionate to its strength in the country. The Democratic Party cannot win in 1948 without labour support.

Mr Truman's labour record is all right—it was, in fact, what made him "available" for the Vice-Presidency last summer, bridging the gap between active forces of the labour unions and the position of the politically vocal South—what has been called the Second Missouri Compromise. In many cases the findings of the Truman Committee (under the able direction of its counsel, Hugh Fulton, who, if he does not actually join the President's official family, is at least likely to occupy the unofficially powerful place that Tommy Corcoran filled in Roosevelt's kitchen cabinet) shed a light on dubious business practices that were grist to labour's mill.

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Mr Truman's political regularity is well known. His advancement from office to office has been accomplished with the nod of the party organisation, and his nomination at Chicago could not have been secured if the full weight of the party organisation—personified by Mr Robert Hannegan, who will be to the Truman Administration what Mr Farley was to the New Deal—had not been thrown against Mr Wallace. There is every reason to suppose that the new President's regularity will continue.

But the determination of what is political regularity can hardly fail to pile problems on the Party—and eventually the executive—desk. If the new President has not too clearly inherited either the friends or the enemies of his predecessor, he will certainly not be denied opportunity to make plenty of his own when—not too many months from now—the announcement of post-war economic programmes becomes necessary.

During the new administration, how much success will pressure groups have in diffusing the exercise of economic power? With how much success will the new President, so clearly aware of the necessity of "going along" with Congress and its individual members, fill the post of representative of the national interest as over against special interests that constitutional practice attaches to the Chief Executive? The formation of policy on international trade (beginning with the extension of the reciprocal trade agreements Act on which hearings opened the week he took office), will bring pressures on him in one form. The specifics of domestic reconversion, beginning with VE day, will bring them in another. With how much imagination, and how much force, can he approach the stabilisation of the American economy at a high level—the job that will have as much effect on world welfare as all American foreign policies rolled together?

If the possible diffusion of economic decisions under the new administration is causing some searchings of heart, a parallel decentralisation of political capacity may be of considerable advantage in 1948. The stature of the late President, from the time the country rallied to his first inaugural speech, tended to overshadow other men. As the years went on, and the original New Deal crusaders got tired or were discarded, the men in public life tended to be the men who grouped themselves congenially around the central figure. In such circumstances, succession tends to come by designation rather than by competition.

With the better part of four years to go, there is a chance for a plurality of leadership and a correspondingly

healthy rivalry in the Democratic party to manifest itself. There will be time for the Truman administration's record to be established and judged. Two Vice-President-become-Presidents have subsequently been chosen Presidents at the polls. But Mr Truman will be 64 in 1948.

The good words for the new man that are being said in private in rather exceptionally varied quarters can be interpreted in different ways. They can be attributed to a desire for normalcy, gratified, this time, even before hostilities are over. They can be due to belief that work can now be begun on a substructure of political life that was in need of replacement. They can be due to a feeling that life is accurately reflected in newsreels—at any rate, it seems likely that from now on there will be more occurrences, fewer events.

American Notes

Truman Progress Reports

Political observers are still weighing each appointment Mr Truman makes, each political move he takes, still trying to evaluate him, his strength, and the nature of the opposition he will face. In nominating Mr David Lilienthal to head the Tennessee Valley Authority for another nine years, the President has demonstrated that his invitation to Senator McKellar, of Tennessee, President *pro tempore* of the Senate, to attend Cabinet meetings, does not mean agreement with his views, for the Senator has spent a good part of the last decade bitterly opposing the TVA as an autonomous project, and trying to get rid of Mr Lilienthal. Year after year he has tried to bring TVA under the scope of patronage, and when appropriations time comes along this year, Congressmen will watch for the usual McKellar rider requiring Senate ratification for all Federal employees earning \$5,000 a year. He will try again to make TVA responsible to Congress for its operating expenses.

A Bill passed by Congress to defer farm workers from conscription, backed by most Republicans, many Democrats and all of the powerful farm organisations, placed Mr Truman in conflict with Congress for the first time since he took office. He vetoed the Bill because, he said, special privileges to any group violated the basic principle of selective service. The House sustained the President's veto by a narrow margin of eight votes. Interestingly enough, a breakdown of the votes shows that the all-too-familiar Republican-Southern Democrat bloc was not, in this case, working.

On price controls the President has taken a strong stand. In a message to Congress asking for the continuation for another year of the Office of Price Administration, he called the price control and stabilisation programme carried out by that much-maligned agency "one of the most remarkable achievements of this war."

There was no question about the fitness of Supreme Court Justice Robert H. Jackson for his new appointment as chief US counsel for the prosecution of Axis war criminals in the European theatre of operations. And the appointment of Democratic Committee Chairman Hannegan as Postmaster General did not worry anyone, for it is traditionally the job that goes to the committee head of the party in power.

Head of the American delegation to the Reparations Committee in Moscow, however, seems a strange post for a political appointee, and that, without doubt, is what Mr Edwin W. Pauley, Treasurer of the Democratic Party, is to be considered, although the California businessman has in the past worked in Moscow, on matters relating to the oil industry, with Mr Maisky, who will be his Russian opposite on the Reparations Committee. It is assumed that Mr Isador Lubin, appointed by President Roosevelt to the post now to be occupied by Mr Pauley, will, as Mr Pauley's assistant and executive head of the Committee, furnish most of the qualifications.

answers he tells the people in simple terms the military and industrial effort still required to defeat Japan, the amount and rate of reconversion, the commitments for relief and rehabilitation of devastated foreign countries, the Army's plans for redeployment and partial demobilisation. It is a remarkable report in that Mr Vinson asked and answered exactly the questions that are troubling people. And his answers have about them so great an air of frankness and competence that public confidence in the Government's planning, and in its methods is bound to respond.

The report is based on the assumption that Japan can be expected to surrender her home islands unconditionally without a successful invasion by Allied troops. It is stated that although the Army's demobilisation of men who can be spared will be carried out with the greatest dispatch, shipping limitations will spread this first stage of demobilisation over at least a year. A cut in war production of from 10 to 15 per cent within six months will probably increase unemployment from the present 1,000,000 to about 2,500,000 in twelve months. But most of the unemployed will be idle only for temporary periods, between jobs. Although the manpower situation will not be acute on a national scale, severe local shortages will exist in areas where war production remains at a peak. In such areas, strict manpower controls must continue.

Restrictions upon industry to protect war and essential civilian production are to be relaxed only where it is possible to relax them without damage to the war effort. High taxes will continue, and additional money will be raised through war bond drives. Reconversion will proceed vigorously, with a quickening pace as war needs permit. No early general improvement in the civilian food supply was promised, and the public was reminded that military requirements would not decrease, and that relief needs would be even greater. The most extreme shortages were expected in meats, sugar, fats and oil.

The battle against inflation and rising prices will continue, with price controls and rationing demanding wholehearted public co-operation. Wage stabilisation must be maintained during Phase Two to prevent inflationary price increases, and to avoid a post-war deflationary trend that would threaten wage standards.

Storm Over AP

The recent storm over the violation by a correspondent of the Associated Press of a security ban on the German unconditional surrender at Rheims, has resulted in his discreditation by Shaeff and an order for his return to the United States. The Director of Public Relations at Shaeff insists that Allied lives might have been involved and that such an indefensible breach of faith might prove a source of embarrassment in inter-allied relations. The correspondent still insists that the holding up of the surrender story was "purely political censorship" to which he could not submit, although responsible correspondents have learned in this war how inseparable the political can often be from the military.

The story of the surrender at Rheims was given to sixteen correspondents under pledge of secrecy. General Eisenhower said the utmost secrecy was essential "because of the great difficulty, due to distance, of exactly co-ordinating action of this kind with the Russian Army." Using unauthorised channels, Mr Kennedy got the story out to the United States, from where it was relayed to Paris. Associated Press called the story "one of the greatest news beats in newspaper history," while the 15 correspondents who observed the pledge condemned the violation as "one of the most disgraceful, deliberate and unethical double-crosses in the history of journalism." The *New York Times* has called upon the newspaper members of the Associated Press to "make it clear for all time that they would prefer not to receive a story than have a 'news beat' even of such transcending importance, obtained in such a manner." AP's profound regrets cannot wipe out the fact that the climate of an organisation plays a large part in shaping the journalist's attitude toward news.

One of the more amusing aspects of the matter is that the United Press, AP's chief American rival, now enjoys a complete revenge for the discomfiture it suffered over Mr Roy Howard's famous "false Armistice" of 1918. Indeed, the revenge is double, for the AP has slipped twice. It reported a false armistice three weeks ago when it broadcast Senator Connally's indiscretion and gave the Himmler story

to the world. And now it has improperly reported the true armistice. Perhaps there will be a little less self-righteousness in future in discussions of the "freedom of the press."

Various editorial groups, supported by Mr Kent Cooper, President of the AP, Mr Archibald MacLeish and others, are urging the delegates at San Francisco to build into the structure of the international body the guarantee of universal free interchange of news. Such an interchange must, however, depend upon the treatment of vital political and diplomatic news as something more than merchandise for sale.

The Foremen Organise

The National Labour Relations Board, reversing a previous decision, has recently ruled that unions of supervisors are entitled to the protection of the Wagner Act. The Foremen's Association of America, organised in Detroit three years ago, has been a source of keen embarrassment to NLRB, and it was a bold decision for the Board to take, for powerful industrial groups are expected to mobilise opposition in Congress and the Courts, resisting this upheaval in the traditional management pyramid.

The employers' arguments against the decision were rejected one by one: lower output and quality; division of loyalty; antagonism against management; the fact that foremen were heard on promotions, discharges, transfers;

Letters to the Editor

BETRO

SIR,—Allow me to refer to the newly founded British Export Organisation (BETRO) and to pour a jet of cold water on the boiling enthusiasm.

Whenever a serious national problem crops up an "institute," "association" or "organisation" follows promptly in its wake. When at the beginning of the war the signal was given for exports, we were blessed with almost 300 export groups. When the slogan was "industrial research" a number of research associations were founded. Now, when the need for export research is being emphasised, the BETRO has come into existence. If organisations could do it there would be little ground for concern about our economic future.

If it were not for fear of adding to our already advanced stage of that mental disease "institutitis," I would propose the formation of a British Institute for Individual Effort (BIFIE), which would, no doubt, be more useful than popular.

There are two types of research which must precede an attempt at export to any country, namely: (1) *General Research* and (2) *Individual Research*. The former comprises import statistics, Customs tariffs, local production, import restrictions, exchange, etc. This information is available through the Department of Overseas Trade.

The latter comprises investigations of all factors relating to the export article of the individual manufacturer, such as quality, fashion, price, competition, advertising, credit, etc., and there is nobody but the manufacturer himself, through persons with an intimate knowledge of his product, manufacturing facilities, cost and scope, who can effect this research so that any intelligent policy can be adopted. To gather this information through "flying squads" of a foreign body would merely add to the heap of export failures.

However unpleasant it may be, the truth is that in successful export there is not and will never be an "ersatz" for individual effort.—Yours faithfully,

O. J. BRUUN
Slough, Bucks

Education and Business

SIR,—I know nothing of accountancy, beyond such knowledge as may be acquired by a holder of the London University Commerce degree and that collected by a banker of thirty years' experience. I only write because in the second paragraph of your article you refer to banking, a trade in which I have passed the greater part of my life.

Now there is no doubt that the staff departments of banks are not prepared to give preferential treatment to university

that they are comparatively well paid. The decision has aroused great indignation in the industry. General Motors has run a large and costly series of display advertisements under the caption, "Should Management be Unionised?" But it is a fact that the foreman's status in mass production industry has changed. His rôle in management is now negligible; he has ceased to be a policy-making official, and, according to NLRB, he has become a production "traffic cop."

The *Harvard Business Review* points out that foremen actually are in an intolerable position, expected to transfer literal instructions from top management and technologists, with whom they have no contact, to the workmen from whom they are separated, and who often view them with distrust. If management wishes to thwart the trend toward unionisation, it is unlikely that pressure on public opinion, resort to litigation, and complaints that labour is entering into union combinations in restraint of management, will produce results. The rôle of the foreman in modern industry needs to be adjusted to new conditions, and a completely new type of training given him to make him more than "a mere cog in the industrial machine."

The NLRB decision does not define the kind of union to which a foreman can belong, or whether it can be allied with rank and file trade unions. The CIO and AFL, always alert for signs of an overabundance of company influence, can be expected to watch with wariness the creation of completely independent foremen's unions.

graduates, but that attitude is not based on stupid prejudice but on experience. The clearing banks believe that a young man learns something in a bank between the ages of seventeen and twenty-three that he can learn at no other age and in no other way, and that that learning is of abiding value in his trade. From this essential experience a university graduate is necessarily barred.

This, however, does not mean that the general management of banks frown upon or disregard sound learning. I could wish that they regarded it with a more discriminating eye, but I know that the educational acquirements of new entrants to the trade are carefully examined and that subsequent examination successes are not overlooked—even when the aspirants achieve university degrees.

Yet much of your article deserves the consideration of bank managements. From a long experience of young clerks I am certain that a pass, even with distinctions, at School Certificate level tells little about the examinee's brain. On the other hand, I am sure that a satisfactory Higher Schools Certificate is as good an index of intelligence as we can at present ask, particularly (and this is important) where the candidate has offered classics.

If we are moving into an era when the average examination standard of the secondary school leaver will be higher than in the past, the banks will no doubt react in the manner laid down by the classical economists; but commissions of inquiry will be disappointed if they expect their advocacy of university graduates to receive sympathetic consideration, and the banks will also be disappointed if they, in their turn, ignore the supreme value of sixth-form classical work.—Yours faithfully,

Oxted

W. J. THORNE

SIR,—In your interesting article of May 5th you rightly stress the danger of confusing education and vocational training but regret that "The accountancy profession is not prepared . . . to grant facilities of entry to their ranks to the university graduate in general." Both the chartered and the incorporated accountants do in fact excuse the university graduate two years of his articles; and so, whatever his subject, he can become qualified in much the same time as the new scheme requires. He is not excused his Intermediate examination but this, which involves only a more elementary knowledge of the subjects required for the final examination, does not divert and need not retard the process of technical training.

It is difficult to see how a single profession in which technical proficiency is essential can do much more than this to encourage a non-vocational university training. You suggest that the time for learning the tricks of the trade might steadily be reduced. Practical experience is of fun-

On With the War

If the American public is confused about just how much of a war is still going on, they can find all the answers in a report issued by Mr Vinson, Director of the Office of War Mobilisation and Reconversion. The report was formally addressed to the President, but it was clearly meant for the public. Mr Vinson called his report "The War: Phase Two." In a series of non-technical questions and

damental importance in the work of an accountant and I think that most graduates in the profession would agree that the three years now required is all too short a time in which to gain this experience. Admittedly, one goes on learning throughout one's career and especially during the first few years after qualifying; but at present membership of one of the three principal bodies of accountants does, from the first, impose a certain technical standard which it would surely be undesirable to relax, even to attract better trained brains to the profession.

I think that the best hope lies in university education becoming more widespread, as it may then be considered a normal training for the person with ability. The present encouragement offered by the accountants should prove efficient.—Yours faithfully,
Oxford

VENETIA BURNEY

PAYE

SIR,—In commenting on Paye you suggest that a change in rate could be put through quite smoothly early in the fiscal year. In the case of an increase it certainly would need to be very early in the year, because the sudden deduction in one week of the arrears from x weeks paid at a lower rate

would be not insignificant to the small wage-earner. In the ingenious machinery of tax deduction there is little sign that the experts appreciate the importance of shillings to the lower-paid workers.

The Guide sold to the public in 1944 says blandly, "... if your wages go up and down from week to week the tax deducted goes up and down with the wages." True, it does not say "in proportion to the wages," but that is the implication, whereas, in fact, the deductions from week to week are in certain circumstances wildly disproportionate. As one familiar with the wages records of a large factory, I have come across numerous cases of this kind, and it will be remembered that last year there were several references in the press to workers who objected to overtime because of the resultant increase in tax. These anomalies are capable of explanation mathematically, of course, but that does not appease the taxpayer, indignant at an apparent departure from what he understands by the Pay As You Earn principle.

It is claimed that the scheme has been a success, which from the point of view of collection, it has. It is open to doubt whether, in its present form, it can be considered a success from the point of view of the citizen taxpayer.—Yours faithfully,
Epping

E. F. DAVIES

THE WORLD OVERSEAS

The Czechoslovak Army

(By a Correspondent)

THE Czechoslovak Army is returning home. The section that has been fighting with the Russian Army first reached Slovakia at the Dukla Pass on its most eastern fringe on October 9th, 1943. Now the section that trained in Britain is reported as having crossed the Czech frontier on May 1st. For some of the men in that army the journey back to their own country has taken six years.

In 1938 the Czechoslovak Army was considered to be a powerful fighting force. When fully mobilised, as it was in the summer of 1938, it consisted of 44 divisions, four of them motorised. The standing army had a strength of 14 divisions and consisted of a core of professional officers, warrant officers and sergeants coupled with the annual intake of men undergoing their period of compulsory military service. That lasted two years and began at the age of 20. The professional army was also supplemented by a reserve of officers.

This army had, in the 1938 frontiers of Czechoslovakia, an admirable defensive position and possessed some of the best armament factories in Europe. It was broken by the Munich Agreement of September, 1938, and was finally dissolved in March, 1939, when Hitler marched into Prague. Czechoslovakia seemed to be at an end, its independence gone and the fringes of its territories filched by Germany, Hungary and Poland. Yet, in less than six months, the Czechoslovak Army had been reborn. On October 2nd, 1939, the French Government recognised the Czech National

Committee, under Dr Benes, and permitted them to form a national army in France.

It is not an exaggeration to say that every man in the present Czechoslovak Army could write a novel based on his own life in the last five years. They have reached the forces that fought Germany in countless different ways, but, in general, there were several distinct groups that can still be identified.

The first comprises those men who left their country between September, 1938, and September, 1939. The majority crossed into Poland. Some were able to obtain visas to travel on, but the majority remained there. At first, the Polish Government did not permit them to form any military organisation, but, after March, 1939, when the prospect of German aggression became only too clear, the Polish Government authorised the setting up of an informal Czechoslovak Legion. On September 1st, 1939, this Legion had no uniforms and about one rifle per 100 men and it could take no active part in the fighting. It withdrew eastwards and the greater number were in that part of Poland occupied by the Russians and so were interned. The remainder escaped into Roumania.

The next group consists of those men from Poland who reached Roumania and of those who, after September, 1939, managed to cross the frontier, usually without passports, and make their way through Hungary to Yugoslavia. In Hungary they were in danger of imprisonment, but the Yugoslav Government permitted them to enlist, nominally, in the French Foreign Legion. They then travelled on to Syria, and from Syria they were brought by sea to Marseilles and thus into the new army in France. But the bulk of the Army in France was made up of Czechoslovak subjects living in France (a number worked in mines and factories in Northern France), who were conscribed, with the consent of the French authorities.

This army fought in France in 1940, on the Marne, on the Seine, and on the Loire. In May, 1940, it had reached a strength of 11,000 men. It lost some 2,500 killed and captured in the Battle of France. On the fall of France the survivors, then concentrated near Carcassonne, were given the option by the French of either accepting demobilisation with the French army or of getting out of France as best they could. A great many of the conscripts agreed to demobilisation. The volunteers did not. The British Government managed to find ships for their transport, and late

in June some 4,000 landed at Liverpool. They are the nucleus of the western Czech army.

The next group are those who left their country after the fall of France and before Germany's attack on Russia. Their objective was Palestine, and, as the Mediterranean was then closed to shipping, they were trained there and fought with the British Middle East forces, notably at the first siege of Tobruk. They were withdrawn from the Middle East in 1943, and joined the western section in Britain.

Germany's attack on Russia immediately altered the status of the men interned there from Poland. The Russians at once formed a separate Czechoslovak formation, and that force has since been joined not only by individuals who escaped, but also by a whole division of the Slovak army, formed under German auspices by the Slovak state, and sent to the Russian front. The eastern army is now of Army Corps strength, and has fought from Kiev onwards to the liberation of Slovakia and Moravia from the east.

The western Army, organised as an armoured formation, landed in Normandy late in August last year, saw some fighting at Falaise, and, from October to late in April, formed the major section of the force that contained the Germans in Dunkirk. Their comparative inaction there was very galling, especially after the Rhine crossings. Not that the Dunkirk front was entirely inactive. The Czechoslovaks themselves staged two minor actions, the first, and most successful, on October 28, 1944, that being Czechoslovakia's National Independence Day, when they destroyed a German battalion in the line to the east of the perimeter for the loss of 12 men killed and one tank. But for the most part it was only routine patrol work, in the winter mud and cold, in a partially flooded area of Flanders.

Since the landing in France this section has received as recruits men who had deserted from the German armies. The greatest single number came from the Protectorate Militia, formed by the puppet government for home duties. The Germans moved some of it to Northern Italy, for garrison duties, and many promptly joined the Italian partisans. When France was liberated, some of these men made their way across the Alps and so reached their own army by that route. Others had deserted from the *Wehrmacht* or the Todt organisation in every possible circumstance. One man had volunteered for Rommel's Afrika Corps in order that he might the more quickly reach the British.

Problems of Re-education

These men from the German armies have raised a problem that will meet the army when it returns home. Most of them are young, and their education has been only such as the Germans allowed in the Protectorate. It was very little. All the universities and high schools were closed in 1939 for, since the Czechs were to be perpetual serfs to the German Reich, it was considered better if their education stopped at the age of thirteen. The resulting standard of education, particularly general knowledge, is desperately low, and as a substitute they have been filled with Nazi propaganda. The Czechs have, therefore, been studying for some nine months the problem of re-educating a German-educated youth.

Their conclusions are not pessimistic. Even the rigid discipline of the *Wehrmacht* has its uses for, if the men are told to think about a problem for themselves and then to discuss it, they make a real attempt simply because it is an order. They still have their inquisitiveness. They learn best from association with men from the former regime, but they respond to lectures, ask questions, and are gradually beginning to think and talk freely. It seems to be important not to attack their Nazi ideas directly. That is an attack on themselves, and they are put on the defensive. Their existing illusions can only be undermined and cleared away by indirect methods.

But the greatest advantage possessed by the Czechoslovak army is that it has escaped the fate of the Polish army—the gulf between the section in the east and the section in the west. For one thing, the Czechoslovaks have no traditional mistrust of Russia. On the contrary, the majority seem to have a feeling of mutual sympathy and trust. The Russians do not seem, any more than we have, to have attempted anything more than operational control. Furthermore, there has been a considerable interchange of officers, as well as of information, between the army in Britain and the army in Russia. The British section had a surplus of officers, the Russian was short. So the army has never become divided. It feels and acts as one.

Perhaps that may prove to be the most valuable experi-

ence it has gained during the war. It now contains men who know both Russia and Britain intimately, and who appreciate the virtues and defects of each. The Czechoslovaks themselves, Eastern European in temperament and Western European in mind, do, in fact, occupy a halfway house between East and West that is not only geographical. Their contribution to post-war understanding in Europe can be of very great importance to Europe as a whole, provided only that they are allowed to make it.

A People's Victory

[FROM AN ITALIAN CORRESPONDENT]

THE liberation of Northern Italy by the "Volunteers of Freedom" has been authoritatively described as one of the greatest feats ever achieved by a people in arms. Everywhere the rising was general, and the carefully prepared plans were smoothly carried out. Nazi demolition squads were overcome, shot or captured. All vital plant and all industries which had escaped destruction were kept intact. The fighting was particularly ferocious in Turin, where, on March 9th, 1943, the national movement of insurrection had first come into the open with the great strike which spread to Lombardy and later to all over the North.

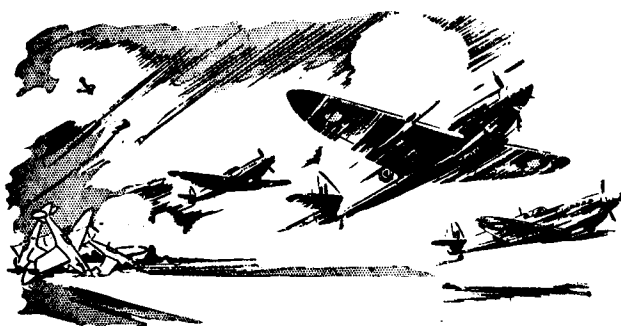
The unity of the movement and the co-operation of all parties and classes were, after the military and political leadership and organisation, the most remarkable features of the movement. This unity was also stressed by General Cadorna, military commander of the movement, in the parade held in Milan on May 6th.

What will be the influence of these events on Allied policy? It cannot be denied that there is some anxiety not only among Italians but also in certain Allied circles. It might have been thought that as the most optimistic expectations had been surpassed in the rising, difficult problems would not arise. As an AMG officer put it, Northern Italy is "a going concern." Trains, trams, power stations and a good many industries are working. The food situation, even in the big towns, is by no means wonderful, but nevertheless tolerable, and the people have shown an unexpected capacity for self-government and administration after twenty years of dictatorship. It would hardly be tactful, to put it mildly, to superimpose on that well-working machinery the AMG or Civil Affairs administration, which in Modena, for instance, started by closing down the postal service and seems likely to persist in a front-line mentality even where there is no front left. Supply and transport for the Allied troops do not need such an attitude, and as for the famous though still unknown armistice terms, the Allied control which they anticipated was obviously meant mainly to suppress Fascism. In that respect, the Liberation Committee, which acted and is still acting as a Government authority, proved far more efficient than the mixed administration in the south, where Civil Affairs is still predominant. Even the speedy executions of Fascists were on the whole carried out in an orderly manner and have now given place to the courts of justice.

It hardly seems necessary to refer to the moral aspect. Undoubtedly recent events call for a different policy towards Italy than that pursued since the armistice and to which the United States adhered only reluctantly. Most of the competent British representatives here feel that as strongly as do the people of Milan. They feel it to be a British interest and fail to understand what Britain can gain by keeping Italy in its present hybrid position, which incidentally is very different from that granted by Russia to ex-enemies.

A change in the moral status of Italy is the Italians' first wish. On the material side the supply of raw materials and some means of transport, fuel and machinery are more urgent than food and other consumer goods. To make Italy a living body of 46 million people, sincere and thankful friends of Britain, would be of greater value to Britain and to all Europe than a prostrate discontented country.

Well over 50,000 armed partisans and countless thousands of Milanese civilians greeted the Allies on the parade day with great courtesy, but as co-belligerents. There was warm enthusiasm when General Cadorna expressed Italy's thanks to all the liberating armies but in particular to those Allied officers who joined the partisans by parachute and shared their dangers and victories. Between them, between all the hundred thousands of men of both nations who fought side by side in the front line, links have been forged which will not be forgotten on either side.



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THE BUSINESS WORLD

The Prospect for Exports

THE need for an expansion in British exports is now widely recognised. Even the global target has been fixed. The end of the war in Europe should be the signal for passing from discussion to action. The restrictions upon exports imposed by the terms of Lend-Lease have been largely removed. The markets are wide open. Admittedly, there are still limits to expansion set by the exigencies of the war with Japan; men, materials and ships will be needed to smash the gangster regime set up in the Pacific. Essential civilian requirements at home must be met, for stocks have been severely reduced since 1939; homes, pots and pans, and clothing must be provided in greater volume. In spite of these very real limitations, it should be possible to ensure a steadily growing flow of exports from now onwards. The flow should be stimulated, not merely by the clearance of obstructions, but by a policy designed to encourage exporters to do business abroad. And the time has come to assess, at least in broad terms, what products and how much of each Britain will be able to send abroad during the next twelve months.

Both the exporter and the Government will have important parts to play in the resumption and speeding of exports. If confusion is to be avoided, it is essential that the function of both should be defined and delimited. The actual business of getting orders and of fulfilling them, clearly, must be the concern of traders. As a correspondent points out in a letter on page 659 "there is not and will never be an *Ersatz* for individual effort." For 5½ years industrialists have worked to Government orders; their efforts have been limited to the business of production. But it would be sheer delusion to think that the Government can act as a salesman for British industry in overseas markets.

The task of the Government is different, though no less important. It will have to ensure the speedy expansion of production for the civilian markets at home and abroad. This is not merely a matter of allocating manpower and materials, but of avoiding unnecessary friction during reconversion. There are many industrial plants that cannot produce both war materials and civilian supplies, but, owing to their technical lay-out, have to concentrate on the one or the other. A gradual scaling down of war contracts spread over the different firms in the motor industry, for example, would seem to be both logical and just. But such a procedure would be impractical and wasteful. In the interests of a speedy resumption of civilian production, expediency would seem to dictate the concentration of war production on some plants and the complete release of others. This, it may be said, would involve discrimination; but it may be answered that the symmetrical approach is as impracticable in reconversion as it was in mobilisation.

Next, the Government cannot escape the task of earmarking definite proportions of the manpower and materials available for civilian production for home consumption and for export. Further, in allocating resources for export, it may have to take account of marketing possibilities and of overseas needs. A strictly proportionate increase in the allocation of resources to different industries may be desirable; but in practice this is hardly feasible. Within these limits each industry should have an export target; but the Government should ensure that these targets are not fixed too low. Some industries, or individual concerns in given industries, might be disposed to neglect exports because they foresee no difficulties in selling their output at home. Practices of this sort can hardly be condoned. For example, if the Government felt that the motor industry could reasonably be expected to export 50 per cent of its output but if it did not in fact do so, the Government should apply all the sanctions at its command, that is, it should promptly reduce the manpower and raw material allocations of the firms that deliberately neglect their responsibilities. The need for the application of this sanction might be avoided by a clear statement of the Government's policy.

The size of the global export target—an increase of 50 per cent in volume over exports in 1938—is a large one. In 1938, total British exports were valued at £470 million. At 1938 prices this 50 per cent increase would mean exports to the value of £705 million; at 1944 prices—they were then 78 per cent higher than in 1938—the target would be £1,255 million. The real comparison, however, is not with 1938, but with 1944. In that year the volume of exports was only a third of what it was in 1938. The need, therefore, is to multiply them by five. The task of achieving the aim looks equally formidable by comparison with the experience after the last war. Unfortunately, the Board of Trade has not calculated volume indices for 1914-18. The value of exports rose from £501 million in 1918 to £799 million in 1919, but a substantial proportion of the increase of 60 per cent must have been the result of higher prices. In 1919, the volume of exports was 45 per cent less than in 1913; in 1920 it was still 29 per cent below the pre-war level and, during the subsequent two years, it suffered a fall. If the global target is to be achieved, a much greater effort will be required after this war. Obviously, it will take some years to achieve it, even in the most favourable conditions; but this merely underlines the need for immediate concentration on the task. An attempt should

	EXPORTS IN 1938 AND 1944			
	1938 Value	1944 Value	1944 Volume	1944 Average Price
	£ million	£ million (1938=100)	(1938=100)	(1938=100)
Coal	37.4	4.5	7	178
Pottery, glass	9.6	9.5	55	180
Iron and steel	41.6	8.5	14	146
Electrical goods ..	13.6	12.6	53	177
Machinery	57.9	41.0	42	169
Cotton textiles ...	49.7	37.0	33	226
Wool textiles	26.8	15.3	31	187
Silk and rayon ...	5.5	16.4	130	230
Chemicals	22.1	28.1	80	160
Vehicles	44.6	11.7	13	194
Total	470.8	258.1	31	178

be made to raise the average volume of exports during the next twelve months from 31 per cent of the 1938 volume—the average for 1944—to at least 50 per cent. What are the prospects?

It is easy enough to fix an export target for the next 12 months; a brief examination of the list of the chief products exported before the war shows how difficult it will be to achieve it, especially if the war with Japan is not concluded within a few months.

The accompanying table lists the principal exports in 1938 and shows how far they have since fallen in volume. The blackest spot in the picture is coal. Exports of coal and coke amounted to £40½ million in 1938; in 1944 they were down in volume to 7 per cent, and in value to less than £6 million. In view of the downward trend in production, a revival in coal exports seems to be out of the question. In pottery the prospect is better; there is a good chance that exports will rise again to the pre-war volume within a year. In steel, too, it should be possible to achieve a substantial expansion. In spite of heavy home demands the industry should be able to export about an eighth of its output, exclusive of sheets and tinplate; this rate of exports would not compare unfavourably with 1938 shipments. Steel makers have already booked heavy overseas orders. Exports of machinery would seem to offer good prospects, though heavy home orders and the shortage of skilled engineers—many of these are still engaged on war production—are limiting factors. The overseas demand for machinery is so heavy that there should be no difficulty in selling substantial quantities of second-hand tools surplus to home requirements. Since the volume of exports of machinery was still at the rate of two-fifths of 1938 exports

in 1944, shipments during the next 12 months should exceed the global minimum target of 50 per cent of pre-war exports. Similarly, it should be possible to raise exports of electrical equipment and apparatus to something like three-quarters of the pre-war level. Shipments of chemicals have been maintained at a high level throughout the war; in 1944 they amounted to four-fifths of the 1938 volume and actually exceeded pre-war exports in value. Immediate expansion may be difficult in some types, such as pharmaceutical and certain heavy products; but there is scope in other sections and it may be possible for this industry to raise its exports to something like the pre-war total.

In textiles and clothing—responsible before the war for more than a fifth of total exports (by value)—the general and immediate prospect is less encouraging. The cotton and wool textile trades are short of labour and the decline in clothing stocks for sale during the past year suggests that the volume of production has been below the severely restricted home demand—plus, of course, the military requirements. The chief problem of these trades is to raise production to the level of home demand, and this postulates a substantial influx of labour. Moreover, the depletion of the public's stocks of clothing is likely to lead to pressure for an increase in the ration. This does not mean that an expansion in the volume of exports during the next twelve months is impossible—rayon should make further headway;

Electric Supply Companies

IF there is one industry above all others whose future skin will be a mixture of industrial and political threads, it is the electricity industry. For all industries whose ownership may be a party matter at the next election, or the next but one—the utilities, transport, coal-mining and the rest—Victory Day symbolises the end of the period of planning for some uncertain future period called "after the war," and a definite entry into the arena, with its dust and heat. In the case of the electricity supply industry, however, there is no straight issue between public and private ownership. Already, the industry is a mixture of both, in proportions which vary widely between the out-and-out "private enterprise" companies with perpetual franchises, at one end of the scale to, say, the London and Home Counties Joint Electricity Authority at the other. There are enterprises of every type, falling short of complete Government ownership. On the "private" side, there are concerns whose rights fall in, like leases, at a range of future dates. There are concerns like the "London" companies, whose properties are due to be taken over in 1971. There are the Joint Electricity Authorities, which in some ways resemble pieces which hardly seem to fit into the jigsaw at all. There are the extremely important municipally-owned enterprises, very numerous and ranging in size from the suppliers of some of the largest cities down to small local authorities. The Central Electricity Board, of course, comes prominently into the picture, as a species of Public Corporation run with businesslike and forward-looking efficiency as a merchant and wholesaler of electricity on the grand scale, without enjoying any Government financial facilities or favours beyond the rather doubtful one of official advice on the timing and placing of its capital requirements. Whatever ownership policy may be deemed expedient for the electricity industry, those who are called on to put it into practice will have all their work cut out to make a consistent and coherent whole (or wholes) out of all these several parts.

Holders of electricity company shares, probably, will be content to leave the issue, for the moment, on the lap of the gods, and meanwhile, as one step towards understanding the *apologia pro vitis suis* of the companies in which they are interested, to examine their wartime record in the light of the figures which have just been published after a black-out of five years under the Defence Regulations. It may be recalled that in the case of companies in the gas industry, whose wartime experience was described in *The Economist* of April 7th, page 449, the general picture was one of moderate though appreciable expansion to meet enlarged demand from industry, except in the London area, where physical difficulties, including the effects of enemy bombing, in some instances severely curtailed operations. With the electricity companies, the same broad conditions have applied, with a broadly similar geographical demarcation. But, physically, electricity, as might be expected of a "newer" industry, has shown what on the face of it appears to be considerably greater elasticity. The table opposite,

but it is likely to be somewhat limited. Among other consumer goods, motor cars would seem to offer an excellent opportunity for an export drive. Overseas demand is likely to exceed the production capacity of the exporting countries; home demand, though also heavy, could be restricted to essential needs for another year without hardship. The industry deserves high priority in the allocation of resources, but only on condition that it exports at least 50 per cent of its output. The production of pre-war models could be resumed and stepped up rapidly.

There are two conclusions that may reasonably be drawn from these brief comments. The first and obvious one is that both industry and the Government will have to make an immediate and strenuous effort to increase exports. This will involve a reorientation of policy; industry will again have to "go out" and get orders, and the Board of Trade will have to substitute a policy of expansion for the policy of restriction it had to pursue during the past 5½ years. Secondly, while the global export target of 50 per cent above the 1938 volume can only be reached over a period of years, a sizeable contribution can, in fact, be made during the next twelve months. It is impossible at this stage to calculate the size of the adverse balance of payments during the next 12 months. This will depend on a complex of factors, such as import policy, military expenditure overseas and the future of mutual aid.

compiled mainly from data revealed in recent chairmen's speeches, gives by no means a comparable picture as between different companies, but affords a rough measure of achievement in 1944, as compared with 1939, in the case of each separate concern.

The main features of the companies' wartime experience are brought out fairly clearly. Output figures, where given, reveal a wartime expansion in units produced of something like two-thirds in the case of the large companies serving active provincial industrial areas, and a varying but smaller

TABLE A
OUTPUT, REVENUE AND EXPENSES, 1939 AND 1944

Company	1939	1944	1944 as Percentage of 1939
GREATER LONDON :			
County of London El.	Units (million).....	2,243	2,481(a)
	Revenue (£'000)(b).....	5,208	7,333
	Revenue per 1,000 units (£).....	2.32	2.96
	Expenses (£'000) (c).....	2,236	3,902
	No. of consumers ('000).....	347	358
Northmet Power (d) ..	Units (million).....	706	1,055
	Revenue (£'000).....	3,342	5,113
	Revenue per 1,000 units (£).....	4.74	4.85
	Expenses (£'000).....	2,428	4,268
	No. of consumers ('000).....	264	358
PROVINCES :			
Clyde Valley	Revenue (£'000).....	1,508	3,128
	Expenses (£'000) (e).....	606	1,879
Lancashire	Units (million).....	862	1,401
	Revenue (£'000).....	1,576	3,301
	Revenue per 1,000 units (£).....	1.83	2.36
	Expenses (£'000).....	916	2,516
Midland Counties	Units (million).....	490	809
	Revenue (£'000).....	1,751	3,142
	Revenue per 1,000 units (£).....	3.57	3.88
North-Eastern	Profit on sales of current, etc. (£'000).....	1,573	2,218
			141
Yorkshire.....	Revenue (£'000) (f).....	1,547	2,831
	Expenses (£'000) (e).....	540	1,343

(a) 2,566 millions in 1943. (b) From sales of current and rentals. (c) Generation, purchase of current and distribution. (d) Pre-war figures are for 1938. (e) Generating and distributing. (f) Power receipts and services to customers, etc.

rise (ranging, perhaps, from 10 per cent to 50 per cent) even in the London area. Unfortunately, however, the data here are scanty—the County of London Electricity Supply Company itself is a "dual" organisation with one set of interests well outside the London area proper. It is known, however, that the industry's experience under enemy action has been much more favourable, even in the heavily bombed areas, than was feared in the early days of the war.

Operating revenue has increased by anything from 50 to 100 per cent, but expenses have risen even more steeply. This is particularly significant, because it runs directly con-

trary to the experience of the two pre-war decades, when a rapid upward trend in electricity consumption, whose pace bore comparison even with that of the last five war years, was accompanied by progressive reductions in charges to consumers, financed out of the economies of large-scale production. Actually, during the war, charges have had to be increased in numerous instances, though not as a rule by more than a moderate percentage. The chief difficulty has been what the chairman of the County Company describes as the "alarming increase" in the cost of fuel—i.e., coal, accompanied by a great falling off in quality. Within the past month there has been a further rise in coal prices, and electricity is only one of the industries which has felt, in a disturbing way, the backwash of the muddle into which the affairs of the coal-mining industry have been allowed to drift.

The financial results of the operations of the companies

TABLE B
SHARE EARNINGS AND DIVIDENDS

Company	Net Revenue	Ordinary		Present Price	Yield
		Earned	Paid		
GREATER LONDON:					
County of London	(£'000)	"	"	"	"
1939	2,610	11.7	10½	44.3	3.63
1944	2,942	10.3	8		
Northmet Power					
1939	899	6.8	10	42.6	3.29
1944	927	8.8	7		
PROVINCES:					
Clyde Valley					
1939	567	8.9	8	42.6	4.00
1944	710	7.9	8		
Lancashire					
1939	289	7.2	7½	37.9	3.98
1944	250(a)	7.5	7½		
Midland Counties					
1939	397	11.7	8	44.7	3.64
1944	364(b)	13.0	8		
North-Eastern					
1939	6,573	7.1	7	36.4½	3.85
1944	2,218	7.1	7		
Yorkshire					
1939	705	7.6(c)	8	45.9	3.49
1944	847	9.0(c)	8		

(a) 1944 figure shown after charging £185,000 in taxation. (b) £276,000 charged for income-tax in 1944. (c) After charging £300,000 for depreciation and reserve fund in 1939 and £350,000 in 1944, and £75,000 for contingencies reserve in 1944.

mentioned above, in the pre-war year and in 1944, are summarised in the table above.

Net revenue in every case shows an increase, apart from the effects of higher taxation. Special appropriations, however (including ARP, contingencies and provision for deferred items), have also increased. In the final result, the provincial companies have maintained their pre-war rates of dividend, usually (though not invariably) with a slightly higher earnings cover, while the London companies, prudently, have reduced their dividends, though earnings have made by no means an unsatisfactory showing.

Undoubtedly, the industry can congratulate itself on its performance during the war. Its contribution to the war effort has been invaluable, and its financial experience anything but unsatisfactory. The shares of the leading companies, deservedly, maintain their high reputation, even with the most conservative of investors. At present market prices, the yield on electricity shares is, on the average, as much as 1 per cent lower than that on representative shares of companies in the gas industry, whose figures were set out in the earlier article. That fact does not necessarily suggest that investors are backing electricity against gas under a post-war

resumption of competitive relations between the two industries. The yield differential was a long-standing feature—though not quite on the present scale—under the pre-war regime, in deference to electricity's wider "development" possibilities as the newer industry. But electricity share yields ranging from 3½ per cent to under 4 per cent, against an average of 4.10 per cent on the mixed bag of industrial shares in *The Actuaries' Index*, do go a long way to show that investors generally are satisfied with the industry's financial ability to catch up with arrears of renewals and replacements and to make necessary plant extensions. They take for granted, in short, the industry's ability to carry on its tradition of uninterrupted growth in output, as soon as it can obtain the material and labour. (Under neither head is the industry satisfied with the "priorities" which the authorities have allowed it during the war.)

The rate of new capital expenditure has been definitely slowed down under wartime conditions. In the case of the Lancashire company, for example, such expenditure for the last five years has averaged only a little over £101,000 per annum, compared with £486,000 per annum for the preceding five years. But plant, generally, is intact and efficient, and the higher working expenses which the war has bequeathed can be set against the savings in unit costs, resulting from a fresh expansion in output, which the industry will certainly achieve. In other words, the adverse consequences of the war will find their reflection, not in a further increase in charges or a contraction in total earnings, but rather in a slowing down of the rate of reduction in prices to the consumer, judged by pre-war standards. There may also be a period of re-adjustment of charges between different classes of consumer. The presence of "coal clauses" in many contracts for the supply of industrial power, considered with the Government's desire to keep the cost of living down, has led to a greater proportionate rise in charges to the industrial than to the domestic consumer, which may have to be corrected. As was suggested in the earlier article, the result of resumed post-war competition between gas and electricity is less likely to be the putting of either service out of business than an increasing differentiation of function, under which effort will be concentrated mainly on the satisfaction of particular forms of demand for which each is specially fitted to cater.

All in all, therefore, it may be said that the effect of the war on the electricity industry has been not to arrest its development (though it has shifted its centre of gravity towards "industrial" rather than "lighting" demand) or to leave the industry with any really serious legacy of physical or financial problems. From the investor's viewpoint, the question is mainly how far structural changes, particularly those acknowledged to be overdue on the distributional side, can be effected while leaving the industry in its present hands. Will there be a closer drawing together of interests, as some suppose, by the formation of new large holding companies? Or is it (in the cautious phraseology used by the chairman of a large electrical engineering company at its meeting this month) "the intention in general terms of the Government to take over in some form or another the electricity distribution undertakings of the country"? The answer, perhaps, may be clearer after the coming General Election. But present holders of electricity company shares, to judge by the figures adduced in this article, do not seem to be inordinately worried over the prospect, either way.

Business Notes

Funds and Kaffirs

The past few days have brought a rather steadier tone to the general body of stock exchange quotations, and some recovery in the volume of business, insofar as this can be gauged by the number of bargains received. The expansion in business has, however, been restricted to one class of investment, gold mines, and among them almost entirely to Kaffirs. The only other point of real interest to emerge so far is a partial recovery in the Funds from the fairly sharp falls which followed the conclusion of hostilities in Europe. This recovery is associated in the market with talk of official support and of preparations for a fresh issue of tap bonds. The earlier fall in the Funds was supposed to have been caused by fears of a scramble for liquidity, presumably on the part of industrialists, and it has always

been very doubtful whether there was much justification at present for expecting any really large-scale selling on that account. The recovery is, perhaps, due mainly to a realisation that the fall was overdone. There is, however, some justification for supposing that the Treasury will not continue to issue 1½ per cent Exchequer bond much longer, as the reduction in the maximum life is considerable and they may well believe that they can obtain better terms.

A rise in Kaffirs was due as soon as there was any real indication that the supply of labour and materials would make possible an increase in output. That alone would justify some rise in quotations, but there still remain the questions of how far a permanent rise in costs has occurred and how far it can be offset. It must be remembered that, while there is an assured market for the output of the

mines, it is a market at the pre-war price unless and until the sterling-dollar parity is changed. The rise has been stimulated by two developments, the granting of permission for a limited issue of shares in this country by New Driefontein and the favourable nature of the April returns from the Rand. They show both an increase over the output of a year ago and a larger expansion in the native labour supply than has been usual. It is reasonable to assume that conditions will continue to improve, but the outlook must be conditioned by the question of costs and, for the British holder, may be influenced by the discussions on Dominion Tax Relief which are to be initiated shortly.

* * *

Relaxation of Restrictions

Few industrialists could have expected any wholesale relaxations in industrial control and restrictions immediately after the German surrender, but nonetheless, during the last fortnight, relief in some directions has been given or announced as commencing shortly. Coupled with the announcement of the restoration of the basic petrol ration for private use was the news that petrol will be more freely available for business purposes. Public transport and delivery services, including retail delivery, will benefit. Probably the large stocks of petrol accumulated in this country have led to the making of this decision—it is discussed on page 656, but rubber and tyres are still in short supply. Control has been relaxed over a number of raw materials. These include copper and zinc. Since May 11th, applications to acquire them have been considered without restriction on the type of article to be manufactured. This applies to home uses of the metals; certain restrictions on the release of copper and zinc for export will continue. Two orders dealing with the acquisition and use of certain plastics were revoked on May 15th.

Removal of restrictions affecting the population as a whole will also have been welcomed in industry. One is the complete lifting of black-out regulations, which, apart from economies, will bring with it daylight in factories, greater ease on railways and other means of transport. Even the weather news, particularly the weather forecast, will help industry to some extent, although agriculture will derive the most benefit from it. There are also a number of relaxations of the control over labour, the effects of which on industry are discussed in an article on page 648. The cessation of hostilities in Europe is also reflected in the fact that no more war damage insurance policies will be issued. Current policies, however, remain operative until they expire. As early as May 12th a list of shortened war risk scales for cargoes was announced.

*

Another sign of the times is the return of the Stock Transfer Office of the Bank of England from Whitechurch to London on May 25th. The office is to go, not to the main building, but to its home after the last war in Finsbury Circus. For the time being, all transfers will continue to be dealt with through the post, and it is inevitable that there will be some additional delay until the department has settled into its new premises. It is hoped, however, that the additional delay will not be substantial or of long duration, and against this there will be a saving of time in transmission, since the existing system of collection by Bank officials from the Stock Exchange will be continued.

* * *

Anglo-Turkish Payments Agreement

The Anglo-Turkish Trade and Payments Agreement, which comes into force next week, follows a different pattern from that of any of the other monetary or financial agreements concluded in the past few months. This difference, it may be surmised, reflects not only Britain's experience of pre-war trade with Turkey, but the fact that the disintegration of German economy, to which a large part of Turkey's foreign trade was formerly geared, will involve a complete reorientation of her international trade relationships. It seems probable, moreover, that the re-shaping process will synchronise with heavy import requirements for capital re-equipment. Finally, the sharp inflation that has occurred during the war, in consequence mainly of heavy pre-emption purchases at high prices by both belligerents, will eventually require a re-alignment of the exchange parity. In these circumstances an agreement like say, that with Sweden, under which the overseas central bank sells local currency to the Bank of England against sterling, and the Bank of England acts reciprocally, would

obviously have been inappropriate. Instead, the Turkish agreement follows closely the model of the wartime "special account" system, which not only effectively canalises the proceeds of sterling area exports to the country in question for the purpose of financing sterling area purchases, but also compels that country to keep its own purchases within the limits of its export proceeds and, if there is a surplus, to hold it in sterling.

Thus the Turkish Agreement provides that all payments due from the sterling area to Turkey shall be made only to approved "Turkish Accounts," in sterling, and that all payments due by Turkey to the sterling area shall be made only from such accounts. As in the Swedish and Belgian agreements, there is a clause about making this sterling available for "third" country payments "as opportunity offers." But the clause appears in a tighter form. The Bank of England undertakes merely to "endeavour to arrange" such releases, and their total is limited to 20 per cent of the proceeds of exports of Turkish-origin goods to the UK, excluding export proceeds reserved under the pre-war Guarantee Agreement.

*

From the point of view of British trade, the most important effect should be to enable exporters to know more surely the dates and terms upon which they will be paid. The Anglo-Turkish Clearing, though which payments have been made in the past—with unpredictable delays—is to be wound up; the Turkish Central Bank will now publish, not only its buying and selling rates for sterling, but also the premium rate that has been allowed or charged for the purpose of subsidising exports or constricting imports; and the Turkish Government will "do its best" to ensure that authorised imports from the UK can be paid for in accordance with the terms agreed between buyer and seller—which is presumably a virtual undertaking to make sterling available, at the published rates, for all permitted purchases. There is also a somewhat meagre provision for the relief of the UK owners of blocked balances in Turkey. Such balances, if duly registered within the next three months, may be used to buy mohair and valonea for export to the UK, where the sterling proceeds will be left freely at the seller's disposal!

One final point is of general, and perhaps of ominous, significance. The British Government, in the event of "quantitative limitations" being imposed on UK imports, agrees to treat Turkish produce equitably; and, furthermore, in the event of its deciding to regulate the quantity of imports of Turkish *agricultural* produce, "will not make allocation between countries of the total permitted imports" without first giving Turkey a chance to discuss the matter. Is this the first official hint that a system of agricultural quotas is on the way?

* * *

Combined Raw Materials Board

The third annual report of the Combined Raw Materials Board, published as a White Paper this week, brings the record of its work up to January 26, 1945. The aim of the Board is to bring the overall supply and requirements of the United Nations into equilibrium. It is not an executive body, but its recommendations are generally accepted by the governments concerned. These cover allocations or other distributive arrangements to ensure a steady flow of supplies to consuming countries in proportion to their essential needs and in the light of transport capacity; the maintenance or expansion of production; the achievement of economies in use in the light of the different production techniques of the consuming countries; and, lastly, the conclusion of stable buying arrangements.

The broad picture of the Board's report is mainly one of steadily easing supplies. This has enabled it to recommend the relaxation of restrictions on the free flow of a number of commodities, including tungsten, molybdenum, cobalt, mercury, shellac and certain grades of asbestos, tantalite, balata, balsa wood, and certain grades of mica. Complete suspension of controls would have been unwise, for some materials that were in adequate supply during some periods were short in others. Antimony and zinc, in free supply towards the end of 1944, suddenly became stringent early in 1945 because of unforeseen changes in the supply and demand position; close supervision, therefore, had to be restored.

A number of important materials, however, remained in short supply. These are natural rubber, hides and leather, timber and pulp and paper, and—after a period of easement

in 1943—lead. For these materials the Board had to recommend a policy of careful allocation and economies in use. Thanks to the foresight and good management of the Board, the raw materials available to the United Nations have been distributed broadly according to needs, and, even where shortages were acute, war production programmes were never seriously held up.

* * *

Tasks Ahead

The work of the Board is by no means done. The requirements of liberated Europe during the current year will represent an additional call on raw materials; since supplies of many materials cannot be readily increased, "the legitimate needs of Europe will curtail the quantity available for others." The claims of Europe may thus cause new shortages in the volume of raw materials available for civilian use in the United States, the United Kingdom, and elsewhere. Wisely, the liberated countries (and Unrra) have decided to secure their needs of materials in short supply—natural rubber, leather, timber and paper—in collaboration with the Board. The scope of the Board has thus been appreciably extended.

The Board is essentially a wartime organisation. In the absence of a new decision on the part of the British and American Governments it will be wound up after the defeat of Japan. This would be a pity, for a number of raw materials will remain in short supply for some time after the end of the war in the Pacific. The Board is well qualified to smooth over the period of transition. In a technical sense its work would remain unchanged, though its objective would be different; instead of facilitating a steady flow of materials to war factories it could do much to ensure a fair distribution of scarce supplies among the various countries of the world.

More ambitiously, it has been suggested that the Board might become the nucleus of a permanent world organisation, designed to smooth out the disastrous ups and downs in prices caused by fluctuations in demand and, in the case of shops, in supplies. But this is an entirely different matter. The issue here is not whether the Board should or should not be kept in being after the period of transition, but whether the market in raw materials should be free or controlled.

* * *

Bank Deposits and Savings

Credit expansion in April, reversing the previous month's trend, was substantially larger than in the corresponding period of 1944. Clearing bank deposits rose by £65.4 million to £4,524.8 million, and the figure for "net" deposits—computed by deducting items in course of collection, but not the inter-branch "transit" items, because only one bank now shows these separately—is raised to £4,390.2 million, which is actually £21.5 million above the year-end peak. The faster expansion last month—approximately twice that which occurred in April, 1944—is, of course, a consequence of the delay this year in the launching of the customary savings drive: at this time last year the growth of deposits was being retarded by the "Salute the Soldier" campaign. The natural desire of the authorities to hold their fire until they could come forth with a post-VE slogan has not, however, yet involved any unduly large credit creation. Despite the more rapid growth in April, the increase in "net" deposits in the first four months of the year is no more than £22 million, which is only half what it was in 1944.

It is to be hoped, however, that the campaign now in preparation will not be much longer delayed, for the influences that have so far held the situation in check have not been wholly desirable ones. The smaller flow of savings, among other factors, has compelled the authorities to lean very heavily upon floating debt borrowings through the banking system. In the five months since last November the banks have had to take up no less than £273 million of additional TDRs, or nearly £150 million more than in the similar period of 1943-44. That these heavy demands have not produced a roughly equivalent increase in deposits is due, of course, to a reduction in other assets. Last month, indeed, TDRs were the only earning asset which did not fall, and this is also true of the five-month comparison, if a fractional rise in advances is excluded. Between November and April last year, money market assets ran down by £26 million, and at the same time the banks financed an additional £30 million of advances. This year, although the

run-down is no less than £114 million—which carries the bill portfolio to its lowest level, at least since the resumption of monthly statements after the last war, and brings the bill ratio to an exiguous 2.6 per cent—and although, too, there has been only a negligible net increase in advances, the banks have made appreciable sales of investments. After a further reduction of £13 million last month, the investment portfolio now stands fully £52 million below the peak figure of £1,192 million touched last November.

* * *

Brakes on Credit Expansion

It is easy to assume, as some in the market seem to have done, that these sales of investments result simply from the policy of the banks themselves—that they reflect profit-taking on the one hand, or the beginning of a clearing of the decks for post-war industrial refinancing, on the other. Such suggestions do, indeed, seem to have been a minor cause of the softer tone of gilt-edged securities last week, for the market is well aware that, if post-war refinancing were to be attempted by such means, even a tight rein on the controls of real resources might not suffice to protect the cheap money structure. Fortunately, speculation on these lines, if not wholly groundless, is at least premature. The significant fact is that the banks' cash ratio, so far from rising, has lately been running somewhat below its wartime norm, which plainly shows that the brakes on credit expansion have not been put on voluntarily by the banks themselves, *pour mieux sauter*, but have come into play as a necessary protection of the conventional cash position, against the full effects of floating debt financing.

What the authorities seem to have been doing, by a tight hold on the credit base, is to keep the whole credit structure screwed up taut while the flow of funds into savings securities remains subnormal. That is certainly a better technique than the opposite one pursued on comparable occasions in the last war, when the market was flooded with credit in the months preceding the launching of a new funding issue. So long as the gilt-edged market remains resilient, it may even be a means of draining away part of the savings accumulating in liquid form. But it is not a policy that can be pushed too far, and the practical limit may not be far off now.

Owing to the great change in the assets structure of the banks, the technical limits to such manoeuvres as these are certainly more circumscribed than they were before the war. Recent suggestions that the refinancing of industry may be hampered because the banks are so heavily committed to TDRs, as distinct from bills, have no fundamental significance. The demands of industry cannot in any case be met without inflation unless they are financed by genuine new savings, which in practice means a flow of money into funding securities to redeem TDRs, or public purchases of gilt-edged from the banks. But the concentration of floating debt upon TDRs has one important consequence. It involves a severe constriction of the escape valve through which the banks can, in effect, draw additional cash if new demands for finance, whether from Government or industry, begin to press upon their investment portfolios. With money market assets at present low levels, the banks cannot, except purely temporarily, compel a creation of new cash by the authorities by allowing these assets to run down. More than ever is the initiative kept firmly in the hands of the authorities, which is, perhaps, precisely the reason for their recent technique. But a somewhat more elastic policy will surely be needed in the future.

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ICI Earnings

The full accounts of Imperial Chemical Industries, summarised on page 670, add little to the story of profits of the parent company told in the preliminary statement of a month ago. They show, however, a further fall in the revenue of the whole group to £18,194,047, the lowest figure since 1939. The net figure is the highest since that year and the explanation lies in over-provision for taxes in the earlier years. At least the directors' report states that the existing provision, whose amount is not disclosed, should suffice to cover all liability on profits up to the end of 1944 when the numerous outstanding questions are finally settled, while the tax provisions have fallen more sharply than total revenue.

The reserves and provisions disclosed by the parent company show no change on the year, other than that the central obsolescence and depreciation reserve is increased by £2,502,000. In detail £3,500,000 has been added from current profits and £27,000 from the liquidation of a company, while £1,025,000 has been written off subsidiaries and "operating divisions." It is to be noted that, of the total provision from current earnings, £1,000,000 is provided by the parent as additional depreciation. This special addition is made because an overhaul of the position suggests that the total, permissible under tax law, is rather higher than had been supposed and that the whole of this sum will, in fact, need to be used. The total provisions of the five years 1940-44 under this head and miscellaneous writings down is almost £19,750,000. The surplus in the consolidated balance sheet shows an increase of £105,000.

The directors report for 1944 contains all the information which was last year given as a statement by Lord McGowan, so it is to be presumed that he will give a more extended review at the annual meeting. Meanwhile, one remaining point of interest in the report is a dissection of the gross manufacturing and trading proceeds for 1943. This figure was £113½ million for that year and £105 million for 1942. In each year the company's investment, property and miscellaneous income amounted to £1,500,000. The way in which these receipts were spent is set out below:—

(Millions of pounds)

	Factory, Sales and Administration*	Obsolescence and Depreciation	Wages, Salaries and Pensions	Taxes	Net Dividends	To Reserves
1942.....	56	3½	30½	12½	3	1
1943.....	65	3½	33½	9	3	1

* Other than personnel.

Despite the heavy demands of the services, the export business of the group has been maintained and, in some cases, increased, and by the end of the year the delay in shipments, caused by D day, had been made good. Expansion of export business is one of the group's principal preoccupations and there are new goods, evolved in wartime, which should make their contribution. But, like all other large concerns, much of the skilled staff is still in Government departments. Until some at least of these are released and until shipping, materials and labour are available expansion of business must be slow.

Complex Accounts

Much satisfaction has been caused by the announcement of the chairman of Stewart and Lloyds, Sir Alan Macdiarmid, that a consolidated balance-sheet and profit and loss account will be published next year. The main difficulty in the way to date, which has now been removed, appears to have been the taxation loss which would have resulted in changing the accounting date of an important subsidiary. In the meantime, the changes shown in the 1944 accounts, which are analysed in full on page 670, make difficult reading. A figure is given at the moment for the group's consolidated profit, but it needs to be qualified by cumbrous adjustments. Disregarding these for the moment, it appears that the profits of both the group and the parent company have increased by about £200,000, or roughly 20 per cent, after allowing for depreciation and taxation. If the dividend received from a subsidiary during 1943, but actually included in the 1942 accounts, is excluded from this comparison, the rise in consolidated profits amounts to nearly £350,000; for some reason, too, the sum retained by subsidiaries in 1944 is down by £50,000. Thus, the increase in the parent company's profit for 1944

would have amounted to as much as £400,000, were it not for another complicating factor, namely the bringing in to the 1943 profits of £200,000 from taxation reserve no longer required.

However, little importance should be attached to this apparent rise in profits, although this hardly excuses the attempt which was made in the company's preliminary statement to obscure it altogether. Sir Alan Macdiarmid points out that wartime arrangements made by the Government within the iron and steel industry make the figure shown as trading profit "largely arbitrary and artificial." One element in this arbitrariness is no doubt yearly adjustments in taxation provision, which is not revealed at all in the present accounts. It is to be hoped that the consolidated figures, when they appear, will show this item. In any case, Stewarts and Lloyds' wartime profits seem to have been entirely determined by its EPT standard, which is claimed to be highly unfavourable. Sir Alan goes so far as to say that, had 1938 been allowed to rank as a standard year, the company would now be £1¼ million richer.

Good Tubemaking Prospects

Although Stewarts and Lloyds' main products—tubes, pipes and castings—are as vital to peace as to war, the extensive development and research of the last five years is of little use for peacetime processes. The British tube-making industry has thus considerable technical leeway to make up in comparison with many foreign competitors. Nevertheless, the long suspension of normal activity enables Sir Alan Macdiarmid to state that

So far as we can see at the moment, the future is likely to be a period of almost unlimited demand both for home consumption and for export.

Developments in both oil and housing will also lead to special demands, such as the production of tubular roofs for temporary houses now being undertaken on a large scale. It is clear that the company must shortly spend large sums on capital expenditure, and schemes which the Government has already sanctioned include the modernisation of tube plants in Scotland, the building of an additional tube mill at Corby, and appropriate additions to steel plants. The money will be raised for the time being by borrowing without any new issue of shares.

One of the company's chief embarrassments is the rising price of coal and coke, which is said to affect it even more heavily than other British steelmakers, owing to the relatively large quantities used in the Bessemer steelmaking process and in the utilisation of low-grade local ores. This problem, serious as it is from the national viewpoint, is unlikely to prevent the company from earning good profits during the next decade, especially in view of the protection likely to be afforded by the reconstituted Iron and Steel Federation and by the possible revival of international agreements.

Future of Cotton Labour

The Federation of Master Cotton Spinners' Association has realised that one of the gravest problems it has to face is the attraction of more workers. It has been estimated that some 30,000 additional workers are needed in the spinning section and up to 20,000 in other sections. In the past, wages and conditions in the cotton industry have lagged behind those in many other industries. In a statement issued last week, the Federation said that it was their policy to bring cotton wages more into line with the general wages level. To make this possible, they hope for co-operation from the trade unions in modifying existing agreements, practices and methods of calculation. New systems for the more efficient staffing of machines will have to be evolved, and great hopes are placed on the outcome of experiments now being carried out at Wye Mill and elsewhere under Cotton Board auspices.

In its desire to attract new recruits to spinning, the Federation suggests that men should be paid £4 and women £2 15s. a week during training under officially approved schemes, and that on completion of training the same rates should be paid for three months or for a shorter time if the worker can earn more under piece-rate calculations.

This week's conference of the United Textile Factory Workers' Association was also largely concerned with the improvement of wages and conditions in order to attract

new entrants to the industry. Already there are many munition workers who are being urged to return to cotton, but who are deterred by the relatively low wages and unsatisfactory conditions in textile mills and prefer to hang on in engineering. The problem, therefore, is to raise wages without impeding the efforts to restore the export trade and to meet competition from low-wage countries.

But perhaps the most significant and encouraging feature of the conference was the indication that the unions are preparing to "face up" to the issue of double-shift working without which there can be no improvement of efficiency. The Association has traditionally opposed any form of shift working and there still seems to be a large body of hostile opinion in its ranks. But the union leaders, Mr Naesmith (Weavers) and Mr Roberts (Cardroom Operatives), who were members of the Platt Mission to the USA, seem to be determined to bring the majority round to their view of the Association's legislative council, which is that unless the unions accept the shift system, which is operated in every important textile producing country, they can neither press for the forty-hour week nor could they expect the modernisation and re-equipment of the Lancashire mills that is essential to an increase in productivity.

The unions' proposal for the formation of a separate Ministry of Textiles, on the ground that the Board of Trade is overworked, is in line with the growing tendency nowadays to suggest a new Ministry as the panacea for every problem. The call for a separate Ministry of Housing was an example of this trend. It is doubtful whether the problems of the cotton industry, which are mainly technical, would be relieved by a new Government department, even if its headquarters were to be situated in Deansgate and not Whitehall. Indeed, experience has shown that such Ministries, like trade associations, tend to become the guardians of the special rather than the national interest.

British Wartime Merchant Shipping

In his address to the Institution of Naval Architects, on April 17th, Sir Amos Ayre, chairman of the Shipbuilding Conference, gave an account of Britain's merchant shipbuilding in wartime. (Sir Amos Ayre was director of Merchant Shipbuilding at the Admiralty until recently). A record of the number and tonnage of ships constructed is given in the accompanying table. The tonnage of merchant shipping launched from September, 1939, to the end of 1944 totalled 5,723,000 gross; the number of vessels of 100 gross tons and over built during this period was 1,240. In 1942 the tonnage launched reached a wartime peak of 1,250,000 tons gross compared with the previous record of 2,050,000 tons in 1920. During 1942 the number of workers employed in British shipyards totalled 175,000 (the wartime peak exceeded 180,000 in 1943), compared with 300,000 in 1920.

U.K. MERCHANT SHIPBUILDING OUTPUT,
SEPTEMBER, 1939—DECEMBER, 1940
(Vessels of 100 tons gross and over)

	1939		1940		1941	
	No.	Tons ('000)	No.	Tons ('000)	No.	Tons ('000)
Scotland and Northern Ireland	28	150	83	450	102	494
North-East England	23	87	76	341	96	601
Other Districts	9	3.6	23	18	36	63
Total for the U.K.	60	240	182	809	234	1,157

	1942		1943		1944		Total	
	No.	Tons ('000)	No.	Tons ('000)	No.	Tons ('000)	No.	Tons ('000)
Scotland and N. Ireland	108	540	102	563	92	472	515	2,670
N.E. England	114	719	92	582	96	494	497	2,824
Other Districts	37	43	42	56	81	46	228	229
Total for the U.K.	259	1,302	236	1,202	269	1,013	1,240	5,723

Of the total number of workers employed in 1942, nearly 75,000 were engaged on repair work (naval and merchant

vessels), 60,000 upon new construction, and only 40,000 in merchant shipbuilding. Sir Amos Ayre stated that there was an increase of from 50 to 75 per cent in the average output per employee in 1942-43, compared with 1917-18, due largely to technical progress—that is, prefabrication, welding, simplification of structure, additional plant, and so on. This is a substantial increase. No doubt, there is scope for further improvement in the productivity of the British shipbuilding industry. The industry can only regain its former supremacy in the world if it is willing and able to make the fullest possible use of the most efficient methods of construction.

Driefontein Issue Sanctioned

There will be general satisfaction that the British Treasury has decided to permit the issue in this country of a section of the original working capital of West Driefontein Gold Mining Company. This concern is an affiliate of West Witwatersrand Areas and the amount of shares which may be taken up here is limited to the rights, under the terms of issue, on those "West Wit" shares on the London register. Thus, the Treasury adheres to past practice to the extent that there is technically no issue to the public. What is new is that the concern raising the money is domiciled outside the United Kingdom—but still within the Empire—and that the issue has no direct connection with the war effort. The latter characteristic is shared by the recent issue of Crittall Manufacturing, which marked a welcome recognition of the needs of reconstruction at home. The Driefontein issue is the first step towards rebuilding Britain's greatly reduced overseas holdings, and it is particularly important because a number of similar extensions to gold mining in South Africa are known to be in contemplation. Too much should not be made of it, however. The money is to go to a concern within the Empire and within the sterling bloc. Further, gold is readily exchangeable for any currency. It is very probable that the opportunities for investment outside this country will for long remain very restricted, but possibly the Chancellor of the Exchequer will have something to say on this aspect when he makes his statement on the general policy of control of capital issues which he promised the House on Tuesday.

"Slubbers" Costs

The accounts of The British Cotton and Wool Dyers' Association for the year to March 31st show a modest expansion in both trading and net profit and an increase in the dividend from 5 to 6½ per cent, the best paid since 1939-40. The fact is less interesting than the explanation of it advanced by Mr Peter Caldwell, the chairman of the group. Difficulties increased during the year and there was little or no relief from the shortage of labour. But the association dealt with an increased amount of material because virtually all its orders were for the services or for Utility cloths, small dyeing lots being almost completely eliminated. Mr Caldwell continues:—

Before the war, the yarn dyeing industry was clogged and stifled by an excess of small dyeing quantities, brought about by the endless variety of shades in use, with the result that labour expenditure was exceedingly high, and the outlay in coal, dye-stuffs and chemicals proportionately much higher than when dyeing greater weights.

Having stressed the difference between those conditions and the present experience, he goes on to say that

a continuation or extension in the post-war period of production on the lines of the Utility Scheme would do much to solve one of our most difficult problems, that of the supply of labour.

It is a pity that Mr Caldwell does not give a numerical example of the difference in cost and does not say whether he advocates the continuance of utility goods as a permanent or a temporary feature. The shortage of labour may be relieved by the exceptional measures being taken by the Government and the industry itself. But so long as shortages of labour and materials last, a substantial restriction in the number of shades may be desirable, if it does in fact produce a substantial increase in the amount of goods available. To continue what is in fact a compulsory limitation upon freedom of choice beyond that point seems of doubtful benefit.

There is little doubt that the total number of shades available in pre-war days exceeded what was "reasonable"

and it is to be hoped that during the transition period conditions will so develop that a price difference between what may perhaps be called a "standard" shade and a "fancy" one will be so impressed upon the public that they will in many cases prefer the former. In a completely free economy there is nothing to prevent concentration upon standard shades, or any other standard attribute. Whether it is desirable to do so will be determined by demand.

United Molasses Outlook

The preliminary statement of United Molasses for last year had already shown an increase in profit of the group from £834,781 to £960,163, the highest figure since 1940, and an increase in the dividend. The directors' report and chairman's statement add something to the information as to the position of the group. In the first place, contributions from the profits of prior years are not yet exhausted and are likely to continue, although presumably, at a reduced rate, for some years. They arise from uncertainty as to the interpretation of Government contracts, and it is evident that the officials of the company have been careful to err on the side of conservatism in making their estimates. Again, the fall in the provision for depreciation from £208,394 to £153,875 is to be read as a sign that many assets are written down to scrap values, and the report states that, until new assets are acquired, less and less will be required under this head. Finally, contributions to pensions funds were suspended in respect of last year, and will not be required until the whole position can be reviewed after the return of the company's employees now serving in the forces.

These are all pointers to an increase in distributable profits, but the position is not without its dark spots. Mr F. K. Kielberg, the chairman, discloses that the group has suffered heavily at sea, having lost some of its largest and most efficient tankers. So far some of the oil tankers have been replaced by the purchase from the Ministry of War Transport of two tankers of 12,000 tons each for delivery six months after the end of the war, but no steps have so far been taken to replace molasses tankers lost. It is not easy to deduce from the consolidated accounts of the company just what losses it has suffered, but they appear to have been moderate in the early years of the war and heaviest in 1942. The recent position can be seen from the summarised results of the past three years given on this page. The group has over £6 million of net liquid resources invested in gilt-edged stocks, so there can be no question of its having adequate funds for the replacement of the fleet when the appropriate moment arrives.

Colonial Development

The work of the Imperial Institute deserves to be better known. Its report for 1944 contains a fascinating account of varied activities. Its exhibition galleries, films and lantern slides are better known than its scientific work. A good deal of the work of the Scientific Department done for the Government has necessarily been of a confidential nature, but during last year increasing attention has been paid to post-war development.

The Institute provides an intelligence service for commercial firms as well as for Government departments on plant and animal products, mineral resources and rubber. It has had what it calls "an unusual number of inquiries" about rare and lesser-known metals with such attractive names as selenium, lithium and rhenium. Much of the Institute's research reveals prospects for the establishment of new industries in the colonies. These include bookbinding to use locally tanned leather in Basutoland, the production of fruit juices in New Guinea and Nigeria, silkworm production in Malta, sponge fishing on Tanganyikan shores, linen flax production in St Helena, and the use of local grasses for paper-making in Nigeria and Southern Rhodesia. The last might help to increase the supply of newsprint, which is likely to fall far short of demand in this country even when the war is completely over.

Geological surveys of some colonies have been made, and these are to be intensified in the future. They will be of the utmost value as a preliminary to development. Social aspects are not forgotten, and the Institute is preparing statements on colonial building materials of mineral origin for the Colonial Housing Research Group at the Colonial Office. One on the West Indies has already been submitted, and another for West African colonies is nearly complete.

Company Results

Imperial Chemical Industries.

	1942	1943	1944
Consolidated Income:			
Manufacturing and trading	20,616,996	17,222,253	16,638,114
Non-consolidated subsidiaries	114,211	8,735	1,205
Associated companies	1,052,324	976,124	983,870
Interest, dividends, etc.	459,287	497,515	570,858
Total	22,252,818	18,704,627	18,194,047
Interest	264,027	257,375	235,763
Directors' remuneration	69,169	67,952	74,091
Pensions and pension funds	1,462,712	1,509,605	1,676,374
British and Overseas taxes*	9,720,172	6,050,682	5,194,762
Misc. expenditure written off	246,134	205,177	273,112
Obsolescence and depreciation	3,617,399	3,571,666	3,516,674
Profit	6,873,205	7,042,172	7,223,271
Dividend (gross) to outside holders	209,208	200,567	204,111
Retained by subsidiaries†	164,138	156,260	46,172
Income of I.C.I.	6,499,859	6,685,345	6,972,988
Var reserves	701,595	874,210	172,145
Preference dividends (gross)	1,666,104	1,682,468	1,685,438
Additional depreciation	...	...	1,000,000
I.C.I. Ordinary:			
Earned	4,132,160	4,128,667	4,115,404
Paid	4,032,148	4,032,148	4,032,149
Earned %	8-4	8-4	8-3
Paid %	8	8	8
Carry forward	965,499	1,062,018	1,145,274
* E.P.T.			
Income Tax	...	3,524,477	2,933,796
Total	12,436,796	5,469,415	5,006,263
Less Tax on dividends	2,716,624	2,743,208	2,745,297
† Of which belongs to I.C.I.	Not stated	117,716	20,659
‡ If war reserves are not regarded as expenses and allocation is spread over four years, the earned percentages for 1942-44 are 10-2, 10-8 and 12-0.			
Consolidated B/S:			
Net fixed assets	54,612,733	53,984,658	50,978,656
Inter-company items	8,245,966	8,253,277	8,187,918
Net liquid assets	20,857,626	22,386,492	25,382,906
Less Debentures and loans	4,679,781	4,589,194	4,479,048
Intangible assets	15,436,638	15,425,303	15,502,257
Outside holdings in subsidiaries	3,648,223	3,525,865	3,531,022
Gross liquid assets	63,172,891	66,953,941	68,500,596
Stock-in-trade	30,353,659	30,250,734	31,051,311
Tax certificates	8,170,480	11,724,384	13,145,737
Gross fixed assets	64,699,995	65,663,223	69,379,109

The £1 units of ordinary stock are quoted at 3s. 9d., ex dividend, and yield £4 os. 7d. per cent.

Stewarts and Lloyds.

	1942	1943	1944
Consolidated figures:			
Profit after depreciation and tax	1,292,640*	1,169,468	1,361,843
Taxation reserves no longer required	125,000	...	...
Accounting date adjustment†	Dr. 47,484	Dr. 157,146	...
Total profit after depreciation and tax	1,370,156	1,212,323	1,361,843
Retained by subsidiaries	214,698	196,266	142,752
Obsolescence reserve	250,000	100,000	500,000
Preference dividends	121,202	123,685	121,202
Deferred stock:			
Earned	784,256	792,372	597,889
Paid	534,050	544,993	534,050
Earned %	18-3	18-7	14-0
Paid %	12-1	12-1	12-1
Contingencies reserve	250,000	250,000	...
Carry forward	193,081	190,460	254,299
Parent Company:			
Net fixed assets	9,708,381	9,123,853	8,265,911
Net inter-company assets	5,044,040	5,114,972	4,849,835
Net liquid assets	2,570,237	3,062,017	4,231,226
Gross liquid assets	11,193,895	11,505,062	14,508,234
Stock	5,158,827	5,568,823	5,328,499
Tax reserve certificates	1,000,000	1,000,000	3,750,000
* Including dividend of £140,494 paid by subsidiary out of profits retained in former years.			
† Representing adjustment of dividends paid by a subsidiary, Stanton Ironworks, which has a substantially different accounting date.			

The £1 units of deferred stock, standing at 55s., ex dividend, yield £4 10s. 9d per cent.

United Molasses.

	1942	1943	1944
Consolidated Figures:			
Profit*	829,165	834,781	960,163
Depreciation	198,670	208,394	153,875
British taxation	324,018	281,435	361,495
Preference dividend	37,500	37,500	37,500
Ordinary stock:			
Earned	268,977	307,452	407,293
Paid	195,450	195,450	219,882
Earned %	27-5	31-5	41-7
Paid %	20	20	22-1
General reserve	100,000	100,000	150,000
Superannuation fund	15,000	12,000	...
Carry forward	74,452†	74,454	111,865
Net fixed assets	1,403,508	1,105,078	958,395
Miscellaneous investments	1,058,114	1,057,016	1,057,197
Net liquid assets	5,045,323	5,766,264	6,480,204
Gross liquid assets	6,814,780	7,560,235	8,285,021
Government securities	3,657,439	5,753,682	6,168,808
Tonnage replacement account	603,567	706,767	706,797
Reserves for contingencies and deferred liabilities†	1,006,547	752,184	906,181
* Including "profits from prior years now available."			
† Including £42,844 taxation credits brought in from prior years.			
‡ Excluding tonnage replacement account.			

In addition to the ordinary dividend, there was a tax-free distribution of 2½ per cent., paid out of capital reserve, in 1943 and 1944. Allowing for this, the units of ordinary stock, standing at 42s. 3d. ex dividend, yield £4 6s. 10d. per cent.

COMPANY MEETINGS

THE UNION BANK OF SCOTLAND, LIMITED

RECORD BALANCE SHEET FIGURES

SIR A. STEVEN BILSLAND'S REVIEW

The annual meeting of shareholders of The Union Bank of Scotland, Limited, was held, on the 9th instant, Sir A. Steven Bilsland, Bt., M.C., D.L., chairman of the bank, in the chair.

The chairman, in submitting the directors' report, mentioned that the balance-sheet presented that day, in the total figure and in the amount of deposits, constituted a record for the fifth consecutive year. The balance-sheet total of £65,703,000 compared with £63,786,000 for last year, and deposits at £54,668,000 showed an increase of £3,113,000. Cash, money at call and short notice, Treasury deposit receipts and bills—largely Treasury bills—amounted to £21,268,000 and represented 35 per cent. of the bank's liability for deposits and notes in circulation. The bank's investments of £33,651,000 showed an increase of over £2,650,000 compared with last year, £30,500,000 being British Government securities, a considerable proportion of which were short-dated. The actual market values of these investments were in the aggregate very considerably in excess of the figures appearing in the balance-sheet. From what has been said they would appreciate that the bank was in a very liquid position and that ample resources were available to make advances when the demand arose. The circumstances of the war had greatly reduced the demand for bank credits but the total of loans and advances at just over £9,000,000 showed an increase of £359,000 over last year. A fair proportion of the advances, which were well spread, represented assistance to firms engaged in the war effort.

PROFITS AND DIVIDENDS

The larger funds at their disposal during the year had resulted in an increase of over £10,000 in the profits which amounted to £323,776. This figure was arrived at after making ample reserves for taxation, which, in the case of banks as with other business undertakings, was a very serious item. An allocation of £50,000 had been made to reserve, raising that item to £2,050,000 against their paid-up capital of £1,200,000. For the second year in succession £20,000 had been placed to a reserve for repairs and renewals. On approval of the board's recommendation that a dividend of 18 per cent., absorbing, with tax, £216,000, be paid for the twenty-third successive year and that £35,000 be transferred to pensions and allowances fund, the balance to be carried forward would amount to £151,372, an increase of almost £3,000. The position of the bank was one of very great strength.

POST-WAR PROBLEMS

With the end of the war in Europe many problems would have to be faced. There was now a much greater realisation in this country than existed even a year or two ago of our position with regard to international trade. The Chancellor of the Exchequer had pointed out that in order to obtain essential imports to feed our people and to provide raw materials for industry, this country must incur further foreign indebtedness. Ultimately these debts, which by the end of 1945 might amount to 4,000 million pounds, must be paid: that could only be done by the export of goods, together with the rendering of services, such as shipping, insurance, banking, etc.

It was clear, therefore, that the expansion of their export trade was of vital importance if they were to maintain a satisfactory standard of life in this country. That meant that in peace no less than in war the country must maintain a united effort. Further, it meant the necessity for a high

standard of efficiency—in good management, modern plant, full value in output for wages paid and good salesmanship. They must sell overseas what their customers wanted at prices these customers were willing to pay, and it was clear that the further industrialisation in the new world would require a greater degree of specialisation on the part of this country. They must lay sound plans for the development of their export trade and not be deluded by the sellers' market that would exist for some years after the war: a sellers' market was never a sound market.

It was satisfactory that the Chancellor of the Exchequer had been able to announce the conclusion of a treaty with the United States on the difficult but very important question of double taxation, thus removing one of the handicaps to the exporter. It was also encouraging that the export credits guarantee department had recently announced improved guarantee policies which met many of the criticisms made against former restrictive conditions.

TRIBUTE TO MR NORMAN L. HIRD

After paying a tribute to the management and staffs at head office and in London, he also expressed their particular indebtedness to the general manager, Mr Norman L. Hird, and the assistant general manager, Mr John A. Morrison, for their valuable services during the past year.

With that annual meeting Mr Hird had completed 25 years as general manager of the bank—a record of service as chief executive officer seldom equalled in banking. These 25 years had covered a period of extraordinary complexity. Mr Hird had stood the test with great credit to himself and, as their figures showed, with great benefit to the bank. That day they expressed to him their cordial congratulations and their heartfelt thanks.

The report was unanimously adopted and a dividend at the rate of 18 per cent. per annum declared.

UNITED MOLASSES COMPANY, LIMITED

The nineteenth annual general meeting of this company will be held, on the 29th instant, at Brook House, Park Lane, London, W.

The following is an extract from the statement of Mr F. K. Kielberg, chairman and joint managing director, which was circulated with the report and accounts: The trading profits for the year, amounting to £960,000, include "Profits from prior years now available." A similar notation has appeared in the reports for the last three to four years and is likely to continue for some years to come. Had we not adopted this method of dealing with the accounts, but waited until all outstanding claims were finally settled and rates of hire agreed with the Ministry of War Transport, the publication of the accounts would have been delayed for years.

Having regard to the company's free reserves and strong liquid position, combined with the satisfactory earnings record of the last ten years, your directors feel that a slightly higher distribution is justified and recommend the payment of a final dividend of 15 per cent.

Trading during the first four months of the current year has been satisfactory and the immediate prospects indicate no change in this respect. The comparative stability of combined earnings during recent years is, to a large extent, due to the success of the board's policy of widening the basis of your company's activities, pursued since the middle thirties.

THE DISTILLERS COMPANY

The extraordinary general meeting of the company convened by notice dated April 24, 1945, was held in the North British Station Hotel on the 17th instant, with Lord Forteviot presiding.

The resolution extending the objects clause of the company's memorandum of association was passed.

ASHANTI GOLDFIELDS CORPORATION LIMITED

MR J. H. BATTY RETIRING

SIR EDWARD SPEARS NEW CHAIRMAN

The forty-eighth ordinary general meeting of Ashanti Goldfields Corporation, Limited, was held, on the 10th instant, in London. The following is the statement by Mr J. H. Batty (chairman) circulated with the report and accounts:—

I have come to the conclusion that the time has arrived when I should free myself from a great deal of the detail work involved in my present position as chairman, and after some discussion with my colleagues, the board have adopted my recommendation to appoint Major General Sir Edward L. Spears to be my successor. I have, however, agreed to continue to occupy my present position until the termination of hostilities in Europe and the transfer of the head office back to Old Jewry.

I have been a director of your company since 1921, and chairman for the past 15 years. My colleagues have invited me to assume the title of president of the corporation, and I have informed them that I shall be prepared to accept this suggestion provided the post does not carry any emoluments nor create a new function and new duties, and provided also that the proposal is acceptable to you. If this proves to be the case, I shall continue to act as a director, occupying the position of deputy chairman. This, in my view, is the best means of placing my past experience at the disposal of Sir Edward Spears. My position as president would be a purely advisory one, and your chairman will be invested with full powers, presiding at all board and other meetings of the corporation.

Sir Edward Spears has considerable business ability and I would remind you that he has recently held the important position of British Minister in Syria and the Lebanon. I am sure he will always study the interests and welfare of the Corporation and I wish him every success.

It is the intention of Sir Edward Spears to pay a visit to the Corporation's property at Obuasi in the autumn.

THE ACCOUNTS

Dealing with the balance sheet, it will be seen that the issued capital and share premium account remain the same.

Reserves amount to £331,682, an increase of about £7,000, and provision for taxation £398,353. Sundry creditors at £152,424 are higher by some £18,000. On the other side of the balance sheet the items of plant and machinery and main shafts again show reductions by depreciation. The large increase in sundry debtors is accounted for by the inclusion of £146,000 in respect of the claim for loss of profits owing to the fire in Ashanti Mine (since paid), and refund in respect of E.P.T., both of which matters I shall refer to later.

Investments in British Government Securities remain at about the same figure, viz.:—£240,540, and shares in other companies taken at cost or under market value, whichever was the lower, stand at £447,870. I may add that the market value of these shares on September 30th last was £1,336,558.

Tax reserve certificates and cash amount together to £393,091.

The profit for the year after allowing for our proportion of care and maintenance expenditure of the closed down mines £69,579, and taking into account the amount recoverable for E.P.T. for the year £15,010, and claim for loss of profit resulting from the fire £146,000, amounted to £820,225. It will be noted from the appropriation account that the estimated refund due in respect of E.P.T. claims for previous years, amounts to £16,747, which, added to

the profit for the year, and including £412,637 brought forward from last year, gives a total of £1,394,609. Of that sum, the interim and final dividends for the year will absorb (after deducting tax at 6s. in the £) £498,175, equal to the net amount distributed last year. Provision for income tax (including Gold Coast tax) amounts to £525,624. Of this amount £112,155 has been paid in advance. After allowing for the proposed transfer of £10,000 to the pension fund, there is a balance to be carried forward of £360,810.

It will be realised that the distribution this year has only been maintained by using the amount recovered in respect of E.P.T. for previous years, and by taking from the amount brought forward the sum of £51,827. There will be no further opportunity to recover E.P.T. for the current year, and therefore future distributions will depend upon the actual profits made.

EFFECT OF FIRE

As you are aware, our monthly returns were affected by the fire which necessitated sealing off the main shaft section for over four months. I am sure you will wish to join the board in expressing appreciation of the excellent work done by the manager and all concerned in coping with this serious danger. Every help and encouragement was forthcoming from the chief inspector of mines and his staff. We are glad to take this opportunity of expressing our appreciation of the valuable assistance they gave us. The board would also like to record their appreciation for the prompt manner in which our claim for insurance was dealt with, which is in keeping with the best tradition of the British insurance companies.

Fortunately, as the manager points out, very little material damage was done underground. Naturally, however, the fire caused a good deal of disorganisation in our plans. For one thing, owing to the main shaft section being closed, development had to be confined to less important sections of the mine, so that no addition to ore reserve was possible.

At 1,829,176 tons of 21.8 dwt. ore the reserve is still equal to about 10 years' supply at 15,000 tons per month. With the resumption of normal development, further and valuable additions can be confidently looked for.

As the London consultant indicates in his comments, we have authorised the sinking of a large ventilation shaft. This is part of a long term development policy to provide for the future working of the mine at much greater depth, and on a larger scale than we have at present reached. We expect to spend some £120,000 on this project, spread over the next five years.

Our underground workings are very extensive, stretching some 2 miles from Obuasi to Ayeinm. The existing shafts were planned—quite rightly on the evidence available forty years ago—for much smaller operations than we have to budget for today. As already indicated when I addressed you in February, 1939, it will be necessary for us to sink a new shaft to the north of our present main shaft. The war has hampered development to explore for the correct site for this shaft, but we hope to be in a position to come to a decision after we have resumed our normal development programme on the lower levels. This new shaft will involve a heavy expenditure, but, as in the case of the ventilation shaft, it will probably take 5 to 7 years to complete, and the cost will be spread over that period. Later it may also prove desirable to either enlarge the existing Ayeinm shaft or sink a new one.

The question of resuming our normal output, or of increasing it, must wait until the position with regard to European staff and essential supplies improves.

Meantime, it is impossible to maintain the plant at the same pre-war high standard of efficiency, and you will understand that even when the present stringency eases, there will be a time lag before we can bring the plant back to full capacity.

BIBIANI (1927) LIMITED

VERY STRONG RESERVES

NEW CHAIRMAN TAKES OFFICE

The eighteenth annual general meeting of Bibiani (1927) Ltd., was held on the 10th instant, in London. The following is the statement by Mr. J. H. Batty (Chairman) circulated with the report and accounts:

Those of you who are also members of the Ashanti Goldfields Corporation will have seen that I propose resigning the chairmanship of that Corporation directly hostilities in Europe are ended and the Head Office returns to Old Jewry. It is my wish to simultaneously take the same step in the case of this company.

I have been your chairman since 1930 and, with the able assistance of Mr. G. W. E. Turner, the London Consultant in all technical matters, and with the close association of the Ashanti Goldfields Corporation, our operations have achieved considerable success. The ore body met with at Bibiani is a remarkable one, and at times has given us some anxiety, but Mr. Turner's clear insight and decision with regard to the programme of work underground, have brought us to our present satisfactory position. He is deserving of the greatest credit and thanks from us all.

It gives me pleasure to record that we have been immensely helped by the interchange of staff and the combined experience pooled with the Ashanti Goldfields Corporation, and the cordial support which I have received from my colleagues during my tenure of office.

SIR EDWARD SPEARS

Major General Sir Edward L. Spears, whom I recommend to be my successor, has the unanimous support of the Board and I am pleased to be able to advise you that he has accepted our invitation.

There is a desire that I should remain associated with the Company, and I have accepted the invitation to remain on the Board as deputy chairman. I shall be pleased to do whatever is within my power to give the greatest help and support to your new chairman.

Sir Edward Spears has had considerable business experience, and his Parliamentary career has been outstanding. I have every confidence that he will bring his great ability and experience to bear in fostering and developing your interests.

Referring to the balance sheet, it will be seen that there is no change in the capital or share premium accounts. Provision for income tax (after allowing for £22,732 Gold Coast tax paid in advance) is £79,967. Plant and Machinery at £552,233 is again lower by depreciation written off. The same remark applies to main shafts standing at £18,602. Mine development after writing off £16,733 to profit and loss account in respect of tonnage treated during the year, stands at £127,622, which is equal to 1s. 2.9d. per ton on the ore reserve of 2,053,979 tons.

Investments in government securities, tax reserve certificates, and cash, amount to £294,500.

Referring to the profit and loss account, after making provision for our proportion of care and maintenance expenditure of the closed down mines £21,035, and for E.P.T. £15,000, the profit for the year amounts to £153,647.

In the appropriation account it will be noted that E.P.T. recovered (less taxation adjustments) in respect of the past years, is £90,896, which, added to the above profit, and including the balance brought forward from last year, £72,512, makes a total of £317,055.

In respect of the twelve months, an interim dividend of 5 per cent. has been paid, and it is proposed to pay a final dividend of 15 per cent both less tax at 5/- in the £. These dividends (less tax) amount to £75,000, as against the £68,750 distributed last year. After making provision for income tax (including Gold Coast

tax), and transferring £5,000 to Staff Bonus Account, there is a balance to be carried forward of £149,035, being an increase of £76,523 compared with last year's figure.

OUTLOOK FOR THE FUTURE

In view of the uncertainty of the duration of the war, and the increased difficulties with regard to staff and supplies, which, of course, have an important bearing on our being able to maintain present output, it is most necessary that we should be conservative in our distributions until conditions become more normal.

Directly we return to normal conditions, when Staff and material can be brought up to full standard, we are ready to go ahead, and I look forward with confidence to the future.

The technical side has been dealt with in the London Consultant's comments on the manager's report. This report can be seen at the Company's office by arrangement with the secretary.

Development results at the end of the year did not call for any special comment, only medium to low grade ore having been found at No. 11 Level at that time. It is satisfactory, however, to be able to record that since then better results have been obtained there, No. 9 crosscut having exposed 20 ft. of reef of an average value of 9.3 dwt.

Even more encouraging are the results of crosscutting at the North end of No. 10 Level, where East of the Main drive No. 27 crosscut N. has given so far 15 ft. of reef of an average value of 35.2 dwt.

As soon as circumstances permit, further work will be done in this area to explore what may prove to be a new pay shoot.

The programme of shaft sinking and development to open up a new main haulage level, mentioned by Mr. Turner, will be put in hand as soon as circumstances permit.

The ore reserves are in a very strong position. It is satisfactory to find that our estimates of tonnage have been on the conservative side, so that last year stopping Blocks yielded 75,000 tons more than anticipated.

With regard to future output we are hopeful of maintaining our present rate of production, but in addition to the difficulties of labour and supplies already mentioned, costs are rising owing to war conditions, and this, naturally, is likely to have some bearing on future profits.

Continued attention has been given to promoting the welfare of the African and European staff. African labour has been adequate and contented. You will, I am sure, agree that the manager and his staff, many of whom, owing to transport difficulties, have had to serve unduly long tours of duty, are to be congratulated on the excellent work accomplished during the year.

WILLIAM BEARDMORE AND COMPANY, LIMITED

The ordinary general meeting of William Beardmore and Company, Limited, was held, on the 11th instant, at the offices of the company in Glasgow. Sir James Lithgow, Bt., G.B.E., M.C., chairman of the company, presiding.

The secretary, Mr D. M. Cameron, C.A., read the notice convening the meeting, and the report of the auditors was read by Mr H. MacRobert, C.A.

Resolutions adopting the report and accounts for the year ended December 31, 1944, authorising the payment of the dividend on the ordinary stock, and confirming the placing of a further £100,000 to war contingencies reserve, were carried unanimously.

The retiring directors, Captain Q. H. Paterson, D.S.C., R.N., and Mr T. M. Service, were re-elected, and the auditors, Messrs J. Wyllie Guild and Ballantine, re-appointed.

The proceedings concluded with a vote of thanks to the chairman.

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

TOTAL ASSETS EXCEED £19,478,000

MR. JAMES L. MOUNSEY'S SPEECH

The annual general meeting of the Scottish Union and National Insurance Company was held, on the 9th instant, in Edinburgh.

Mr James L. Mounsey, W.S., chairman of the company, in the course of his speech, said: New business written in the life department in 1944 showed a satisfactory increase over the previous year, both as regards sums assured and annual premiums. In dealing with children's policies and other contracts carrying an option, it is our practice to take credit for only the basic sum payable in the published new business figures; we do not take into account the increase in the sum assured which may accrue when the option date is reached. The average rate of premium for new business was maintained at well over 5 per cent. in respect of the proposals accepted in 1944, and the business generally was of a substantial nature. The total annual premiums show an increase on the previous year, and considerations for new annuities were substantially larger than in 1943. The net rate of interest earned on the fund was £3 2s. 11d. per cent. last year.

On the other side of the account, mortality experience continued to be favourable, and though claims by death at £357,043 were higher by approximately £60,000 than the very low total in 1943, they were well within the estimated figure, despite the incidence of claims caused by hostilities. It is interesting to observe that, with the exception of last year, we have to go back to 1912, i.e., the year before the "City of Glasgow" life funds were included in our accounts, to find a year when the mortality claims were less and, at that time, the business on our books amounted to only about one-third of the present total.

FIRE DEPARTMENT

The main feature of this account is the substantial increase in premiums in all parts of the world where the company is transacting business, the income for last year being the highest attained in the long history of the company. The claims' experience in the British Isles was again favourable, though not so good as in 1943, and, despite large payments for claims arising out of the serious explosion in Bombay last April, the overseas field—with the exception of North America—has produced satisfactory results.

Despite the difficulties, the fire account shows a trading surplus for the year of £112,187, out of which the sum of £92,046 has been added to reserve for unexpired risks in consequence of the increase in premiums, and the balance of £20,141 has been transferred to profit and loss account. Although the latter sum is small compared with the profits earned during the last few years, the result on the whole may be regarded as not unsatisfactory.

ACCIDENT DEPARTMENT

This account, which includes personal accident, employers' liability, motor, burglary and other miscellaneous risks dealt with by the accident department, continues to show sound and steady progress. There is a slight reduction in the motor revenue, but, in all other classes of business, the premiums have appreciably advanced. The overseas business continues to expand and the results generally have proved more favourable than in recent years. Reserves have been further strengthened, and the combined profit at £65,946 is highly gratifying.

It is recognised that the underwriting in the accident department as a whole has been generally favourable during the past year or two—one of the main reasons being

the considerable reduction in the use of private motor cars. While perhaps it would be optimistic to anticipate a continuance of this experience, I feel that we can look forward with confidence to continued development of our accident account.

MARINE DEPARTMENT

Compared with the previous year, there was a drop in marine premiums of nearly £136,000. This is due to some extent to a further reduction of privately owned tonnage but mainly to reduced rates of premium, both for war risks and ordinary perils of the seas. It is pleasing to note that the lowering of rates for war risks has been brought about by the lessening of the submarine menace, and, although there is no contraction in the scope of the activities of the marine department, it is to be anticipated that premium rates will continue to fall as the war moves towards its conclusion and hostilities finally cease.

Claims paid were £109,000 less than during 1943, but there are many outstanding claims awaiting settlement on account of the postponement of permanent repairs until larger supplies of materials and labour are available. After full provision for these and other outstanding liabilities has been made in the reserves, it is extremely satisfactory to be able to transfer the substantial sum of £150,000 to profit and loss account. The underwriting fund stands at 141 per cent. of the premiums written for the year compared with 129 per cent. for 1943.

APPRECIATION OF INVESTMENTS

Following the practice of previous war-time years, we have continued to assist the war effort by investing all our new money available in Great Britain and a large proportion of that derived from maturities and repayments in British Government securities. The total sum invested in these securities last year was £502,000, and, since the outbreak of war, we have invested over £3,085,650. We have also contributed to the war effort in a similar way in the British Dominions overseas and in the United States of America.

With the maintenance of strict Government control of finance, the difficulty of obtaining suitable investments to yield a liberal return continues, but it is satisfactory to be able to state that the market values of our investments have continued to appreciate substantially. During the year the total assets of the company have increased by £312,875, and now stand in the balance-sheet at £19,478,164—a sum considerably below current market values.

THE FUTURE

As regards the future, there is no doubt that insurance must play the same part in post-war reconstruction as it has played in the past, namely, the provision of security against loss from the many risks which beset life and property. The war has brought prominently to notice the great value of insurance as an invisible export, and arrangements have been made for British insurance companies to re-enter the overseas countries where they formerly operated as soon as those countries have been cleared of the enemy.

Whatever difficulties the future may bring, I feel that with the full use of our returning manpower properly directed and the continued support of all those who have contributed to the welfare of the company, and with bold and comprehensive planning, we can look forward with confidence to future progress and developments in all departments of the company's business.

The report and accounts and dividend were approved.

GENERAL ACCIDENT ASSURANCE

SUCCESSFUL OPERATIONS

The fifty-ninth annual general meeting of the General Accident, Fire and Life Assurance Corporation, Limited, will be held, at Perth, on the 23rd instant.

The following is an extract from the statement of the chairman, Mr Frederick Richardson, circulated with the accounts: Our operations during 1944 have been highly successful. There was an increase in net premium income in each of the main departments and the balance at credit of profit and loss account shows a gain of £272,996 over the previous year. However, this balance, totalling £912,603, includes certain exceptional items. We have been able to bring into the accounts an item of profit on exchange amounting to £197,298, mostly derived from United States remittances, and in addition have felt justified in transferring £50,000 from the Marine Account, in view of its successful operation by our Marine underwriters. Advantage has been taken of these transfers to set up a reserve of £250,000 against British income tax not yet assessable based on our 1944 results. In our subsidiary companies similar reserves, amounting to £62,535, are carried. Your directors have deemed it wise to make permanent provision under this heading.

We have very large funds in the United States and, as is customary, these have been translated into sterling at the pre-war par of exchange. Therefore, as long as the prevailing rate continues to favour the dollar, there will be an element of potential profit on exchange. In the years 1939-1944 inclusive we have incurred in British taxation the sum of £1,808,111 in respect of profits made outside the United Kingdom. Thus our world wide operations have been of much benefit to the Nation as well as to ourselves. The international scope of British insurance is a factor of great importance in our National economy.

JOHNSON AND PHILLIPS, LIMITED

DIVIDEND MAINTAINED

The fortieth annual general meeting of Johnson and Phillips, Limited, was held, on the 10th instant, in London.

Mr G. Leslie Wates, J.P. (chairman and managing director) said that the trading profit for the year under review fell short of that shown by the previous year's figures but was still the substantial sum of £458,000. The net profit, however, was higher by reason of the fact that they had employed more capital during 1944 than in earlier years. The recommendation as to dividend was the same as during the war years, namely 15 per cent.

The three electricity distributing companies had carried on their work without interruption or major incident and had all increased their turnover and profit. Since the close of the financial year they had purchased the whole of the issued share capital of Aurora Lamps, Limited. They had continued to devote a great deal of attention to their organisation overseas. In parts of the world still in the hands of the Eastern enemy, their business arrangements would have to be reconstructed to meet the enormous needs which would arise. In the Dominions it was inevitable that much of what had been formerly imported would be manufactured locally. So far as they considered such development sound they would participate; indeed they were already doing so.

It was difficult to say anything fresh about the post-war situation at home. It was obvious that controls would have to remain for some time until shortages of essential raw materials were made up and life sufficiently returned to normal to enable freedom in various directions to be recovered without dangerous repercussions on prices, but the sooner those controls went the better for British industry.

The report was adopted.

TARRAN INDUSTRIES, LIMITED

PROFITABLE TRADING BASIS REACHED

RECONSTRUCTION FORESHADOWED

The adjourned annual general meeting of Tarran Industries, Limited, was held, on the 10th instant, in London.

Mr Alan P. Good, the chairman, presided.

The following is a summary of the statement of the directors circulated with the report and accounts: The audited accounts for the year ended September 30, 1944, show a loss for the year of £347,941 and, after taking credit for the balance brought forward and other available items, a debit balance on profit and loss account of £327,009. By reference to the profit and loss account, it will be seen that this loss does not arise wholly from the year's trading; as to £14,000 it represents the writing off of the goodwill of R. E. Barchard and Son, which business was bought in 1943 and sold recently; as to £13,203, it represents reserves which the directors have considered it necessary to make against investments in subsidiary and associated companies. However, the greater part of the loss, namely, the sum of £296,402 arises primarily from a revaluation of stocks, work-in-progress and amounts outstanding on completed contracts.

TURQUAND, YOUNGS' REPORT

The directors' report dealing with the circumstances giving rise to this position states that in March, 1944, Messrs Turquand, Youngs, McAuliffe and Company, chartered accountants, were instructed by the company and its bankers to report on the financial position of the company as at March 31, 1944. Their report, with a balance-sheet attached, showed that as at March 31, 1944, there was a deficiency as regards creditors of £249,474, whereas the balance-sheet of the company as at September 30, 1943, had shown a surplus of £271,000. The difference between the surplus shown at September 30, 1943, and the deficiency shown at March 31, 1944, represents the apparent loss incurred by the company over the six months period and, in the opinion of Messrs Turquand, Youngs, McAuliffe and Company, that difference, being the apparent loss, was £520,574.

In their report, Messrs Turquand, Youngs, McAuliffe and Company stated that as eight months had elapsed since September 30, 1943—the date of the balance-sheet—it was not possible to identify all the items appearing in that balance-sheet, but certain large items could be identified and, in their opinion, such items had been overvalued at September 30, 1943, to the extent of £439,700; they attributed the balance of the loss to trading and sundry other matters not then traceable. The above report was dated June 16, 1944, and copies were sent simultaneously to the company's bankers and to the then chairman of the board.

CHANGES ON BOARD

In October, 1944, the Ministry of Works in considering the grant of a large contract to the company required to be satisfied as to the adequacy of its management and resources, and in consequence of these inquiries and the accountants' report, on the representation of the company's bankers there were appointed to the board Mr Alan P. Good as chairman, and Messrs R. W. G. Mackay, H. L. Dowsett and Colonel A. Ridley Martin, and a further investigation was instituted as at September 30, 1944, carried out by Mr E. McCann.

Early in December, 1944, Mr McCann presented his report, which, after taking credit for interim current profits, disclosed an estimated apparent loss of £465,603, being on reconciliation substantially identical with that disclosed by the accountants' report.

Mr R. G. Tarran and the other directors constituting the board prior to July, 1944, were not in agreement with the report as made, maintaining that on full investigation and proper claims being made and settled over all contracts with Government departments it would be demonstrated that the company had incurred no loss at all.

However, in view of the serious financial position disclosed, the board decided to suspend Mr R. G. Tarran from his position as managing director and appointed Mr R. W. G. Mackay as acting managing director in his place, while in February, 1945, the board accepted the resignations of Sir Noel Curtis-Bennet, Colonel C. D. Burnell and Mr A. Watts, Mr R. G. Tarran, however, remaining on the board although requested by the chairman to resign.

In accordance with statutory requirements an annual general meeting was convened before the end of 1944, and adjourned so that further investigation could be made before presenting accounts to the shareholders. These investigations disclosed possible recoveries under certain closed contracts on the basis of which the directors have felt able to increase the figure of work in progress by £100,000, although, in their opinion, recoveries are unlikely to exceed this and must in any case not be regarded as certain, while a further £38,000 has become available, representing amounts credited by claims realised, provisions not required and settlements made since September 30, 1944. These adjustments have reduced the figure of loss to the figure shown in the accounts and the directors explain that while they cannot give as full an explanation as they would wish, as the records of the company are insufficient to provide the data required, in their view the greater part of the loss was not incurred during the past year and relates to at least the previous three years and probably in part to large contracts undertaken prior to September 30, 1942.

ERECTION OF TEMPORARY HOUSES

Since the reconstitution of the board the Ministry of Works in December, 1944, issued "Instructions to Proceed" for the erection of 1,000 temporary houses in Hull, which contract it is hoped to complete by September 30 next. Further instructions have been obtained for the manufacture of 10,000 temporary houses to be erected on the site by local builders, which contract it is hoped to complete before March 31 next. The directors are already making plans for building permanent houses.

Mr H. L. Dowsett has retired owing to pressure of other work, remaining available in a consultative capacity, and Miss Elizabeth Denby, Hon. A.R.I.B.A., the well-known housing expert, has joined the board as a full-time director.

The directors report that they have under active consideration proposals for reconstruction of the company's financial structure, which they intend to place before the shareholders at an early date. In the meantime, they believe that the present organisation, having regard to the contracts in hand, is operating on a profitable trading basis, and they have from the company's bankers the assurance of finance sufficient to carry out these contracts so long as they, the bankers, are satisfied as to the control and management of the company. The report and accounts were adopted.

INCREASED BORROWING POWERS

An extraordinary general meeting was then held for the purpose of passing a resolution whereby the maximum amount which could be borrowed by the directors was increased from £500,000 to £750,000. The resolution was passed.

AULT AND WIBORG, LIMITED

RECORD TURNOVER

The eleventh ordinary general meeting of Ault and Wiborg, Limited, was held, on the 11th instant, in London. Mr Gerald Wellesley (the chairman) presided.

The Chairman, in moving the adoption of the report and accounts, said: The total turnover of the parent company and its subsidiaries is a record one, but once again owing to the lower margin of profit on sales this increase in business is not reflected proportionately in the net profit of the company. The latter amounts to £94,546, to which must be added £27,806 brought forward. There is an undivided balance of £45,677, and the directors recommend a further dividend of 6 per cent., less tax, on the Ordinary shares, making 12½ per cent., less tax, in all, and leaving to be carried forward £33,786 against £27,806. Since our company was formed rather over ten years ago, the net assets have increased from £350,000 to £606,642—the profits retained in the business during the period having amounted to £225,654.

It is satisfactory to note that the main increase in our turnover has been in our principal peace-time products, namely, printers' inks and rollers, varnishes, paints, industrial finishes and metal decorating products.

Relations with our good friends in the United States of America, the Interchemical Corporation, have recently been strengthened by the visit of our managing director to New York, where the principles of future exchange of research have been agreed. During the past six years the Interchemical Corporation, through their famous research laboratories, have accumulated a vast amount of knowledge and technique relating to our main products of printing inks, paint and industrial finishes which will be of very great value to our company.

The report and accounts were unanimously adopted.

LONDON ASIATIC RUBBER AND PRODUCE COMPANY LIMITED

MR H. J. WELCH'S ADDRESS.

The annual general meeting of this company was held in London on the 7th instant, Mr H. J. Welch (the chairman) presiding.

The following are extracts from the chairman's address:—We have still no knowledge concerning the conditions that have been obtained on the estates while they have been under the control of the invaders of Malaya and Burma. The news received from the thirteen European members of the former estates staff who are in Japanese hands is scanty, but we have no bad news of any of them.

The net liquid assets, which are equivalent to just over £13 per planted acre, are greater than they were a year ago, as in the meantime the provisional settlement of the basis of taxation for companies like ours, which had been previously reported to you, has come into operation. The settlement, on the basis of discontinuance of the company's business of rubber production, is subject to revision after the war if, in the light of the information then available, it then appears to the company that the alternative basis of continuance of business would be preferable. Under the provisional settlement, it has been unnecessary to pay approximately £36,000 in taxation which it is estimated would otherwise have been payable to the Inland Revenue and in addition we have received a cash refund of taxation previously paid amounting to £39,008. The credit balance of the revenue account, £5,892, has been added to the revenue and appropriation account. This now amounts to £101,532 and the directors recommend that it should be carried forward.

The accounts and the directors' report were adopted unanimously.

RECORDS and STATISTICS

INVESTMENT

Stock Exchange : London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Days 1944	Security Indices		Yield	
			30 Ord. Shares*	20 Fixed Int.†	Ord. Consols	Ord. Shares
May 3	6,509	7,000	117.4	137.9	2.99	3.64
" 4	6,668	7,211	117.0	137.7	2.99	3.65
" 7	8,594	8,069	116.0	137.5	3.00	3.69
" 8	Closed (d)	6,630	(c)	(c)	(c)	(c)
" 9	Closed (d)	6,413	(d)	(d)	(d)	(d)
" 10	5,850	6,623	115.5	137.4	3.02	3.70
" 11	6,081	6,514	115.4	137.3	3.02	3.71
" 14	8,328	7,756	115.4	137.3	3.02	3.71
" 15	6,785	5,900	115.3	137.4	3.02	3.71
" 16	6,362	5,546	115.2	137.4	3.01	3.71

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1945: highest, 118.5 (April 30); lowest, 111.5 (Jan. 25). 20 Fixed Int., 1945: highest, 137.9 (April 26); lowest, 136.3 (Jan. 2). (c) VE Day (Victory in Europe Day). (d) VE + 1 Day.

New York

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

(1925=100)

1945	Average	Transactions	1945	Average	Transactions
April 26	142.0	1,370,000	May 3	144.5	1,330,000
" 27	142.5	1,360,000	" 4	145.0	1,410,000
" 28	143.4	930,000	" 5	145.4	930,000*
" 30	144.0	1,500,000	" 7	145.2	1,950,000
May 1	143.7	1,530,000	" 8	145.6	1,580,000
" 2	143.6	1,140,000	" 9	144.0	1,490,000

1945: High, 145.6 (May 8). Low, 129.2 (June 23). 2-hour Session.

(WEEKLY INDICES) (1935-39=100)

	1945		April 25, 1945	May 2, 1945	May 9, 1945
	Low Jan. 24	High May 9			
354 Industrials	108.6	120.5	119.3	120.0	120.5
20 Rails	116.1	135.5†	135.6	133.3	132.2
28 Utilities	93.2	100.5	99.8	100.0	100.5
402 Stocks	106.7	118.1	117.2	117.7	118.1
Average	4.65	4.17	4.22	4.18	4.17

† 50 Industrial Com. Stocks. (a) April 25.

Capital Issues

Week ending	Nominal	Con-	New
May 19, 1945	Capital	versions	Money
	£	£	£
Particulars of Government issues appear on page 676.			
Year (to date)	Including	Excluding	
1945	Conversions	Conversions	
1944	589,266,508	500,251,775	
	397,514,885	586,416,404	

Year†	Destination*		Nature of Borrowing			
	U.K.	Brit. Emp. ex U.K.	Foreign Countries	Deb.	Pref.	Ord.
(to date)	£	£	£	£	£	£
1945	499,071,145	34,177	1,140,453	496,395,591	1,382,250	2,573,934
1944	586,085,683	330,721	Nil	582,683,785	2,015,289	1,717,330

* Conversion excluded. † Includes Government issues to May 9, 1945, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET. The market in the past week has been dominated by two factors—the pressure caused by currency demands and by the hold-up of remittances over the VE celebration period, and the large allotment of bills secured by the discount houses at last week's tender. Official applications, which in the previous week had forced the total to a new high level, were apparently small; hence the market quota rose from 30 to 40 per cent. This represents some £52 million of bills, even more than was secured a fortnight earlier. At the same time, the net call on the clearing banks for T.D.R.'s was only about £3 million smaller, at some £22 million, than in the previous week. On two days immediately following the holiday, there was recourse to the special buyer, who took an appreciable volume of bills. Somewhat unexpectedly, no further assistance has been needed this week, although the banks have been only moderate buyers of bills. On Monday some night money was converted into very short-dated bills, but on Tuesday, as the delayed payments began to come through, the demand broadened and was extended to June maturities. Later, the position was further relieved by the monthly payments by the Milk Marketing Board. Over the week, the market's intake of bills will certainly exceed its sales and maturities. A further £10.5 million of notes, partly for Whitsun requirements, have gone into circulation—more than in V-Week—but this drain has been more than neutralised by a net increase of £16.5 million in the security portfolio. As, in addition, there has been a moderate release from public deposits, bankers' balances have recovered by £8.8 million from their low level of the previous week.

MONEY RATES, LONDON.—The following rates unchanged remained between

May 9th and May 16th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, ½-1½%. Short Loans, 1½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, ½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 9th and May 16th. (Figures in brackets are per of exchange).

United States. \$ (4.861) 4.021-031; mail transfers 4.021-031. **Canada.** \$ (4.861) 4.43-47; mail transfers 4.43-47. **Switzerland.** Francs (25.221) 17.30-40. **French Empire.** Francs 1936-200. **Syria.** P. 8-81-85. **Belgian Congo.** Francs 1761-2. **China.** National \$3-3. **Iran.** Rl. 128-130. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** Colon (100) 99-80-100-20; mail transfers 99-80-100-30. **Brazil.** 83.8456 (buying). **Uruguay.** 7.6897 (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. **Turkey.** Piastres 520. **Italy.** 71.25 lire.

Marked Rates.—The following rates remained unchanged between May 9th and May 16th.

Egypt. Piastres (97½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½d.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	May 2	May 3	May 4	May 5	May 7	May 8	May 9
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-810	90-810	90-810	90-810	90-810	90-810	90-810
Zurich	23-40	23-40	23-40	23-40	23-40	23-40	23-40
Buenos Aires	24-87*	24-87*	24-87*	24-87*	24-87*	24-87*	24-87*
Rio de Janeiro	5-25	5-25	5-25	5-25	5-25	5-25	5-25
Lisbon	4-07	4-07	4-07	4-07	4-07	4-07	4-07
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official Buying Rate 25.78. † Free Rate. \$ Basic.

New York on	May 10	May 11	May 12	May 14	May 15	May 16
Cables:—						
London	402½	402½	402½	402½	402½	402½
Montreal	90-810	90-810	90-810	90-810	90-810	90-810
Zurich	23-40	23-40	23-40	23-40	23-40	23-40
Buenos Aires	24-87*	24-87*	24-87*	24-87*	24-87*	24-87*
Rio de Janeiro	5-25	5-25	5-25	5-25	5-25	5-25
Lisbon	4-07	4-07	4-07	4-07	4-07	4-07
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86

* Official Buying Rate 25.78. † Free Rate. \$ Basic.

CLEARING BANK COMPARATIVE FIGURES (£ million)

	Apr., 1944	Dec., 1944	Jan., 1945	Feb., 1945	Mar., 1945	Apr., 1945
Capital and reserves	142.5	143.9	143.9	143.9	143.9	143.9
Acceptances, etc.	96.3	105.0	102.6	104.6	100.4	100.0
Notes in circulation	1.4	1.4	1.3	1.3	1.3	1.3
Current, deposit and other accounts	4,016.8	4,544.9	4,462.2	4,404.9	4,459.4	4,524.7
Total liabilities	4,257.0	4,795.2	4,710.0	4,654.7	4,705.0	4,769.9
Cash, cheques, balances, and items in transit	430.0	499.9	459.7	454.8	463.8	471.4
Money at call	131.3	194.8	144.3	144.6	141.7	144.3
Discounts	164.3	198.6	197.7	187.7	180.1	179.6
Treasury deposit receipts	148.6	146.7	159.4	139.6	148.8	109.4
Investments	1,514.0	1,666.5	1,662.5	1,638.5	1,681.0	1,820.5
Loans and Advances	1,152.4	1,164.6	1,165.3	1,159.9	1,153.0	1,139.9
Loans and Advances	753.4	753.6	752.9	759.4	770.7	739.4
Investments in affiliated banks	24.1	146.4	24.2	24.2	24.2	24.2
Cover for acceptances, premiums, etc.	138.0	24.2	144.0	146.0	141.7	141.4
Total assets	4,257.0	4,795.2	4,710.0	4,654.7	4,705.0	4,769.9

INDUSTRY AND TRADE

Sensitive Price Index.—There was no change in the index during the week ended May 1st. The complete index (1935=100) was 161.4, the crops component, 140.4, and raw materials index, 185.5. During the week ended May 15th there was no change until May 14th, when a drop in the price of Canadian wheat caused the crops component of the index to fall to 139.7. The raw materials component was unchanged at 185.5, and the complete index fell to 162.2.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Apr. 24, 1945	May 9, 1944	May 10, 1945
Cereals and Meat	93.0	66.9	109.0	109.2	108.7
Other Foods	70.4	61.1	107.3	107.3	107.3
Textiles	74.2	54.3	103.9	103.8	103.9
Minerals	113.2	95.4	147.0	139.7	148.7
Miscellaneous	87.0	77.6	129.8	129.0	129.8
Complete Index	87.2	70.3	119.0	117.7	119.2
<i>1913=100</i>	<i>119.9</i>	<i>90.8</i>	<i>163.7</i>	<i>161.9</i>	<i>163.9</i>

GOVERNMENT RETURNS

For the week ended May 12, 1945, total ordinary revenue was £28,274,000, against ordinary expenditure of £79,401,000 and issues to sinking funds of £270,000. Thus, including sinking fund allocations of £1,126,993, the deficit accrued since April 1st is £294,242,000 against £386,489,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1945-46	Receipts into the Exchequer (£ thousands)			
		April 1 to May 13, 1944	April 1 to May 13, 1945	Week ended May 13, 1944	Week ended May 13, 1945
ORDINARY REVENUE					
Income Tax	135,000	79,599	93,792	11,058	8,983
Sur-tax	80,000	4,537	4,619	460	100
Stamp duties, etc.	115,000	14,073	12,925	3,000	1,630
Stamps	19,000	452	925	...	...
N.D.C.	500,000	2,231	3,296	370	185
E.P.T.	47,682	39,067	11,609	4,819	...
Other Ind. Rev.	1,000	20	25	10	...
Total Ind. Rev.	206,500	148,524	154,649	26,507	15,717
Customs	589,000	66,109	58,869	10,857	7,846
Excise	541,000	60,500	62,090	4,300	3,590
Total Customs & Excise	1,130,000	126,609	120,959	15,157	11,436
Motor Duties	30,000	1,948	1,934	138	...
Post Office (Net Receipts)	...	2,450	2,400	1,050	1,000
Wireless Licences	4,850	320	350	...	...
Crown Lands	1,000	140	140	...	...
Receipts from Sundry Loans	11,500	815	124	65	64
Miscell. Receipts	25,000	6,861	1,272	1,000	57
Total Ord. Rev.	326,500	287,667	281,828	43,917	28,274
SELF-BALANCING P.O. & Broadcasting	114,100	12,400	12,000	1,700	1,600
Total	337,900	300,067	293,828	45,617	29,874

Expenditure	Estimate 1945-46	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to May 13, 1944	April 1 to May 13, 1945	Week ended May 13, 1944	Week ended May 13, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	465,000	60,451	52,692	1,414	1,401
Payments to N. Ireland	11,000	664	713	...	...
Other Cons. Fund Services	8,000	266	265	...	...
Total	484,000	61,381	53,670	1,414	1,401
Supply Services	608,128	611,894	521,273	90,800	78,000
Total	556,528	673,275	574,944	92,214	79,401
SELF-BALANCING P.O. & Broadcasting	114,100	12,400	12,000	1,700	1,600
Total	567,938	685,675	586,944	93,914	81,001

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £504,385 to £2,483,836, the other operations for the week (no longer shown separately) increased the gross National Debt by £50,998,299 to £32,695 million after allowing for £16 million of sinking funds in 1944-45.

NET RECEIPTS (£ thousands)	
Land Settlement (Facilities) Acts	15
NET ISSUES (£ thousands)	
P.O. and Telegraph	120

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap			
1944					
May 13 1945	1240.0		Not available		
Feb. 10 1945	1430.0		" "		
" 17 1430.0			" "		
" 24 1430.0	2309.2		542.4	" 1801.0	6082.6
Mar. 3 1430.0			Not available		
" 10 1430.0			" "		
" 17 1430.0			" "		
" 24 1430.0			" "		
" 31 1430.0	3680.7		575.7	" 1859.0	6116.1
April 7 1430.0			Not available		
" 14 1430.0			" "		
" 21 1430.0			" "		
" 28 1430.0	2203.7		571.4	" 1995.5	6209.0
May 5 1440.0			Not available		
" 12 1440.0			" "		

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
May 12 1945	110.0	198.2	110.0	20.0	32.41
Feb. 9 1945	110.0	218.0	110.0	20.0	0.13
" 16 110.0	207.3	110.0	20.0	0.53	37.17
" 23 110.0	208.6	110.0	20.0	0.99	17.37
Mar. 2 110.0	239.2	110.0	19.11	11.37	21.21
" 9 110.0	236.1	110.0	19.11	11.60	21.21
" 16 110.0	235.1	110.0	19.11	11.77	27.27
" 23 110.0	225.3	110.0	19.11	11.85	25.25
" 29 110.0	225.6	110.0	19.11	12.28	20.20
April 6 110.0	235.1	110.0	20.0	10.06	30.30
" 13 110.0	244.4	110.0	20.0	1.86	20.20
" 20 110.0	244.3	110.0	20.0	2.24	24.24
" 27 120.0	227.3	120.0	20.0	0.17	24.24
May 4 130.0	255.2	130.0	19.11	11.85	30.30
" 11 130.0	226.2	130.0	20.0	0.13	40.40

On May 11, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of the following week, were accepted as to about 40 per cent. of the amount applied for, and applications at higher prices were accepted in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £130 millions of Treasury Bills are being offered for May 18. For the week ended May 19 the banks will be asked for all Treasury deposits at a maximum amount of £75 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
1945				
Mar. 6	4,394	1,923	10,312	18,160
" 13	4,387	1,789	15,134	15,258
" 20	4,107	1,816	8,142	19,285
" 27	3,292	1,686	7,537	12,546
Apr. 3	4,685	1,243	6,351	14,041
" 10	3,626	2,156	7,241	13,370
" 17	3,891	2,145	10,666	12,938
" 24	4,093	1,803	7,137	11,432
May 1	4,571	1,858	8,372	10,308
" 8	2,677	1,326	8,426	11,699
" 15	...	...	3,118	10,386
Totals to date	1,368,678*	810,674*	1,963,435†	283,023‡

* 285 weeks. † 228 weeks. ‡ 28 weeks.
Interest free loans received by the Treasury up to May 15th amounted to a total value of £71,255,082. Up to April 28 principal of Savings Certificates to the amount of £223,620,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold		Silver	
	Rs. a.	Rs. a.	Rs. a.	Rs. a.
1945				
May 3	74.4	129.2	74.3	126.9
" 4	74.3	126.2	74.3	126.2
" 5	72.6	125.4	72.6	125.4
" 6	70.13	125.10	70.13	125.10
" 7	72.14	125.0	72.14	125.0
" 8	72.14	125.0	72.14	125.0
" 9	72.14	125.0	72.14	125.0
" 10	72.14	125.0	72.14	125.0
" 11	72.14	125.0	72.14	125.0
" 12	73.12	127.8	73.12	127.8
" 13	74.12	127.14	74.12	127.14
" 14	74.12	130.12	74.12	130.12
" 15	73.13	129.14	73.13	129.14

BANK OF ENGLAND RETURNS

MAY 16, 1945

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	11,015,100
In Circulation	Other Govt.	1288,254,115
In Bankg. Department	Securities	716,500
	Other Secs.	14,285
	Silver Coin	...
	Amt. of Fid. Issue	1,300,000,000
	Gold Coin and Bullion (at 168s. per oz. fine)	241,718
		1,300,241,718

BANKING DEPARTMENT

Props' Capital	14,553,000	Govt. Secs.	203,912,764
Reserves	3,205,339	Other Secs.	13,024,072
Public Deps.*	17,061,880	Advances & Securities	13,090,852
		Notes	26,114,924
Other Deps.	184,389,671	Gold & Silver Coin	1,284,926
Bankers	50,293,668		269,983,558
Other Accts.	235,163,339		269,983,558

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS (£ millions)

	1944	1945	May 17	May 2	May 9	May 16
Issue Dept.:						
Notes in circulation	1126.3	1240.7	1250.1	1261.6	38.7	38.7
Notes in banking department	24.0	9.6	50.2	1299.3	0.0	0.0
Government debt and securities	1149.2	1249.3	1299.2	1299.3	0.0	0.0
Other securities	0.8	0.8	0.7	0.0	0.0	0.0
Silver Coin	0.0	0.0	0.0	0.0	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2	0.2	0.2
Deposits:	168.00	168.00	168.00	168.00	168.00	168.00
Public	16.6	13.4	19.5	17.1	17.1	17.1
Bankers	167.2	192.3	176.1	184.9	184.9	184.9
Others	54.4	49.0	51.6	50.3	50.3	50.3
Total	238.2	254.7	247.2	252.3	252.3	252.3
Banking Dept. Secs.:						
Government	210.5	223.0	181.4	203.9	13.0	13.0
Discounts, etc.	5.1	24.2	17.6	13.1	13.1	13.1
Other	15.9	14.5	14.5	23.0	23.0	23.0
Total	231.5	261.7	213.5	240.0	49.0	49.0
Banking depart. res.	24.5	10.9	61.4	15.8	15.8	15.8
"Proportion"	10.2	4.2	20.8	...	...	...

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,250 million to £1,300 million on May 8, 1945.

PROVINCIAL BANK CLEARINGS £ thousands

	Week ended	Aggregate from Jan. 1 to
	May 6, 1944	May 5, 1945
Working days:		
Birmingham	6	106
Bradford	2,437	32,359
Bristol	1,365	32,779
Hull	836	11,987
Leeds	786	11,292
Leicester	1,245	21,972
Liverpool	908	15,184
Manchester	8,354	94,030
Newcastle	4,003	62,714
Nottingham	1,688	32,050
Sheffield	485	7,436
Southampton	1,440	18,568
12 Towns	157	2,775
Dublin*	23,704	343,146
	6,456	7,109
	139,269	358,941

* April 29, 1944, April 28, 1945.

PROVINCIAL BANK CLEARINGS £ thousands

	Week ended	Aggregate from Jan. 1 to
	May 13, 1944	May 12, 1945
Working days:		
Birmingham	6	112
Bradford	1,622	33,981
Bristol	2,483	35,262
Hull	557	12,544
Leeds	592	11,885
Leicester	862	22,834
Liverpool	871	16,055
Manchester	4,783	98,813
Newcastle	3,570	66,285
Nottingham	1,593	33,643
Sheffield	393	7,829
Southampton	607	19,176
12 Towns	138	2,898
Dublin*	18,071	361,205
	7,694	7,878
	146,963	368,994

* May 6, 1944, May 5, 1945.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

	May 11, 1944	April 26, 1945	May 3, 1945	May 10, 1945
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treasury	18,890	17,545	17,533	17,508
Total reserves	19,473	18,465	18,457	18,426
Total cash reserves	264	256	250	241
Total U.S. Govt. secs.	13,249	20,444	20,478	20,720
Total loans and secs.	13,396	20,956	21,052	21,275
Total resources	34,636	41,459	41,560	41,437
LIABILITIES				
F.R. notes in circ.	18,127	22,505	22,631	22,779
Excess mrl. bank res.	800	800	900	900
Mr. bank res. dep.	12,729	14,707	14,891	15,000
Govt. deposits	214	651	423	434
Total deposits	14,770	16,921	16,586	16,434
Total liabilities	34,636	41,459	41,560	41,437
Reserve ratio	59.2%	46.8%	46.7%	46.5%
BANK AND TREASURY				
RESOURCES				
Monetary gold stock	21,375	20,374	20,374	20,374
Treasury & bank currency	4,097	4,120	4,130	4,111
LIABILITIES				
Money in circulation	21,725	26,074	26,204	26,308
Treasury cash and dep.	2,547	3,022	2,805	2,836

COMPANY RESULTS (April 25, 1945, to May 9, 1945)

Colombia •

Colombia *
Ecuador *
Guatemala
Nicaragua *
El Salvador
Venezuela *
Peru

Open market sight selling rate 175 pesos per 100 U.S. \$ on Jan. 31st.
 Official sight selling rate 13.50 sucres per U.S. \$ on February 6th.
 Sight selling rate maintained at one quetzal per U.S. \$, plus com-
 mission of 1 per cent to Central Bank.
 Official sight selling rate for payment of imports fixed Jan. 1, 1941, at
 5-03½ cordobas per U.S. \$ (excluding 10 per cent tax).
 Sight selling rate New York was 2-51 colones per \$ on February 1st.
 Sight selling rate New York 3-35 bolivares per U.S. \$ on Dec. 5th.
 Sight selling rate 6-50 soles per U.S. \$ on January 11th, 1945.

- Official exchange controls are operative in these countries.

OVERSEAS BANK RATES

Changed From			To	Changed From			To
		%				%	
...	June 28, '41	3	2½	Madrid	July 15, '35	5	5
...	Apr. 10, '45	11	10	Montreal	Feb. 8, '44	2½	3
...	Feb. 1, '35	4	5	Oslo	May 12, '40	4	10
...	April 9, '40	6½	3½	Paris	Jan. 20, '45	1½	3
...	Jan. 25, '40	2½	2	Pretoria	June 2, '45	3½	3
...	Sept. 17, '40	3	3	Rio de Janeiro	May 31, '35	...	...
...	Oct. 22, '40	4	3	Rome	May 18, '36	5	4½
...	Nov. 28, '35	3½	3	Sofia	Sept. 16, '40	6	5½
...	June 13, '35	4	4½ a	Stockholm	May 29, '41	3½	3
...	Oct. 15, '40	4½	6 b	Zurich	Nov. 25, '36	2	1½
...	Dec. 3, '34	4½	4	Tokio	...	...	3-25
...	Jan. 12, '44	3	2½	Wellington	July 20, '41	2	1½
...	Oct. 30, '42	1	c	Dublin	Oct. 26, '39	4	3

(a) For

(b) For private persons and firms.
 (1) For advances secured by Government securities maturing or callable
 within one year, and for discounts and advances secured by eligible paper
 maturing at 1 per cent.

(a) For

(b) For private persons and firms.
Rate for advances secured by Government securities maturing or callable
and one year, and for discounts and advances secured by eligible paper
mained at 1 per cent.

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year			
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.	
Breweries, &c.														
Lowrie (W. D.) Co.	Mar. 31	199,088	2,172	78,358	145,675	9,000	70,000	£	£	—	£ 642	185,464	72,732	20,137
Walker (John) & Sons	Mar. 31	489,737	...	439,737	581,846	52,500	283,500	45	110,000	—	6,263	473,627	443,627	43,137
Woodhead's Cannonbury Brewery	Jan. 31	23,472	...	7,466	15,856	1,399	3,750	15	...	+	2,317	22,951	6,150	13,801
Coal, Iron and Steel														
Babcock & Wilcox	Dec. 31	831,733	...	280,460	411,684	7,726	266,578	12	...	+	6,156	789,026	276,250	11,710
Beardmore (William) & Co.	Dec. 31	206,023	...	177,345	427,887	26,125	47,500	10	100,000	+	3,720	219,420	189,668	10,752
Halesowen Steel Co.	Dec. 31	45,113	...	17,513	37,909	375	11,250	22½	5,000	+	888	48,721	20,121	23,600
Lothian Coal Co.	Feb. 28	80,995	...	76,795	111,121	10,950	66,300	10½	...	—	455	77,011	74,365	10,101
Widom & Askam Hematite Iron	Dec. 31	126,910	...	85,250	127,882	27,362	29,243	10	25,000	+	3,645	203,407	87,482	10,137
Newton Chambers & Co.	Dec. 31	249,809	...	99,490	226,958	22,984	22,984	15	30,000	+	23,522	230,952	99,343	13,809
Settle Speakman & Co.	Dec. 31	125,000	...	31,358	71,463	...	25,000	12½	6,000	+	358	127,186	32,586	13,710
Wigan Coal Corporation	Oct. 31	144,335	59,991	72,812	95,674	9,336	18,498	2½	45,000	—	22	83,837	23,601	13,710
Financial, Land, &c.														
Agricultural Mortgage Corporation	Mar. 31	592,266	...	2,060	3,995	...	...	...	...	+	2,060	585,315	1,006	1,006
Cordova Land Co.	Dec. 31	56,611	...	325	29,907	...	...	...	...	+	325	44,427	Dr. 3,071	1,006
Slough Estates	Dec. 31	170,270	...	66,701	150,614	...	55,125	15	...	+	11,576	169,640	65,553	1,006
Telephone & General Trust	Dec. 31	170,764	...	61,463	135,171	23,100	34,896	8	...	+	3,467	167,168	62,469	1,006
Hotels, Restaurants, &c.														
Gardner (John), (London)	Sept. 30	115,696	...	23,792	43,165	7,500	13,500	9	...	+	2,792	124,243	20,137	1,006
Guagliino's Limited	Dec. 31	38,628	...	22,261	22,705	...	15,500	10	7,000	—	139	40,098	23,336	1,006
Savoy Hotel	Dec. 31	265,186	...	67,220	69,948	17,500	36,947	5	...	+	12,773	290,398	70,186	1,006
Scott's Restaurant	Dec. 31	36,696	...	16,813	23,496	4,750	4,172	26-7	5,000	+	2,891	41,490	16,379	21,111
Rubber														
Batu Caves Rubber	Dec. 31	1,168	...	66	10,330	...	...	...	...	+	66	1,258	Dr. 127	1,131
British Malay Rubber	Dec. 31	1,016	...	100	7,459	...	...	...	...	+	100	990	188	1,108
Ceylon (Para) Rubber	Dec. 31	36,019	...	11,019	12,947	...	11,250	12½	...	+	231	49,951	11,201	1,108
Dusun Doban Rubber Estates	Dec. 31	2,075	...	205	34,659	...	...	...	205	—	899	Dr. 1,615	1,108	1,108
Esoc Rubber Estates	Sept. 30	467	...	Dr. 2,793	3,875	...	...	...	...	—	2,793	317	97,228	1,108
Grand Central (Ceylon) Rubber	Dec. 31	159,517	5,052	93,195	131,902	...	92,379	7	...	+	816	228,933	97,228	1,108
Kasintoe Rubber Estates	Dec. 31	570	...	Dr. 1,488	Dr. 8,896	...	...	...	...	—	1,488	325	Dr. 1,786	1,108
Kelani Valley Rubber	Dec. 31	12,575	...	5,146	7,855	420	3,500	10	1,000	+	226	17,363	4,185	1,108
London Asiatic Rubber	Dec. 31	11,254	...	5,892	101,532	...	...	...	...	+	5,892	14,384	Dr. 8,830	1,108
Marudu Consolidated Estates	Dec. 31	182	...	Dr. 698	Dr. 361	...	...	...	...	—	698	132	Dr. 735	1,108
Mendaris (Sumatra) Rubber	Dec. 31	4,559	...	2,545	42,701	...	...	...	...	—	2,545	2,332	Dr. 2,580	1,108
Nagolle (Ceylon) Rubber	Dec. 31	9,074	802	4,204	5,775	...	4,165	3	...	+	39	13,750	5,574	1,108
Nahama Rubber	Dec. 31	5,058	...	1,834	2,294	420	1,000	5	...	+	414	4,605	1,464	1,108
Oriental Rubber Co.	Dec. 31	903	...	121	11,246	...	...	...	...	—	121	889	110	1,108
Padang Langkat Rubber Estates	Sept. 30	836	...	Dr. 44	2,414	...	...	...	...	—	44	749	Dr. 98	1,108
Rubber Estates of Krian	Dec. 31	663	...	Dr. 156	3,983	...	...	...	...	—	156	455	Dr. 1,464	1,108
Seafeld Rubber Co.	Dec. 31	873	...	Dr. 506	21,120	...	...	...	...	—	506	989	Dr. 473	1,108
Seremban Rubber Estates	Dec. 31	971	...	Dr. 1,274	7,917	...	...	...	...	—	1,274	794	Dr. 1,414	1,108
Songoroi Ranauh Rubber	Dec. 31	4,404	...	Dr. 226	4,600	...	...	...	...	—	226	299	Dr. 594	1,108
Songosok Planting Co.	Dec. 31	236	...	Dr. 551	Dr. 595	...	...	...	...	—	551	1,376	599	1,108
Sumatra Anglo-Dutch Estates	Dec. 31	304	...	Dr. 8,392	Dr. 27,238	...	...	...	...	—	8,392	218	Dr. 8,526	1,108
Sungei Telor (Malaya) Rubber	Dec. 31	223	...	Dr. 644	506	...	...	...	...	—	644	180	Dr. 773	1,108
Tanah Estates	Sept. 30	1,644	...	610	5,039	...	...	...	...	+	610	9,067	7,887	1,108
Tangga Batu Rubber	Dec. 31	192	...	Dr. 114	3,373	...	...	...	...	—	114	1,175	7,871	1,108
Yelagorejoli United Plantations	Dec. 31	1,757	...	Dr. 26,440	Dr. 116,024	...	...	...	...	—	26,440	Dr. 24,696	Dr. 24,696	1,108
Yataderia Rubber & Tea	Dec. 31	56,945	1,798	5,297	8,506	...	4,742	5	...	+	555	51,857	4,829	1,108
Shipping														
Anchor Line	Sept. 30	202,663	89,862	43,157	83,311	13,750	15,000	6	15,000	—	593	258,970	42,532	1,108
British Steamship Co.	Dec. 31	101,692	40,399	44,608	76,388	...	18,750	7½	...	+	25,858	88,518	25,596	1,108
Shops and Stores														
Army & Navy Stores	Jan. 27	845,277	10,267	41,094	146,959	...	41,000	10	...	+	94	714,955	41,816	1,108
Austin Reids Limited	Feb. 20	165,942	25,000	33,227	53,965	17,000	15,781	12½	...	+	446	122,024	32,316	1,108
Goldsmiths & Silversmiths	Jan. 31	167,688	...	55,456	101,384	15,000	30,000	10	10,000	+	456	145,143	54,438	1,108
Horne Brothers	Jan. 31	99,367	...	51,195	126,345	38,500	11,250	24	...	+	1,445	90,360	53,530	1,108
McIlroy (William)	Feb. 21	85,651	2,071	32,500	67,809	5,600	30,000	30	...	—	3,100	74,704	26,753	1,108
Maypole Dairy Co.	Dec. 30	288,700	14,488	50,112	396,643	53,750	32,375	3	10,000	—	3,013	291,406	105,041	1,108
Rothmans Limited	Feb. 28	65,965	11,968	93,897	83,664	15,950	13,333	31½	20,000	+	1,614	54,405	33,958	27,441
Swears & Wells Limited	Jan. 31	165,714	20,000	18,400	64,122	22,500	...	...	...	—	4,100	169,266	21,791	1,108
West's & Moultons	Jan. 31	32,002	1,302	12,753	23,111	...	8,438	15	1,500	+	2,815	31,604	12,305	1,108
Tea														
Eastern Produce & Estates	Dec. 31	125,753	12,372	Dr. 1,549	38,014	2,130	24,975	12½	...	—	28,654	52,047	18,362	1,108
Gulabur (Nilgiri) Tea	June 30	25,790	246	1,723	2,844	...	...	...	...	+	1,723	26,394	2,420	1,108
Mount Vernon (Ceylon) Tea	Dec. 31	16,002	...	6,506	7,626	...	5,000	12½	1,500	+	26	8,366	4,174	1,108
Panawall Tea, &c.	Dec. 31	5,738	...	1,830	2,233	525	1,326	...	...	—	21	6,680	1,840	1,108
Travancore Tea Estates	Sept. 30	40,981	3,000	15,511	19,909	5,823	10,650	10	...	—	962	74,041	20,756	1,108
Trusts														
American Investment & General Trust	Mar. 15	193,852	...	102,078	152,821	43,750	48,125	5½	10,000	+	203	194,015	97,863	1,108
Second Caledonian Trust	Mar. 1	43,855	...	10,217	39,124	7,938	...	...	2,000	+	279	40,828	8,869	1,108
Second Scottish Northern Investment	Mar. 15	80,768	...	47,516	86,161	15,937	28,750	11½	...	+	2,829	79,532	47,312	1,108
Second Securities Trust of Scotland	Mar. 31	41,781	...	9,405	27,496	7,750	...	...	1,600	+	53	41,463	9,207	1,108
Stock Conversion & Investment Trust	Feb. 28	8,536	...	424	Dr. 11,026	...	...	...	...	—	424	8,831	862	1,108
Third Scottish Western Investment	Mar. 1	59,327	...	13,025	48,520	11,112	...	...	...	+	1,913	56,324	11,701	1,108
U.S. & S. American Investment	April 4	62,873	...	42,862	102,566	12,812	23,062	9	5,000	+	1,988	61,937	41,736	1,108
Other Companies														
Allied Dairies	Jan. 2	13,828	...	6,221	16,300	3,526	3,044	25	...	—	349	12,185	5,433	2,111
Amalgamated Metal Corporation	Mar. 31	215,097	5,535	210,814	253,298	54,000	155,253	3½	...	+	1,561	218,665	212,617	1,108
Ault & Wiborg	Mar. 31	100,581	...	38,394	66,200	3,810	13,604	12½	15,000	+	5,980	90,450	32,689	1,108
Bright (John) & Brothers	Mar. 31	101,038	20,000	22,380	57,600	6,875	9,025	26	...	+	6,480	102,720	16,724	1,108
British Oxygen Co.	Dec. 31	916,802	...	478,146	565,617	42,625	286,118	16	150,000	—	597	932,165	384,527	1,108
British Xyrite Co.	Dec. 31	77,415	...	33,359	102,751	10,000	15,000	10	...	+	8,359	72,816	37,230	1,108
Brooks (J. B.) & Co.	Dec. 31	27,298	...	16,940	33,416	4,500	7,000	7	5,000	+	2,440	27,128	16,202	1,108
Brush Electrical Engineering Co.	Dec. 31	243,271	58,947	86,980	98,512	10,766	36,186	10	40,000	+	28	262,921	70,248	1,108
Buttons Limited	Dec. 31	40,031	...	18,053	44,819	3,166	8,802	10	5,000	+	1,085	36,566	14,245	1,108
Canning (W.) & Co.	Dec. 31	80,040	11,807	52,733	105,304	...	33,750	22½	15,000	+	3,983	82,285	63,498	1,108
Cook Son & Co. (St. Pauls)	Dec. 31	192,232	1,636	103,134	121,103	56,875	30,041	3	...	+	16,218	155,339	94,639	1,108
Drabtree (R. W.) & Sons	Dec. 31	116,982	11,583	37,519	74,924	9,261	6,000	8	...	+	22,258	143,225	39,229	1,108
Drage's Limited	Dec. 31	20,639	...	30,186	Dr. 256,143	10,000	...	...	...	—	30,186	17,739	33,386	1,108
Dunhill (Alfred)	Dec. 31	55,842	...	55,155	126,017	...	45,000	22½	...	+	155	52,665	51,566	1,108
Ellis & Goldstein	Nov. 30	37,391	...	18,948	2,250	...	12,375	33	...	—	4,323	34,063	14,852	3,111
Gray (William), C. & Sons	Dec. 31	3,591	...	Dr. 37,265	Dr. 35,948	7,500	...	...	Dr. 7,500	—	37,265	36,859	Dr. 3,439	1,108
Inns & Co.	Dec. 31	122,698	22,500	34,098	35,460	10,500	18,750	15	5,000	—	152	123,189	36,859	1,108
Johnson & Phillips	Dec. 31	458,402	41,663	125,335	168									

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Lowrie (W. D.) Co.	Mar. 31	199,088	2,172	78,358	145,675	9,000	70,000	£	—	£ 642	185,464	72,732	20,137
Walker (John) & Sons	Mar. 31	489,737	...	439,737	581,846	52,500	283,500	45	110,000	— 6,263	473,627	443,627	43,137
Woodhead's Cannonbury Brewery	Jan. 31	23,472	...	7,466	15,856	1,399	3,750	15	...	+ 2,317	22,951	6,150	13,801
Coal, Iron and Steel													
Babcock & Wilcox	Dec. 31	831,733	...	280,460	411,684	7,726	266,578	12	...	+ 6,156	789,026	276,250	11,710
Beardmore (William) & Co.	Dec. 31	206,023	...	177,345	427,887	26,125	47,500	10	100,000	+ 3,720	219,420	189,668	10,752
Halesowen Steel Co.	Dec. 31	45,113	...	17,513	37,909	375	11,250	22½	5,000	+ 888	48,721	20,121	23,600
Lothian Coal Co.	Feb. 28	80,995	...	76,795	111,121	10,950	66,300	10½	...	+ 455	77,011	74,365	10,101
Widom & Askam Hematite Iron	Dec. 31	126,910	...	85,250	127,882	27,362	29,243	10	25,000	+ 3,645	203,407	87,482	10,137
Newton Chambers & Co.	Dec. 31	249,809	...	99,490	226,958	22,984	22,984	15	30,000	+ 23,522	230,952	99,343	13,809
Settle Speakman & Co.	Dec. 31	125,000	...	31,358	71,463	...	25,000	12½	6,000	+ 358	127,186	32,586	13,710
Wigan Coal Corporation	Oct. 31	144,335	59,991	72,812	95,674	9,336	18,498	2½	45,000	— 22	83,837	23,601	13,710
Financial, Land, &c.													
Agricultural Mortgage Corporation	Mar. 31	592,266	...	2,060	3,995	...	...	...	...	+ 2,060	585,315	1,006	1,006
Cordova Land Co.	Dec. 31	56,611	...	325	29,907	...	...	...	...	+ 325	44,427	Dr. 3,071	1,006
Slough Estates	Dec. 31	170,270	...	66,701	150,614	...	55,125	15	...	+ 11,576	169,640	65,553	1,006
Telephone & General Trust	Dec. 31	170,764	...	61,463	135,171	23,100	34,896	8	...	+ 3,467	167,168	62,469	1,006
Hotels, Restaurants, &c.													
Gardner (John), (London)	Sept. 30	115,696	...	23,792	43,165	7,500	13,500	9	...	+ 2,792	124,243	20,137	1,006
Guagliino's Limited	Dec. 31	38,628	...	22,261	22,705	...	15,500	10	7,000	— 139	40,098	23,336	1,006
Savoy Hotel	Dec. 31	265,186	...	67,220	69,948	17,500	36,947	5	...	+ 12,773	290,398	70,186	1,006
Scott's Restaurant	Dec. 31	36,696	...	16,813	23,496	4,750	4,172	26-7	5,000	+ 2,891	41,490	16,379	21,111
Rubber													
Batu Caves Rubber	Dec. 31	1,168	...	66	10,330	...	...	...	...	+ 66	1,258	Dr. 127	1,131
British Malay Rubber	Dec. 31	1,016	...	100	7,459	...	...	...	...	+ 100	990	188	1,108
Ceylon (Para) Rubber	Dec. 31	36,019	...	11,019	12,947	...	11,250	12½	...	+ 231	49,951	11,201	1,108
Dusun Doban Rubber Estates	Dec. 31	2,075	...	205	34,659	...	...	...	205	—	899	Dr. 1,615	1,108
Esoc Rubber Estates	Sept. 30	467	...	Dr. 2,793	3,875	...	...	...	...	+ 2,793	317	97,228	1,108
Grand Central (Ceylon) Rubber	Dec. 31	159,517	5,052	93,195	131,902	...	92,379	7	...	+ 816	228,933	97,228	1,108
Kasintoe Rubber Estates	Dec. 31	570	...	Dr. 1,488	Dr. 8,896	...	...	...	...	+ 1,488	325	Dr. 1,786	1,108
Kelani Valley Rubber	Dec. 31	12,575	...	5,146	7,855	420	3,500	10	1,000	+ 226	17,363	4,185	1,108
London Asiatic Rubber	Dec. 31	11,254	...	5,892	101,532	...	...	...	...	+ 5,892	14,384	Dr. 8,830	1,108
Marudu Consolidated Estates	Dec. 31	182	...	Dr. 698	Dr. 361	...	...	...	...	+ 698	132	Dr. 735	1,108
Mendaris (Sumatra) Rubber	Dec. 31	4,559	...	2,545	42,701	...	...	...	...	+ 2,545	2,332	Dr. 2,580	1,108
Nagolle (Ceylon) Rubber	Dec. 31	9,074	802	4,204	5,775	...	4,165	3	...	+ 39	13,750	5,574	1,108
Nahama Rubber	Dec. 31	5,058	...	1,834	2,294	420	1,000	5	...	+ 414	4,605	1,464	1,108
Oriental Rubber Co.	Dec. 31	903	...	121	11,246	...	...	...	...	+ 121	889	110	1,108
Padang Langkat Rubber Estates	Sept. 30	836	...	Dr. 44	2,414	...	...	...	...	+ 44	749	Dr. 98	1,108
Rubber Estates of Krian	Dec. 31	663	...	Dr. 156	3,983	...	...	...	...	+ 156	455	Dr. 1,464	1,108
Seafeld Rubber Co.	Dec. 31	873	...	Dr. 506	21,120	...	...	...	...	+ 506	989	Dr. 473	1,108
Seremban Rubber Estates	Dec. 31	971	...	Dr. 1,274	7,917	...	...	...	...	+ 1,274	794	Dr. 1,414	1,108
Songoroi Ranauh Rubber	Dec. 31	4,404	...	Dr. 226	4,600	...	...	...	...	+ 226	299	Dr. 594	1,108
Songosok Planting Co.	Dec. 31	236	...	Dr. 551	Dr. 595	...	...	...	...	+ 551	1,376	739	1,108
Sumatra Anglo-Dutch Estates	Dec. 31	304	...	Dr. 8,392	Dr. 27,238	...	...	...	...	+ 8,392	218	Dr. 8,526	1,108
Sungei Telor (Malaya) Rubber	Dec. 31	223	...	Dr. 644	506	...	...	...	...	+ 644	180	Dr. 773	1,108
Tanah Estates	Sept. 30	1,644	...	610	5,039	...	...	...	...	+ 610	9,067	7,887	1,108
Tangga Batu Rubber	Dec. 31	192	...	Dr. 114	3,373	...	...	...	...	+ 114	1,175	7,871	1,108
Yelagorejoli United Plantations	Dec. 31	1,757	...	Dr. 26,440	Dr. 116,024	...	...	...	...	+ 26,440	Dr. 24,696	Dr. 24,696	1,108
Yataderia Rubber & Tea	Dec. 31	56,945	1,798	5,297	8,506	...	4,742	5	...	+ 555	51,857	4,829	1,108
Shipping													
Anchor Line	Sept. 30	202,663	89,862	43,157	83,311	13,750	15,000	6	15,000	— 593	258,970	42,532	1,108
British Steamship Co.	Dec. 31	101,692	40,399	44,608	76,388	...	18,750	7½	...	+ 25,858	88,518	25,596	1,108
Shops and Stores													
Army & Navy Stores	Jan. 27	845,277	10,267	41,094	146,959	...	41,000	10	...	+ 94	714,955	41,816	1,108
Austin Reids Limited	Feb. 20	165,942	25,000	33,227	53,965	17,000	15,781	12½	...	+ 446	122,024	32,316	1,108
Goldsmiths & Silversmiths	Jan. 31	167,688	...	55,456	101,384	15,000	30,000	10	10,000	+ 456	145,143	54,438	1,108
Horne Brothers	Jan. 31	99,367	...	51,195	126,345	38,500	11,250	24	...	+ 1,445	90,360	53,530	1,108
McIlroy (William)	Feb. 21	85,651	2,071	32,500	67,809	5,600	30,000	30	...	+ 3,100	74,704	26,753	1,108
Maypole Dairy Co.	Dec. 30	288,700	14,488	50,112	396,643	53,750	32,375	3	10,000	+ 3,013	291,406	105,041	1,108
Rothmans Limited	Feb. 28	65,965	11,968	93,897	83,664	15,950	13,333	31½	20,000	+ 1,614	54,405	33,958	27,111
Swears & Wells Limited	Jan. 31	165,714	20,000	18,400	64,122	22,500	...	...	...	+ 4,100	169,266	21,791	1,108
West's & Moultons	Jan. 31	32,002	1,302	12,753	23,111	...	8,438	15	1,500	+ 2,815	31,604	12,305	1,108
Tea													
Eastern Produce & Estates	Dec. 31	125,753	12,372	Dr. 1,549	38,014	2,130	24,975	12½	...	— 28,654	52,047	18,362	1,108
Gulabur (Nilgiri) Tea	June 30	25,790	246	1,723	2,844	...	...	...	...	+ 1,723	26,394	2,420	1,108
Mount Vernon (Ceylon) Tea	Dec. 31	16,002	...	6,506	7,626	...	5,000	12½	1,500	+ 26	8,366	4,174	1,108
Panawall Tea, &c.	Dec. 31	5,738	...	1,830	2,233	525	1,326	...	...	+ 21	6,680	1,840	1,108
Travancore Tea Estates	Sept. 30	40,981	3,000	15,511	19,909	5,823	10,650	10	...	— 962	74,041	20,756	1,108
Trusts													
American Investment & General Trust	Mar. 15	193,852	...	102,078	152,821	43,750	48,125	5½	10,000	+ 203	194,015	97,863	1,108
Second Caledonian Trust	Mar. 1	43,855	...	10,217	39,124	7,938	...	...	2,000	+ 279	40,828	8,869	1,108
Second Scottish Northern Investment	Mar. 15	80,768	...	47,516	86,161	15,937	28,750	11½	...	+ 2,829	79,532	47,312	1,108
Second Securities Trust of Scotland	Mar. 31	41,781	...	9,405	27,496	7,750	...	...	1,600	+ 53	41,463	9,207	1,108
Stock Conversion & Investment Trust	Feb. 28	8,536	...	424	Dr. 11,026	...	...	...	...	+ 424	8,831	862	1,108
Third Scottish Western Investment	Mar. 1	59,327	...	13,025	48,520	11,112	...	...	...	+ 1,913	56,324	11,701	1,108
U.S. & S. American Investment	April 4	62,873	...	42,862	102,566	12,812	23,062	9	5,000	+ 1,988	61,937	41,736	1,108
Other Companies													
Allied Dairies	Jan. 2	13,828	...	6,221	16,300	3,526	3,044	25	...	— 349	12,185	5,433	2,111
Amalgamated Metal Corporation	Mar. 31	215,097	...	210,814	253,298	54,000	155,253	3½	...	+ 1,561	218,665	212,617	2,111
Ault & Wiborg	Mar. 31	100,581	535	38,394	66,200	3,810	13,604	12½	15,000	+ 5,980	90,450	32,689	1,108
Bright (John) & Brothers	Mar. 31	101,038	20,000	22,380	57,600	6,875	9,025	26	...	+ 6,480	102,720	16,724	1,108
British Oxygen Co.	Dec. 31	916,802	...	478,146	565,617	42,625	286,118	16	150,000	— 597	932,165	384,527	1,108
British Yxite Co.	Dec. 31	77,415	...	33,359	102,751	10,000	15,000	10	...	+ 8,359	72,816	37,230	1,108
Brooks (J. B.) & Co.	Dec. 31	27,298	...	16,940	33,416	4,500	7,000	7	5,000	+ 2,440	27,128	16,202	1,108
Brush Electrical Engineering Co.	Dec. 31	243,271	58,947	86,980	98,512	10,766	36,186	10	40,000	+ 28	262,921	70,248	1,108
Buttons Limited	Dec. 31	40,031	...	18,053	44,819	3,166	8,802	10	5,000	+ 1,085	36,566	14,425	1,108
Canning (W.) & Co.	Dec. 31	80,040	11,807	52,733	105,304	...	33,750	22½	15,000	+ 3,983	82,285	63,498	2,111
Cook Son & Co. (St. Pauls)	Dec. 31	192,232	1,636	103,134	121,103	56,875	30,041	3	...	+ 16,218	155,339	94,639	1,108
Drabtree (R. W.) & Sons	Dec. 31	116,982	11,583	37,519	74,924	9,261	6,000	8	...	+ 22,258	143,225	39,229	1,108
Drage's Limited	Dec. 31	20,639	...	30,186	Dr. 256,143	10,000	...	...	...	+ 30,186	17,739	33,386	1,108
Dunhill (Alfred)	Dec. 31	55,842	...	55,155	126,017	...	45,000	22½	...	+ 155	52,665	51,566	2,111
Ellis & Goldstein	Nov. 30	37,391	...	18,948	2,250	12,375	33	...	...	+ 4,323	34,063	14,852	3,111
Gray (William), C. & Sons	Dec. 31	3,591	...	Dr. 37,265	Dr. 35,948	7,500	...	...	Dr. 7,500	37,265	36,889	Dr. 3,591	1,108
Inns & Co.	Dec. 31	122,698	22,500	34,098	35,460	10,500	18,750	15	...	— 152	123,189	36,439	1,108
Johnson & Phillips	Dec. 31	458,402	41,663	125,335	168,340	...	60,000	15	...	+ 15,325	510,224	76,454	1,108
Lacrinoid Products	Dec. 31	53,855	...	5,522	7,133	...	4,500	9	...	+ 1,022	57,058	5,559	1,108
Lumfrie & Trinidad Lake Asphalt	Dec. 31	142,577	...	56,162	144,609	...	34,453	8½	20,000	+ 1,709	150,878	93,529	1,108
London Brick Co.	Dec. 31	136,976	...	133,786	240,286	3							

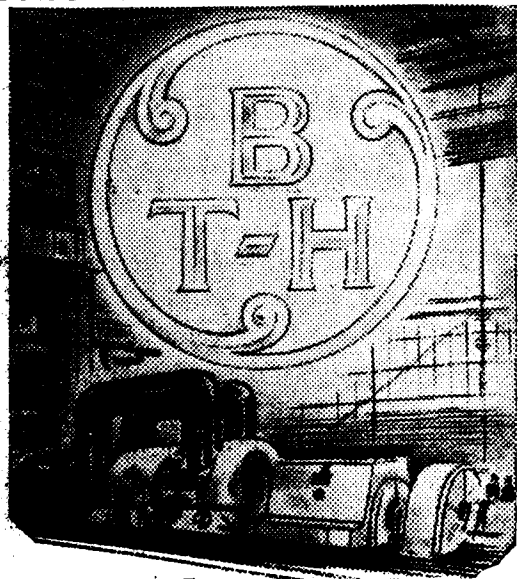
Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Lowrie (W. D.) Co.	Mar. 31	199,088	2,172	78,358	145,675	9,000	70,000	£	—	£ 642	185,464	72,732	21,000
Walker (John) & Sons	Mar. 31	489,737	...	439,737	581,846	52,500	283,500	45	110,000	— 6,263	473,627	443,627	43,000
Woodhead's Cannonbury Brewery	Jan. 31	23,472	...	7,466	15,856	1,399	3,750	15	...	+ 2,317	22,951	6,150	13,801
Coal, Iron and Steel													
Babcock & Wilcox	Dec. 31	831,733	...	280,460	411,684	7,726	266,578	12	...	+ 6,156	789,026	276,250	11,000
Beardmore (William) & Co.	Dec. 31	206,023	...	177,345	427,887	26,125	47,500	10	100,000	+ 3,720	219,420	189,668	10,000
Halesowen Steel Co.	Dec. 31	45,113	...	17,513	37,909	375	11,250	22½	5,000	+ 888	48,721	20,121	23,000
Lothian Coal Co.	Feb. 28	80,995	...	76,795	111,121	10,950	66,300	10½	...	+ 455	77,011	74,365	10,000
Widom & Askam Hematite Iron	Dec. 31	126,910	...	85,250	127,882	27,362	29,243	10	25,000	+ 3,645	203,407	87,482	10,000
Newton Chambers & Co.	Dec. 31	249,809	...	99,490	226,958	22,984	22,984	15	30,000	+ 23,522	230,952	99,343	13,000
Settle Speakman & Co.	Dec. 31	125,000	...	31,358	71,463	...	25,000	12½	6,000	+ 358	127,186	32,586	13,000
Wigan Coal Corporation	Oct. 31	144,335	59,991	72,812	95,674	9,336	18,498	2½	45,000	— 22	83,878	23,601½	12,000
Financial, Land, &c.													
Agricultural Mortgage Corporation	Mar. 31	592,266	...	2,060	3,995	...	...	...	...	+ 2,060	585,315	1,006	N/A
Cordova Land Co.	Dec. 31	56,611	...	325	29,907	...	...	...	...	+ 325	44,427	Dr. 3,071	N/A
Slough Estates	Dec. 31	170,270	...	66,701	150,614	...	55,125	15	...	+ 11,576	169,640	65,553	N/A
Telephone & General Trust	Dec. 31	170,764	...	61,463	135,171	23,100	34,896	8	...	+ 3,467	167,168	62,469	N/A
Hotels, Restaurants, &c.													
Gardner (John), (London)	Sept. 30	115,696	...	23,792	43,165	7,500	13,500	9	...	+ 2,792	124,243	20,137	N/A
Guagliino's Limited	Dec. 31	38,628	...	22,261	22,705	...	15,500	10	7,000	— 139	40,098	23,336	N/A
Savoy Hotel	Dec. 31	265,186	...	67,220	69,948	17,500	36,947	5	...	+ 12,773	290,398	70,186	N/A
Scott's Restaurant	Dec. 31	36,696	...	16,813	23,496	4,750	4,172	26 7	5,000	+ 2,891	41,490	16,379	21,000
Rubber													
Batu Caves Rubber	Dec. 31	1,168	...	66	10,330	...	...	...	...	+ 66	1,258	Dr. 127	N/A
British Malay Rubber	Dec. 31	1,016	...	100	7,459	...	...	...	...	+ 100	990	18	N/A
Ceylon (Para) Rubber	Dec. 31	36,019	...	11,019	12,947	...	11,250	12½	...	+ 231	49,951	11,201	N/A
Dusun Doban Rubber Estates	Dec. 31	2,075	...	205	34,659	...	...	...	205	...	899	Dr. 1,615	N/A
Esoc Rubber Estates	Sept. 30	467	...	Dr. 2,793	3,875	...	...	...	...	+ 2,793	317	Dr. 3,129	N/A
Grand Central (Ceylon) Rubber	Dec. 31	159,517	5,052	93,195	131,902	...	92,379	7	...	+ 816	228,933	97,228	N/A
Kasintoe Rubber Estates	Dec. 31	570	...	Dr. 1,488	Dr. 8,896	...	...	...	...	+ 1,488	325	Dr. 1,786	N/A
Kelani Valley Rubber	Dec. 31	12,575	...	5,146	7,855	420	3,500	10	1,000	+ 226	17,363	4,185	N/A
London Asiatic Rubber	Dec. 31	11,254	...	5,892	101,532	...	...	...	...	+ 5,892	14,384	Dr. 8,830	N/A
Marudu Consolidated Estates	Dec. 31	182	...	Dr. 698	Dr. 361	...	...	...	...	+ 698	132	Dr. 735	N/A
Mendaris (Sumatra) Rubber	Dec. 31	4,559	...	2,545	42,701	...	...	...	...	+ 2,545	2,232	Dr. 2,580	N/A
Nagolle (Ceylon) Rubber	Dec. 31	9,074	802	4,204	5,775	...	4,165	3	...	+ 39	13,750	5,574	N/A
Nahama Rubber	Dec. 31	5,058	...	1,834	2,294	420	1,000	5	...	+ 414	4,605	1,464	N/A
Oriental Rubber Co.	Dec. 31	903	...	121	11,246	...	...	...	...	+ 121	889	110	N/A
Padang Langkat Rubber Estates	Sept. 30	836	...	Dr. 44	2,414	...	...	...	...	+ 44	749	Dr. 98	N/A
Rubber Estates of Krian	Dec. 31	663	...	Dr. 156	3,983	...	...	...	...	+ 156	455	Dr. 1,464	N/A
Seafeld Rubber Co.	Dec. 31	873	...	Dr. 506	21,120	...	...	...	...	+ 506	989	Dr. 473	N/A
Seremban Rubber Estates	Dec. 31	971	...	Dr. 1,274	7,917	...	...	...	...	+ 1,274	794	Dr. 1,414	N/A
Songoroi Ranauh Rubber	Dec. 31	4,040	...	Dr. 226	4,600	...	...	...	...	+ 226	299	Dr. 594	N/A
Songosok Planting Co.	Dec. 31	236	...	Dr. 551	Dr. 595	...	...	...	...	+ 551	1,376	739	N/A
Sumatra Anglo-Dutch Estates	Dec. 31	304	...	Dr. 8,392	Dr. 27,238	...	...	...	...	+ 8,392	218	Dr. 8,526	N/A
Sungei Telor (Malaya) Rubber	Dec. 31	223	...	Dr. 644	506	...	...	...	...	+ 644	180	Dr. 773	N/A
Tanah Estates	Sept. 30	1,644	...	610	5,039	...	...	...	...	+ 610	9,067	7,887	N/A
Tangga Batu Rubber	Dec. 31	192	...	Dr. 114	3,373	...	...	...	...	+ 114	1,175	7,871	N/A
Telorejo United Plantations	Dec. 31	1,757	...	Dr. 26,440	Dr. 116,024	...	...	...	...	+ 26,440	Dr. 24,696	Dr. 24,696	N/A
Yataderia Rubber & Tea	Dec. 31	56,945	1,798	5,297	8,506	...	4,742	5	...	+ 555	51,857	4,829	N/A
Shipping													
Anchor Line	Sept. 30	202,663	89,862	43,157	83,311	13,750	15,000	6	15,000	— 593	258,970	42,532	N/A
British Steamship Co.	Dec. 31	101,692	40,399	44,608	76,388	...	18,750	7½	...	+ 25,858	88,518	25,596	N/A
Shops and Stores													
Army & Navy Stores	Jan. 27	845,277	10,267	41,094	146,959	...	41,000	10	...	+ 94	714,955	41,816	1,000
Austin Reids Limited	Feb. 20	165,942	25,000	33,227	53,965	17,000	15,781	12½	...	+ 446	122,024	32,316	N/A
Goldsmiths & Silversmiths	Jan. 31	167,688	...	55,456	101,384	15,000	30,000	10	10,000	+ 456	145,143	54,438	N/A
Horne Brothers	Jan. 31	99,367	...	51,195	126,345	38,500	11,250	24	...	+ 1,445	90,360	53,530	N/A
McIlroy (William)	Feb. 21	85,651	2,071	32,500	67,809	5,600	30,000	30	...	+ 3,100	74,704	26,753	1,000
Maypole Dairy Co.	Dec. 30	288,700	14,488	50,112	396,643	53,750	32,375	3	10,000	+ 3,013	291,406	105,041	N/A
Rothmans Limited	Feb. 28	65,965	11,968	93,897	83,664	15,950	13,333	31½	20,000	+ 1,614	54,405	33,598	27,000
Swears & Wells Limited	Jan. 31	165,714	20,000	18,400	64,122	22,500	...	...	...	+ 4,100	169,266	21,791	N/A
West's & Moultons	Jan. 31	32,002	1,302	12,753	23,111	...	8,438	15	1,500	+ 2,815	31,604	12,305	1,000
Tea													
Eastern Produce & Estates	Dec. 31	125,753	12,372	Dr. 1,549	38,014	2,130	24,975	12½	...	— 28,654	52,047	18,362	1,000
Gulabur (Nilgiri) Tea	June 30	25,790	246	1,723	2,844	...	...	...	...	+ 1,723	26,394	2,420	N/A
Mount Vernon (Ceylon) Tea	Dec. 31	16,002	...	6,506	7,626	...	5,000	12½	1,500	+ 26	8,366	4,174	N/A
Panawall Tea, &c.	Dec. 31	5,738	...	1,830	2,233	525	1,326	...	...	+ 21	6,680	1,840	N/A
Travancore Tea Estates	Sept. 30	40,981	3,000	15,511	19,909	5,823	10,650	10	...	— 962	74,041	20,756	1,000
Trusts													
American Investment & General Trust	Mar. 15	193,852	...	102,078	152,821	43,750	48,125	5½	10,000	+ 203	194,015	97,863	N/A
Second Caledonian Trust	Mar. 1	43,855	...	10,217	39,124	7,938	...	...	2,000	+ 279	40,828	8,869	N/A
Second Scottish Northern Investment	Mar. 15	80,768	...	47,516	86,161	15,937	28,750	11½	...	+ 2,829	79,532	47,312	N/A
Second Securities Trust of Scotland	Mar. 31	41,781	...	9,405	27,496	7,750	...	...	1,600	+ 53	41,463	9,207	N/A
Stock Conversion & Investment Trust	Feb. 28	8,536	...	424	Dr. 11,026	...	...	...	...	+ 424	8,831	862	N/A
Third Scottish Western Investment	Mar. 1	59,327	...	13,025	48,520	11,112	...	...	...	+ 1,913	56,324	11,701	N/A
U.S. & S. American Investment	April 4	62,873	...	42,862	102,566	12,812	23,062	9	5,000	+ 1,988	61,937	41,736	N/A
Other Companies													
Allied Dairies	Jan. 2	13,828	...	6,221	16,300	3,526	3,044	25	...	— 349	12,185	5,433	2,000
Amalgamated Metal Corporation	Mar. 31	215,097	...	210,814	253,298	54,000	155,253	3½	...	+ 1,561	218,665	212,617	N/A
Ault & Wiborg	Mar. 31	100,581	535	38,394	66,200	3,810	13,604	12½	15,000	+ 5,980	90,450	32,689	N/A
Bright (John) & Brothers	Mar. 31	101,038	20,000	22,380	57,600	6,875	9,025	26	...	+ 6,480	102,720	16,724	N/A
British Oxygen Co.	Dec. 31	916,802	...	478,146	565,617	42,625	286,118	16	150,000	— 597	932,165	384,527	1,000
British Yxite Co.	Dec. 31	77,415	...	33,359	102,751	10,000	15,000	10	...	+ 8,359	72,816	37,230	1,000
Brooks (J. B.) & Co.	Dec. 31	27,298	...	16,940	33,416	4,500	7,000	7	5,000	+ 2,440	27,128	16,202	N/A
Brush Electrical Engineering Co.	Dec. 31	243,271	58,947	86,980	98,512	10,766	36,186	10	40,000	+ 28	262,921	70,248	N/A
Buttons Limited	Dec. 31	40,031	...	18,053	44,819	3,166	8,802	10	5,000	+ 1,085	36,566	14,425	1,000
Canning (W.) & Co.	Dec. 31	80,040	11,807	52,733	105,304	...	33,750	22½	15,000	+ 3,983	82,285	63,498	2,000
Cook Son & Co. (St. Pauls)	Dec. 31	192,232	1,636	103,134	121,103	56,875	30,041	3	...	+ 16,218	155,339	94,639	N/A
Drabtree (R. W.) & Sons	Dec. 31	116,982	11,583	37,519	74,924	9,261	6,000	8	...	+ 22,258	143,225	39,229	N/A
Drage's Limited	Dec. 31	20,639	...	30,186	Dr. 256,143	10,000	...	...	...	+ 30,186	17,739	33,386	N/A
Dunhill (Alfred)	Dec. 31	55,842	...	55,155	126,017	...	45,000	22½	...	+ 155	52,665	51,566	N/A
Ellis & Goldstein	Nov. 30	37,391	...	18,948	2,250	12,375	33	...	...	+ 4,323	34,063	14,852	3,000
Gray (William), C. & Sons	Dec. 31	3,591	...	Dr. 37,265	Dr. 35,948	7,500	...	...	Dr. 7,500	37,265	36,889	Dr. 3,591	N/A
Inns & Co.	Dec. 31	122,698	22,500	34,098	35,460	10,500	18,750	15	...	— 152	123,189	36,439	N/A
Johnson & Phillips	Dec. 31	458,402	41,663	125,335	168,340	...	60,000	15	...	+ 15,325	510,224	76,454	1,000
Lacrinoid Products	Dec. 31	53,855	...	5,522	7,133	...	4,500	9	...	+ 1,022	57,058	5,559	N/A
Limfrith & Trinidad Lake Asphalt	Dec. 31	142,577	...	56,162	144,609	...	34,453	8½	20,000	+ 1,709	150,878	93,529	N/A
London Brick Co.	Dec. 31	136,976	...	133,786	240,286	32,000	200,000	10	Dr. 100,000	+ 1,786	235,660	232,530	N/A
Marston Valley Brick	Dec. 31	7,411	10,531	Dr. 4,918½	54,450	5,000	...	...	...	+ 9,918	34,823	10,485	1,000
Melbourne, Hart & Co.	Jan. 31	11,95											

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Jan. 1 to May 15, 1945		Prices, Jan. 1 to May 15, 1945		Name of Security	Price, May 15, 1945	Yield, May 15, 1945	Prices, Jan. 1 to May 15, 1945		Name of Security	Price, May 15, 1945	Yield, May 15, 1945
High	Low	High	Low				High	Low			
British Funds											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Iron, Coal and Steel	56 1/2	55 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Babcock & Wilcox Ltd.	56 1/2	55 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Bolover Colliery Ord. £1	53 1/2	52 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Brown (John) Ord. 10/-	29 3/4	28 3/4
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Crown (Wm.) Ltd.	97 3/4	97 3/4
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Dorman Long Ord. £1	27 1/2	27 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Guest Keen & Co. Ltd.	38 1/2	38 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Huddfield Ord. 10/-	32 1/2	31 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Staveley Coal Ord. £1	52 1/2	52 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Stewarts & Lloyds Ltd.	56 1/2	55 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Swan, Hunter Ord. £1	49 1/2	49 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Thomas and Bald Ord. 6/8	12 1/2	12 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	United Steel Ord. £1	26 1/2	26 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Vickers Ord. 10/-	19 1/2	19 1/2
Textiles											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Bleachers Association Ltd.	14 1/2	13 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Bradford Dyers Ord. £1	25 1/2	25 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	British Celanese Ord. 10/-	33 1/2	32 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Coats, J. & P. Ord. £1	52 1/2	52 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Courtaulds Ord. £1	56 1/2	55 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Fine Cotton Spinners Ltd.	25 1/2	25 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Hoyle (Joshua) 2/-	47 1/2	46 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Lancs. Cotton Corp. Ltd.	37 1/2	36 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Patons & Baldwins Ltd.	86 3/4	87 1/2
Electrical Manufact.											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Callenders Cable, & Co.	125 1/2	126 3/4
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Crompton Park 'A' 5 1/2	34 1/2	34 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	General Electric Ord. £1	97 1/2	96 1/2
Gas and Electricity											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	County of London Ltd.	45 1/2	45 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Gas Light & Coke Ord. £1	23 1/2	23 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	North-East Electric Ltd.	36 1/2	36 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Scottish Power Ord. £1	41 1/2	41 1/2
Motor and Aircraft											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Austin 'A' Ord. 5 1/2	34 3/4	35 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Birmingham S.A. Ltd.	26 1/2	26 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Bristol Aeroplane 10/-	14 1/2	14 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Ford Motors Ord. £1	40 1/2	40 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Hawker Siddeley Ltd.	17 1/2	16 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Lucas (Joseph) Ord. £1	83 1/2	83 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Morris Motors 5 1/2 Ord.	46 1/2	46 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Rolls-Royce Ord. £1	110 1/2	108 1/2
Shipping											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Cunard Ord. £1	24 1/2	23 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Furness, Withy Ord. £1	24 1/2	24 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	P. & O. Def. £1	43 1/2	42 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Royal Mail Lines Ord. £1	25 1/2	24 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Union Castle Ord. £1	24 1/2	24 1/2
Tea and Rubber											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Anglo-Dutch of Java Ltd.	22 1/2	22 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Jokai (Assam) Tea Ltd.	45 1/2	45 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	London Asiatic Rbr. 2/-	3 1/2	3 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Rubber Plims Trust Ltd.	26 1/2	26 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	United Siam Betong Ltd.	37 1/2	38 1/2
Oil											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Anglo-Iranian Ord. £1	108 1/2	107 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Burmah Oil Ord. £1	90 1/2	88 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Shell Transport Ord. £1	85 1/2	86 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Trinidad Leaseholds Ltd.	88 1/2	88 1/2
Miscellaneous											
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Assoc. Brit. Picture 5 1/2	21 1/2	21 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Assoc. P. Cement Ord. £1	62 1/2	61 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Barker (John) Ord. £1	75 1/2	73 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Boots Pure Drug Ord. 5 1/2	54 1/2	54 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	British Aluminium Ltd.	44 1/2	44 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Brit. Amer. Tobacco Ltd.	125 1/2	123 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	British Oxygen Ord. £1	84 1/2	85 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Cable & Wir. Hdg. Stk.	95 1/2	93 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Carreras 'A' Ord. £1	147 1/2	145 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Dunlop Rubber Ord. £1	51 1/2	51 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Elec. & Mus. Ind. 10 1/2	34 1/2	35 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Gaumont British 10 1/2	21 1/2	20 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Gestetner Ltd. 5 1/2	39 1/2	39 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Harrolds & Cros. Def. £1	93 1/2	95 1/2
102 1/2	101 1/2	102 1/2	101 1/2	Consols 2 1/2% (after 1957)	102 1/2	4 1/2	102 1/2	101 1/2	Imperial Chemical Ord. £1	40 1/2	39 1/2
102 1/2	101 1/2	102 1/2</									

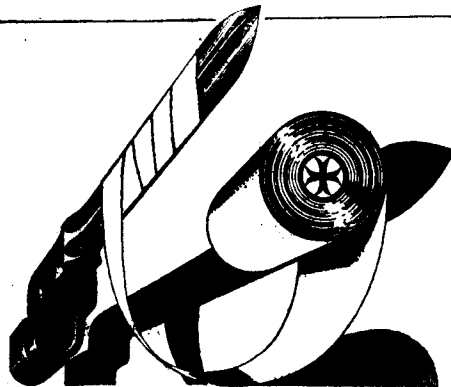
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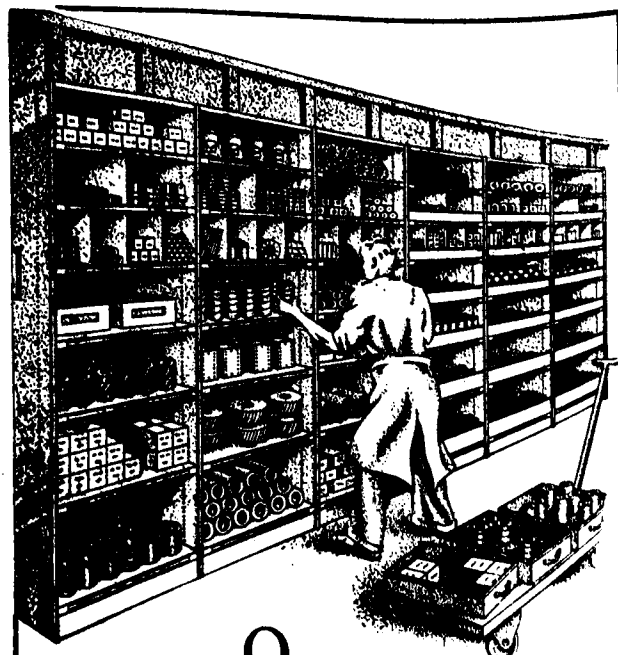
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THE
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SHILLING

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THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £2

Clearing the Air

THE political air has been cleared. The Government has resigned and Mr Churchill is forming a new one. Parliament is to be dissolved on June 15th and a General Election will be held on July 5th. This is being described as an immediate election, but the immediacy is only relative. The law imposes a pause of three weeks after the election, for the arrival of Forces' ballots, before the counting begins, and the results will not be known until the very last days of July. The electoral process, on the resignation of the Cabinet that has carried the try to victory to its replacement by another fortified expression of the popular will, is thus to last more than two months, during which little will be heard above the din from the hustings. A decision for a July election was made as the result of Mr Churchill's choice between two alternatives put forward by Mr Churchill—an immediate dissolution and maintenance of the present Government until after the end of the Japanese war—with the curious suggestion of a referendum to decide whether the life of the present Government should equally be prolonged. The Labour Party and its friends made it clear to their leaders, some of whom were hesitant, that they could not tolerate a further indefinite suspension of party politics. So, with every sign of irritation, Mr Attlee chose July.

Labour would have greatly preferred to wait until the autumn, and a continuance of the present Government until

then. But that was the one alternative that Mr Churchill ruled out. Conflicting reasons of the public interest are being given, on both sides, for the attitudes adopted. The real reason, however, is party advantage. The Prime Minister, in his second letter to Mr Attlee, was indignant about the "aspersion" that his preference for July over October was due to a calculation of electoral gain, and in Mr Churchill himself the emotion is no doubt sincere, since he has unquestionably laboured to make the transition from coalition to party without bitterness and unfairness. But in the minds of some of his closest colleagues and friends there has obviously been the calculation that an election held in the bright sunlight of victory celebrations would almost certainly redound to the advantage of the main architect of that victory and of the party he leads. The Labour calculation is equally obvious. The rank and file of the party are even more impatient to get back to party politics than are the Tories; but they would prefer to wait until an accumulation of difficulties, and perhaps of mistakes, has dimmed the lustre of Mr Churchill's fame, until the elector ceases to think of him as a war leader, in which capacity he is impregnable, and begins to question him as a peace leader, where he is much weaker. These are the calculations, and it takes a strong stomach to say that one is any more moral than the other.

If the public interest could be sincerely consulted, it would show a balance of advantage in favour of an October

election. After ten years, three months is very little longer to wait, but it would enable pending legislation to be completed, it would allow time for the preparation of a new and (it is to be hoped) less imperfect register, and large numbers of men and women in the forces would have an opportunity of discovering what the issues of the election are. But it is only on balance that these advantages arise, since there are powerful arguments on the other side. The approach of an election has manifestly hamstrung the Government for many months past, and there is force in the Prime Minister's unwillingness to "go on bickering together until the autumn."

The difference between July and October is certainly not large enough to support a charge of sharp practice, and certainly not from the Labour Party. The truth is that the Labour Party, largely owing to its unwillingness to follow its own leaders, has allowed itself to be completely outmanœuvred, and though annoyance is natural, it is not justified. Labour was insisting on a return to party politics when the Tories were still talking of continuing the coalition for three more years, and they can hardly complain if they are now taken at their word. Although they never said in set terms that they wanted an election immediately after the end of the war in Europe, Mr Attlee's promise to summon a special conference "immediately after the defeat of Germany" to consider the withdrawal of the Labour Ministers did more than any action of the Tories to give currency to the idea that this would be an appropriate time. Moreover, most of the arguments against an immediate election apply with equal force against an election at any time before the end of the war. It is difficult to argue that a postponement of three months would be wholly good, while a postponement that might turn out to be only of four or five or six months is wholly bad; but this is the logical contortion to which the Labour Party is now committed. The Prime Minister's alternative of an immediate election or indefinite delay happens to suit the Tory book; but it also has a great deal of logic in it.

It is very difficult to foresee the result of the contest thus joined. The general expectation, even among many Labour people, is that the Conservative Party will return with a majority, though a reduced one, and that this result will be a personal vote of confidence in Mr Churchill. This, no doubt, is the most probable result. But it is by no means certain. It is a little difficult to imagine the Labour Party winning the 150 additional seats necessary to give it a bare majority and to get a working majority it would have to double its present total of 170 seats. But a House of Commons in which the two largest parties are evenly balanced is a distinct possibility. If there is a substantial Liberal Party, it could decide the issue, as it did in 1924, and in 1929; but it would take 40 or 50 Liberals to provide a solid working majority in such circumstances, and one of the unknowns in the coming election is whether the Liberal Party can win enough seats to play such a rôle. If there is no working

combination in the new House, then there will be no alternative but a fresh coalition—than which it is hardly possible to conjure up a more frightening prospect. The parties may have little enough ability to make positive decisions; but their capacity to obstruct each other is almost infinite, and this proclivity would be given free rein in a coalition no member of which commanded a majority of the House.

There will certainly be advantages in replacing this very stale and superannuated House of Commons by a fresh one. The turnover of individuals may be considerable, and there should be a lot of new blood. But it is hardly possible to hope for a great change in the conduct of national affairs. A general election, especially after so long an interval and such tremendous events, ought to be regarded as an opportunity for a great regeneration of national purpose. That it is not so regarded by the man in the street, but rather in the guise of a resumption of normal sporting events, comparable to a cricket Test match (and almost as lengthy), reflects the fact that there is a total lack of enthusiasm for either of the major parties. It is, in fact, very difficult to believe that a clear majority for either one would make very much difference. A few superficialities, no doubt, would be painted in different colours, but in the main the country will be ruled in exactly the same way, by the Civil Service, whichever side wins. On the immediate issue of the relaxation of wartime controls, the margin between the least that the Socialists would find it possible to do is, in the present circumstances of the country, very small. And on the further issue of economic policy, the most that a Labour Government could be expected to do would be to change the formal ownership of the mining, transport and power industries, while a Tory Government will certainly have to concern itself with the same industries, and might well be compelled by events to be almost equally drastic in its intervention in their policies, even though it left the formal facade of ownership untouched.

The fact is that neither party has any real, practical policy, because neither party has thought at all deeply about twentieth-century Britain in a twentieth-century world, and each therefore takes refuge in mere administration, using shades of emphasis as an apology for differences of principle. The honest citizen will find it very difficult indeed to decide how to use his vote. He is likely, perhaps, to end by voting for the Prime Minister. But he would do so far more gladly if he could vote for Mr Churchill as a real national leader, the breaker of outworn rigidities of doctrine, the founder of a party equipped to devote the whole energies of the people to the task of constructing a modern economic and social structure. Had Mr Churchill not succumbed to the lures of party leadership victory, a matchless opportunity for this country, but might also have established the means of ensuring that the opportunity is not missed.

Divided Germany

FIELD-MARSHAL MONTGOMERY is to represent Great Britain on the Allied Control Council, and his representative for control matters will be Lieutenant-General Sir Ronald Weeks—an admirable choice of an industrialist turned soldier. There is, however, no announcement yet on the actual setting up of the Control Council. No British or American Mission has gone to Berlin—or to Vienna. Meanwhile, a "Supreme HQ Control party with the German High Command" will be established at Flensburg to control Admiral Doenitz's officials until the demobilisation of the German armies is complete. The Russians will be represented on this Control party. But this appears to be the full extent of Allied co-operation so far.

It is becoming more and more difficult to believe that there will ever be very much more. At this moment, a violent cleavage is being created in Allied policy towards

the defeated Germans. In the west, the general aim of "non-fraternisation" (whatever that may be held to mean) still dominates policy. The Germans have been bluntly told that the first charge on their work will be the maintenance of the armies of occupation. If there is a margin, they may get it. The official broadcasts are curt and peremptory. A curfew is imposed in the towns. Schools are all closed while an inadequate number of education officers examine the teachers. Few or no places of entertainment are open and cultural activities have ceased.

The contrast could hardly be more striking between this picture and the facts reported on the Berlin and Vienna radio, which, incidentally, speak with an identical voice. The Russians are now doing everything in their power to conquer the Germans' distrust, to distinguish between the "Fascist beasts"—Hitler and his followers—and the ordinary German people, and to promise the latter

that their efforts of reconstruction will ensure their own prosperity and "give them the chance of finding their way back into the comity of nations." A Town Council under a Dr Werner has been established in Berlin and the Red Army will help it to rebuild and reconstruct the city. Red Army lorries are bringing in foodstuffs. Shops are opening. New ration books are already distributed. The workers are to have bigger rations than under the Nazis. Plays, cinemas and concerts are beginning again. The military commandant has appealed to all artists and professional people to rebuild Germany's cultural and intellectual life. The tone of the broadcasts is best summed up in the following extract from a Berlin woman's speech:

Now we know what lies the Goebbels propaganda told about the Red Army. Not only shall we not starve, but the working man gets more than under the Nazis. All this is a revelation to us. . . . It is now up to us to organise the distribution of work simply and efficiently. We all see rolling past us Red Army lorries carrying food to the Berlin population. . . . A new life is beginning; we have started on the way towards a better order.

Much of this, no doubt, is pure propaganda and window-dressing. But it is clear from the manner in which the Russians are approaching their problems that they have been seriously disturbed by the mass flight of civilians from their zone and the mass surrender of German troops to the Allies. They are trying to counter the Germans' obvious terror. They are going out of their way to present the Soviet Union as the enemy of Fascism only and the friend of the ordinary Germans. Inevitably—since no joint policy was established—this new Russian strategy has in it an element of competition, of bidding for support for Russia against the West. The Western Allies cannot ignore it. Even if in spite of all the other pressing reasons, they have still not fully formulated their policy, the Russian decision to adopt the policy with which the Western Allies started this war compels them to examine their own strategy.

They probably have to face the unpleasant fact that they will have no influence in the Russian zone. They will probably not even gain admittance. The Russians, on the other hand, through their local Communist groups, will be active not only in the British, American and French zones of occupation, but throughout Western Europe. It may still be possible at the highest level to get agreement on specific questions—on transport or food supplies or the distribution of labour—but even here, the outlook is not promising. The new European Transport Commission has been set up without Russian participation. In these unhappy conditions, how do Great Britain and America view their relations with Western Europe? Are they out to pursue in Western Germany a policy which ultimately gives the German people a stable place in West European life and prosperity? Or will the German community be left without guidance or leadership to accept, if only by default, the offer of a return to the "comity of nations"

under Russian auspices? There is no doubt that, faced with the choice between a vacuum and some sort of positive policy, the Germans will be drawn, whatever their present attitude, towards those who have something to offer.

If it is objected that the Western Allies cannot indulge in competition and propaganda, it can only be replied that they have no choice. Since there is to be no joint policy, whatever policy is adopted in either zone will compete with the other. It is thus vital that the Allies should move away from the vacuum of non-fraternisation, that they should not fall into the opposite error of Darlanism; in a word, that they should not drift into any policy whatever, but establish thoughtfully and precisely what their interests and the interests of Western Europe demand; and having established this preliminary, pursue a policy which is likely to satisfy those interests to the fullest possible extent. The step of arresting Doenitz and his High Command as prisoners of war is a step forward, but still only represents a negative decision—that there are some groups with which the Western Allies will not deal.

In a sense the talk of "Western Allies" is rather misleading if it suggests that the United States is under the same compulsion to define and work out a policy as Great Britain. Ideally it is. Ideally both countries should pursue the same policy. But it seems almost certain that the Americans will not sustain a very long occupation in Europe. There is a large element, in all American thinking on the subject of Germany, of seeking to achieve certain objects in the short run and then clearing out. The Americans will not have to live with the German problem thereafter—at least not at such close quarters and so continuously as the British. The responsibility for originating a policy thus rests squarely on Great Britain. It will not always be easy to secure agreement and co-operation from France and the smaller Allies, but the essential preliminary to co-operation is secure knowledge in Britain of what the policy ought to be. There can be no agreement on a non-existent strategy.

Unfortunately, the signs are accumulating that very little thought has been given to the high policy of European reconstruction. On the technical side the tactics of the operation—a certain amount of preparation has, it is true, been done, though cruelly hampered by shortage of staff. But the strategy is almost entirely lacking and the major questions are unanswered. Even the detailed arrangements are, in some cases, very incomplete. The Americans, it would seem, have done much more planning in advance. German scientists, especially those who have worked on new methods of warfare, are, if report is to be believed, being almost cornered by the Americans; who have also far-reaching plans for giving information to the German people about the world in which they live. In the British zone, the only decision that appears to have been reached about information and propaganda to the German people is that those who have been



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What hope is there that now, even at this eleventh hour, some coherence and decision can be injected into British policy? The Foreign Office seems so lost in *ad hoc* decisions and day-to-day administration and "dealing with matters as they arise" that it seems hopeless to expect an intelligent lead from that Department. Some people are suggesting the appointment, at War Cabinet level, of a Minister for European Reconstruction whose responsibility it would be to work out a policy and direct the various Government agencies in its fulfilment. The Ministry of Production, which is gradually going out of business in home production and is already much concerned with supplies to Europe, seems a possible instrument, though

Mr Lyttelton is hardly, by training or temperament, the man for the job. The prestige and influence of the Treasury suggest that the responsibility might rest there, the more so since Sir John Anderson is a skilled co-ordinator. The whole question of instrumentalities is naturally complicated by the General Election. There is certain to be an interregnum at a crucial time.

These difficulties, all thwarting the emergence of a policy, make it all the more urgent that the task of evolving a plan and a strategy for Europe should appear on a Cabinet agenda before any more time is lost. The situation has now reached a point where further drift, further temporary expedients, further vacuum of policy, can end only in the brutal choice between appeasement or conflict.

The World Larder

AFTER many months of wondering in just what ways reduced rations would affect the ordinary consumer, and innumerable hints and some plain statements that cuts must and would come, they have at last been translated into terms of ounces, and the extent of the world shortage can therefore be more easily understood. So far as the consumer in the United Kingdom is concerned, the cuts can be simply stated. From May 27th, the weekly ration of bacon goes down from 4 ounces to 3 ounces; the cooking fats ration from 2 ounces to one ounce. The soap ration is reduced by one-eighth; the points ration from 24 points for four weeks to 20 points; and one-seventh of butchers' supplies are to be in the form of canned corned beef. The Ministry of Food is also cutting down allocations to manufacturers and reducing stocks.

The principle that consumption levels ought to be similar in the United Nations has been followed to the fullest extent possible in regard to sugar, which is one of the commodities in shortest supply. The level in the United States, Canada and the United Kingdom is to be at the annual rate of 70.8 lb. per head for the last nine months of this year. This will involve cuts of 18.2 lb. in the United States, 14.4 lb. in Canada and only 0.7 lb. in the United Kingdom, compared with the consumption level in 1944. In the United States and Canada, cuts will be made in both domestic and manufacturing rations; but in Britain, all that is needed is the forgoing of an extra half-pound of sugar next Christmas. If, however, sugar production does not come up to expectation, manufacturers' allocations will have to be cut. British stocks of sugar will be drawn upon to the extent of 300,000 tons to maintain the ration.

Oils and fats have been allocated by the Combined Food Board, and the principle has now been agreed that the three countries will accept proportionately similar cuts. The United States and the United Kingdom will have much the same domestic consumption of edible fats after the cuts have taken place, since in America more oils and fats are used industrially, per head, than here. British stocks will be reduced by 350,000 tons by July, 1946.

America is to accept by far the largest reduction in meat consumption, although the level will still be higher than that in Britain. The following table gives the comparative position for meat and bacon consumption as it was in 1944, as it will be this year, and the percentage reductions in each case:—

	Lb. per Head		Reduction %
	1944	1945	
United Kingdom	115.0	106.4	7.5
United States	162.9	125.0	23.3
Canada	149.1	135.0	9.5

In North America the cut will be more severely felt than here, since it all has to come out of consumption during the rest of the year, and it will be interesting to observe to what extent the very loosely controlled form of meat rationing on the United States will be able to distribute fairly such a sharply reduced volume of total supplies. Canada's cut will provide an additional 25 million lb. of carcase meat for this country, and 90 million

lb. of canned meat for Europe. Australia, which has suffered so heavily from drought, has reduced the civilian meat ration by one-eighth so that supplies to this country can be maintained.

The foregoing are the foods in shortest supply, and in the main those most needed for the maintenance of health. Another group which is affected is dairy products. In this country, stocks of skim milk powder are to be drawn upon heavily. Traders will get no allocation, so that there will be less milk chocolate and less ice-cream. The non-priority allocation of liquid milk will be reduced earlier than last year because of the additional calls upon it. It is hoped to maintain the cheese ration at 2 ounces for the rest of the year by manufacturing more here and by importing more from the Dominions. The Services may get less evaporated milk because of the severe shortage.

All these decisions were reached in Washington recently, where the Ministers of Food and Production went to discuss the world food situation with the Governments of the United States and Canada. They had available the best possible estimates of world supplies and requirements in 1945. These estimates are set out in the table below. For the United Kingdom, North America, Australia and New Zealand, the figures are based on current production and on the level of consumption that has prevailed hitherto, without taking into account the existing stocks or additions to them or drafts upon them. Other countries are brought into the table only to the extent of their prospective export surpluses or import requirements. In short, the table shows the food position in the five countries as a unit, disregarding their stocks but allowing for their prospective trade with third parties.

Commodity	Supply from Current Production	Requirements	Gross Deficit	Percentage Deficit
	'000 tons	'000 tons	'000 tons	%
Meat and bacon (carcase weight equivalent)	15,179	16,974	1,795	10.6
Canned fish (pack year beginning July 1st)	418	801	383	47.8
Cheese	706	802	96	12.0
Canned milk (full cream)	1,999	2,424	425	17.5
Milk powder (full cream and skip)	456	605	149	24.6
Butter	1,204	1,204	—	—
Fats and oils (edible and technical)	5,687	7,124	1,437	20.2
Sugar (refined)	8,067	9,920	1,853	18.7

No plainer statement could be made of the position in which the world's larder finds itself. Equally well documented is the extent to which the main countries of the United Nations expect to draw upon the larder. But unfortunately, there is nothing in the table, or in the text of the communiqué which accompanies it, to indicate what level of consumption it is expected to provide for liberated Europe. From various hints which have been given it can be assumed that the level will not be as high as elsewhere. In this context it is unthinkable that there should be a rumbling among the more fortunate nations that they are to go on shorter commons. What should be asked is whether enough is being done to increase supplies of

food for liberated Europe. The British Government, and no doubt the American too, is firmly and rightly convinced that victory in Europe cannot be complete without the adequate feeding of liberated countries and without the help the United Nations alone can give them to restore themselves. The contribution that a self-reliant Europe can make to world food supplies is a very real one, and this is an aspect of the problem which should receive its due emphasis.

Although there is little indication of the scale of rations Europe is to receive, there is at least one authoritative statement of the plight it is in. It is worth quoting some extracts from the statement, dated April 30th, made by the British, Canadian and United States representatives at the Washington conference on supplies and distribution:—

... in many parts of liberated Europe consumption levels are deplorably low. Particularly in the cities, the amount of food available provides considerably less than the 2,000 calories a day which are normally regarded as the minimum. ... In Amsterdam and Rotterdam ... conditions are almost indescribable, with large populations existing on one meal a day mainly composed of sugarbeets and obtained at soup kitchens. These people

are getting no more than 450 to 500 calories a day, which means slow death. ... In Belgium and liberated Holland ... the ration now gives 1,700 to 1,800 calories a day, while in Athens the target of 2,000 calories a day is now closely approached. A level of 2,000 calories is, however, no more than an emergency level, insufficient to maintain a working population. At such a level it is not possible for a liberated people to engage upon the task of rebuilding their agriculture and industry.

This is a desperate, unhappy picture, and no effort should be spared to brighten it. Countries outside Europe can afford to share the burden. The same document, quoted above, gives the average level of civilian consumption in 1944 in the United States as 3,367 calories a day, in Canada, 3,435, and in Britain, 2,923. The cuts in Britain will amount to between 100 and 150 calories a day, and probably somewhat more in North America. This is a meagre sacrifice to add to Europe's store.

To say this is not, however, to detract from the merits of the job that has been done. When all the technical, political and human difficulties are taken into account, the arrangements made in Washington are a triumph for negotiating skill and goodwill. If the technique of combined action had no other successes to its credit, this alone would be enough to justify it.

War Crimes

TRIALS for war crimes are on this year's already overcrowded agenda. If they are to yield permanent results, two considerations must govern them. The first is that they must happen quickly; there must be a deadline after which an end is declared to arguments about who should and should not have been placed in the dock. The second is that all accusers should as nearly as possible use the same criteria. The first of these essentials is a matter for the Allied Governments: Mr Eden was, immediately on his return from San Francisco, subjected in the House of Commons to timely pressure for haste. The second is the task of the United Nations War Crimes Commission—a body of 16 national experts, with a British chairman and an office in the Royal Courts of Justice, which has summoned a Conference of its member Governments to be held in London on May 31st for the purpose.

The criminals to be caught and tried fall into two classes, one of which presents few or no legal difficulties. The simpler types are the quisling; the traitor such as Haw-Haw or Ferdonnet; and the Nazi whose offence has been committed against Allies of a single nationality or in occupied territory, who can be tried in the state he has wronged and by its laws. The more complicated class is that which has committed crimes against Germans or against more than one nationality or against mankind in general. Here some new form of international court is required; there is no precedent for trying war crimes through channels of organised international justice. If the recommendations of the War Crimes Commission are followed, the indicting nations will not find it difficult to agree on the procedure for trying a small class of the "major criminals" of whom Goering is the prototype. Their chief difficulty will be in deciding where to draw the line among the lesser fry, particularly among the tens of thousands of captured SS.

Thanks to the energetic work of the Police and Public Safety Departments of the army groups inside Germany, the process of catching the hares has gone unexpectedly well. No list of "major criminals" has been published, but it is safe to assume that there is plentiful evidence against, for instance, the five of the six members of Hitler's Inner Cabinet who are already in captivity. They are Goering, Lammers, Keitel, Frick and Funk. The British authorities also hold an ex-member of that body, Hess, and the "major" list is likely to include several other captives who took an active part in policy-making—for instance, Ley, Doenitz, Kaltenbrunner and Darré.

The chief flaw in the present plans for dealing with men of this calibre is that—despite the unity of purpose set out in the Moscow Declaration on War Crimes of Novem-

ber, 1943—there is no regular machinery for co-ordinating procedure with Russia. The Russians have never joined the United Nations War Crimes Commission. This fact-finding body is now efficiently able to collate the evidence collected by its 16 member states. It is also, thanks to the eminence of the lawyers who sit upon it, in a position to make recommendations on procedure to them. Thus the 16 policies of the European Allies, the United States, three British Dominions, China and India are, on fundamentals, unlikely to vary or conflict. But unless Russian agreement to procedure can be obtained outside the Commission, separate systems for judging war crimes are likely to prevail in Eastern and in Western Europe.

Agreement with Russia is, naturally, desirable. Without it, prisoners whose names appear on the Russian list as well as on others may become bones of contention. It seems probable, however, that the Russians rate Nazi behaviour in the East as so different from that in the West that they will prefer to try their own list in their own way. A likely compromise is a system whereby Russian observers attend trials in the western zone and vice versa. But even so far as Western Germany is concerned, no further progress towards the trial of major criminals can be made until prosecutors are appointed, charges are framed, and an international court is set up. The Americans have moved faster than Great Britain in making these preliminary arrangements. As long ago as May 9th President Truman announced that Mr Justice Jackson, of the Supreme Court, would act as American prosecutor—styled "Chief of Counsel"—to frame the charges against "such leaders, principal agents and accessories as the United States may agree to bring before an international military tribunal." It is with the appointment of a British counterpart that Downing Street is now being pressed to hurry. In Britain, where judges step down less easily from the Bench, the nominee is likely to be an eminent K.C.

There has for two years past been some debate among jurists about whether a civil or a military court would do the better service towards restoring international law and international morality. One eminent Committee, presided over by Lord Cecil, drew up the full statutes for a permanent civil body. But the establishment of such a court would call for the slow process of a multilateral treaty. Today, the view even of some of those who would have liked to see a Permanent Court established now is that military courts will be quicker, freer from convention and more satisfactory. The United Nations War Crimes Commission has made a recommendation to this effect.

Theoretically, this recommendation requires the consent of 16 Governments. In practice, British and American

forces hold the prisoners and occupy Western Germany, and whatever procedure they adopt is likely to be followed. The initiative taken by the United States when making the Jackson appointment is so important and valuable that the rest of the Commission is likely to fall in with it.

Under American law, the President of the United States, in his capacity as head of the armed forces, and under British law, the King in Council, are competent to set up a military court of the kind apparently envisaged in the Jackson nomination. The procedure of prosecution and defence would be the same as that in a civil court. The chief distinguishing point about a military body is that the Commander-in-Chief is competent to define the laws of evidence, to set the penalties, and to determine the right of appeal. The military judges to be appointed have a heavy task ahead.

On the principles that are to govern the trials, the

member states of the War Crimes Commission are all agreed. Their object is to re-set a standard of international behaviour. The cases are to be heard on a basis of evidence. Only the guilty will be punished. There will be no indiscriminate reprisals. Punishment will be inflicted for crimes, not political offences. The theory underlying the whole unpleasant task is that impunity for offenders against every canon of human decency would have a pernicious effect upon international morality.

It is not to be taken for granted that trials will serve this purpose any better than dogs' deaths such as that which befell Mussolini. If they are to do so, they must be summary and they must be unspectacular. To allow prisoners the luxury of famous last words in a Hollywood setting would be to defeat the United Nations' purpose. So would delays during which Europe might sicken with the smell of foul deeds gone stale.

National Parks

THE appearance of Mr John Dower's report on National Parks, long delayed, has now coincided happily with the end of the European war and the beginning of summer holidays; and at the same time has come a corresponding report from a Scottish Survey Committee.* National parks already exist in America and the Dominions, and the idea is not new in this country, where the need for action is far more urgent. The idea behind both reports is that the best areas of wild and beautiful scenery in the country should be preserved permanently for public use and enjoyment. The parks would be selected so as to meet national rather than local needs, bearing in mind such questions as their accessibility from large urban centres. Because of the large scale and national character of the whole project, the report suggests that the parks should be administered by a National Parks Commission, which would be responsible to the Minister of Town and Country Planning.

The first duty of the Commission would clearly be to put a stop in its area to the indiscriminate building which before the war was threatening to spoil even the remotest parts of the countryside. Mr Dower was only able to find, for instance, two long stretches of cliff scenery which are still unspoiled, in Pembrokeshire and North Cornwall. Generally speaking, building within national parks should be confined to meeting the needs of agriculture and local residents, and to providing necessary accommodation; and such building as there is should be designed to harmonise with its surroundings. The Commission might also undertake the removal of existing disfigurements. But it does not follow that the Commission's powers need be elaborate or extensive. It would not supersede any of the powers of local authorities, nor would it interfere with agriculture. It would not need to own all or even most of the land in its area, so long as it could exercise general control over its development. It would not supersede the National Trust, whose acquisitions of land it might even aid.

The greatest difficulty in any scheme of national parks would clearly be the control of tourist traffic. The word "park" suggests in England something rather small and tame; but to fulfil their functions, national parks would have to cover large areas. Indeed, if the parks were few or small, the influx of visitors would ruin the very beauty and solitude which it is wished to preserve. The English report suggests making a beginning with ten parks, covering 4,400 square miles, and the first five Scottish parks would add 1,870 square miles to this total. The tentative choice of areas, apart from the two stretches of cliff already mentioned, has lain with mountain and moorland—the Peak district and the Lake district, Exmoor and Dartmoor in Devon, Snowdonia and the Black Mountains in Wales, two parts of the Pennines, the Trossachs and the Cairn-

gorms, Ben Nevis, and two areas in the remoter Highlands.

This is the right way to set about selecting national parks—indeed the only way, if the scheme is not to be self-defeating. But even these large areas can be easily spoiled if they become littered with the facilities of seaside resorts and commercial holiday camps—facilities which can be easily and adequately supplied elsewhere. The Dower report makes it commendably clear that national parks should be designed for the walker rather than the motorist, and for the lover of nature rather than for the lover of crowds. Ample accommodation should of course be ensured, with the aid, where necessary, of grants to voluntary bodies, but its type and scale would have to be closely controlled. Adequate roads, too, including a suggested ring road around each park, would, of course, be needed, if only for access, but their number should be strictly limited, and motors kept from straying off the roads.

But before the prohibitions extend to a long list it is as well to add a word of caution. There are two constituent elements in the idea of a National Park—the preservation of the beauties of nature and the provision of access to them. In the United States and Canada, the risk of serious disfigurement was comparatively small, owing to the vast areas and sparse populations; National Parks could be represented to the public as means of granting access, of constructing motor roads where there were none before and of building hotels where previously there was no accommodation for tourists. It is largely for this reason that they have been so successful and popular. In this crowded island, the element of preservation against human encroachments is inevitably stronger. But it should not be carried too far, and perhaps not as far as the enthusiasts wish. National parks are intended to serve man as well as nature, and it would not be fair to deter through restrictions and limitations the very large numbers of people who will want to visit them in this country. The pleasure ground, the tea garden and the car park cannot be banned completely. The degree of success in controlling them will determine whether, in as small a country as this, the public can be given easier access to the beauties of nature without, in so doing, destroying them.

The idea of national parks will inevitably arouse strong opposition from some rural landowners. Farmers, despite their proverbial grumbling at the activities of rambles, do not present the main difficulty. It is not always realised that England's scenic beauty is largely the fruit of farming, and unfarmed "green belts" sometimes surprise their promoters by their bareness and ugliness. The Scott report remarked truly that

even were there no economic, social, or strategic reasons for the maintenance of agriculture, the cheapest way, indeed the only way, of preserving the countryside, in anything like its traditional aspect, would still be to farm it

—although it does not follow that the farming need be intensive. In particular, rough uplands are far pleasanter to look at—and walk on—when grazed, and this fact alone might justify the continuation of hill-sheep subsidies on their present generous scale. Within national parks, there would be every reason for encouraging agriculture, and the Commission might buy and improve stretches of land, especially rough grazings. In Scotland, it is suggested that the creation of national parks and the economic rehabilitation of backward areas should proceed together.

Opposition from the guardians of sporting rights and water supplies will be harder to combat. It may come as a surprise to those who have never found any difficulty in climbing a mountain except their own frailty, that the public has legal access to only about one-tenth of the country's uncultivated mountain and moorland. The Access to Mountains Act (1939), which was originally drafted to give the public free access to all such land, ended by doing precisely the opposite. It is difficult in practice to restrain rambles, yet owners in some important areas such as the Peak district make strenuous efforts. There is, however, little cause for any real clash of interests. Grouse rights, which form the main obstacle, could be adequately safeguarded by a few simple regulations and by the exclusion of the public on a limited number of days. It would not cost the national parks authority overmuch to buy such rights, which could be resold when desirable. Nor is it impossible to protect the purity of water supplies.

It need not be denied that the public, in return for being granted freer access to the countryside, should show much greater respect for the needs and rights of farmers and landowners, all the more so since strict legal enforcement of good behaviour is impractical. Rambling and hiking societies have already shown their willingness to educate their members. But even when legitimate grievances are allowed for, property interests have shown themselves unnecessarily obstructive. The problem is a much wider one than the needs of national parks. The whole law of rural trespass bristles with obscurities, anomalies and undesirable obstructions. For one thing, it is not even known for certain, far less printed on any map, what land is public common. For another, it is time that some quicker way was found of establishing public footpaths than that of proving "immemorial right of way," which, however much scope it gives for the loquacity in court of oldest inhabitants, tends to be both slow and

costly. New legislation should embody the principle of free and easy access to all uncultivated land, subject to appropriate regulations; and landowners should rely for the protection of their perfectly legitimate rights on wiser and fuller public education and on stronger penalties for detected offences rather than on universal prohibitions. After all, they will gain far more from controlling the urban invasion than from vainly trying to stop it.

There are sundry other questions concerned with rural preservation and rural recreation too numerous to discuss here. What protection should be given to wild life? And to geological and archaeological remains? Is it desirable, as the Scott Report suggested, to establish "hikers' highways" around the coast and along the Pennines? The list is a long one. But one question the taxpayer will certainly want answered. How much are national parks likely to cost him?

The cost, like the exact method of control over national park areas, is impossible to determine until the whole question of the control of land use has been settled. If it be assumed, as the Dower Report does, that a national fund for compensation and betterment is set up along the lines of the Government's White Paper, all unwanted development could be stopped at no cost to the national parks authority and, thanks to the collection of betterment elsewhere, at small cost to the nation. If, however, no comprehensive land use legislation is passed, the authority might need to pay large sums in compensation and would probably find it desirable to own directly a much larger part of its area that is at present suggested. Mr Dower, in suggesting that the annual cost of "a generous and progressive scheme of national parks" should, in any case, be measured in hundreds of thousands rather than millions of pounds seems to be steering a central course between the two main assumptions. With effective legislation on land use, it would surely cost much less; without it, much more. The difficulty is to know how to draft any national parks scheme before decisions are taken on the major question of which this is only one aspect.

There can in any case be little doubt that to preserve Exmoor, Dartmoor, Snowdonia and the rest for all time in their pristine beauty would be a handsome contribution to the health and happiness of this and all future generations. The planning of land use has become a public issue far too late in the day to prevent, or to erase, a very great deal of urban ugliness. But here is at least one small piece of rescue work that is well within reach.

NOTES OF THE WEEK

Deadlock in the Levant

Negotiations between France and the Levant States on their future relations have broken down almost before Syrians and Lebanese have had time to take in that there are—at long last—some new French proposals. The immediate cause of the crisis is less the terms now offered than the manner of their presentation. They arrived last week from Paris by the hand of the Delegate General, Général Beynet. A few days earlier the French cruiser *Montcalm* had entered the port of Beirut and landed troops. These later turned out to be replacements; the *Montcalm* subsequently left with an equal number of troops aboard. But a second and more heavily-laden cruiser followed her in and landed two battalions of Senegalese and other fighting men. Even if these, too, are replacements or troops in transit, the moment of landing them could not have been worse chosen.

As might have been foreseen by anyone conversant with present Arab emotions, the Syrian and Lebanese Governments interpreted the show of might as a threat to their sovereignty. In breaking off negotiations they have washed their hands of responsibility for any disturbances which may follow. In these conditions, the next step towards solving the dilemma seems to be with France.

The quarrel is the old story. It has simmered since 1941. Tempers have waxed and waned, negotiations come and

gone, but, at bottom, the basis has been constant. On the one hand is France, fully ready to end the mandate but determined to do so in terms which preserve as much as possible of its present position in the Levant. On the other are the two states, moving independently at first, but—as time went on—growing more united and more determined that no European Power should retain special privileges in their territories.

There were moments when this wide gulf was less difficult to bridge than it is now. One was in the first fine flush of liberation: another—at least in the Lebanon—was when France extricated herself with dignity from the troubles of 1943. A third was after Yalta, when a mixed team consisting of Mr Churchill, President Roosevelt, the Egyptians, the Iraqis and Ibn Saud had convinced even the more obdurate Syrians of the virtues of negotiation. But France never seized the day. Instead, this spring, the French Government has spent ten weeks drafting terms which contain next to nothing that is new, while in the Levant the impression has grown that the French are spinning matters out because they do not intend them to reach a conclusion.

The gist of France's present proposals is that the French mandate should end when the two states sign with France three conventions which—say the French—are *solidaire*, or inseparable. One guarantees to the French the independence

* "National Parks in England and Wales." Cmd. 6628. H.M.S.O. 1s. "National Parks; A Scottish Survey." Cmd. 6631. H.M.S.O. 6d.

of their cultural establishments; the second grants economic rights; the third is strategic. In return the states will be able to rate the much disputed *troupes spéciales*, or Arab levies, as their national armies though these are—under the military convention—to remain under the supreme control of the command France wishes to retain in the area.

The terms, to judge by their summary, are very much less elastic than, for instance, the British treaty with Iraq. Their contents, accompanied by French sabre-rattling and misjudgment over timing, suggest that the French Government fundamentally underrates two new factors which have grown up during its period of isolation from the Middle East. The first is the Arab League. This is on many counts a frail body, but it is strong and united on the two political issues of independence for the Levant States and justice for the Arabs of Palestine. The second is the fact that the Arab States have, during the war, met at first hand a procession of new peoples: Americans, New Zealanders, Russians, Czechs, Poles, Australians. Nowadays they establish independent relationships and make invidious comparisons. Of the friends who have recognised their independence, Great Britain is the only one who also recognises the special interests of France. This fact alone should make Paris think twice before instructing General Beynet to be high-handed.

British Policy in the Levant

The British Government, though not directly concerned in a quarrel that is France's affair, cannot turn a blind eye to its consequences. Yet it must be chary of giving advice too openly. For, by an obsession with old quarrels in the area, France is blinded to the fact that British interests are the same as its own. It must be confessed that this obsession has—since the war—been kept alive by certain of the British representatives employed in the Levant. But now that changes of personnel have been made, a logical people like the French should, on grounds of reason alone, see that the past is unimportant by comparison with the amount both powers stand to lose if they create trouble for themselves and for one another in the future.

Both want a tranquil Middle East through which they can run their imperial communications in security. Both want conditions of Arab contentment in order that their companies may peacefully extract the local oil. Both are concerned with political topics—Britain in Palestine, France in Syria—which, if mishandled, unite the Arab League against the foreigner. Neither can afford to take steps which antagonise Moslems in other parts of the world.

Thus British policy in Syria is, in sheer self-interest, to create conditions in which Franco-Syrian negotiations can carry on. The presence of a British command in the territories—General Holmes' Ninth Army is there—has to some extent complicated the scene, by causing annoyance to the French and raising Arab hopes of armed support. The British Government has therefore done well to announce that the British training division is to be withdrawn from the South Lebanon and to offer the withdrawal of the rest of its forces as soon as negotiations reach a point at which there is no further fear of disturbances.

For the moment, this point looks sadly remote. But the prospects of improvement are not hopeless. France has often before turned night into dawn by handing matters over to one of the Frenchmen of distinction who understand and know the whole Arab world. It is inconceivable that the French Government should persist in a course which jeopardises its interests everywhere from Kirkuk to Morocco in addition to unsettling Britain—the only sponsor it now possesses in the Levant.

AMG for Austria

In spite of the withdrawal of the Yugoslav troops from Carinthia, the situation in Austria is very far from satisfactory. This tiny country is to be submitted not only to different military controls but even to different types of government. In Vienna and the Russian zone—to which Graz has been annexed—Dr Renner's government exercises power under the Russian commander. In the British zone, Field Marshal Alexander has announced the establishment of a military government. American intentions have not yet been announced, but Washington does not recognise Dr Renner.

It may be that Russian intransigence makes this un-

happy division of authority necessary. The British and the Americans are not in Vienna, and it is possible that they are not allowed to go. If, on the other hand, they have refused to establish contact with Dr Renner out of dissatisfaction at the irregular manner of his coming to power, they are probably allowing indignation to cloud good sense. Such figures as Dr Renner or Leopold Kinsbach are anything but Communists. They represent the democratic political tradition of Europe with which it is essential that the Western Allies should establish contact, and the best way of preventing the Communists in Dr Renner's cabinet from dominating it would be to put it under the control of all three Great Powers instead of only one. Effective British and American support would have strengthened the position of the Socialists and the Christian-Socialists. The Western Allies' decision not to recognise Dr Renner and, on the contrary, to set up an AMG, must weaken the genuinely democratic groups in Vienna and may initiate the unhappy trend towards totalitarian government already observable in the Balkans and Eastern Europe.

Trieste in the Balance

There are prospects of a settlement in the disputed fringe of Allied and Yugoslav occupation. The Yugoslav units are withdrawing from Carinthia and Marshal Tito has made suggestions for the solution of the Trieste problem which can certainly be the basis of negotiation. A full report of his terms is not available, but he is believed to have returned to the agreements of February this year and to admit the overall authority of the Allied Military Government under Field-Marshal Alexander. In return, he asks that Yugoslavs should be represented in AMG, that Yugoslav units should remain in the area, and that AMG should work through the civilian authorities already established.

It is this last point that will create difficulties. An article on another page describes the methods by which the Yugoslavs have introduced their own civil authorities. The writer



is Italian, and it is probably necessary to modify his report to some extent. Yet the evidence is borne out by many impartial witnesses, and their testimony adds up to a very unsatisfactory picture of Yugoslav policy. It is, in fact, the old totalitarian principle, employing the same techniques of oppression and persecution and inflicting the same miseries. This fact, no doubt, roused Field-Marshal Alexander to compare the Yugoslav methods with those of Hitler. The comparison was certainly injudicious. Delicate negotiations are to be conducted, and it is unlikely that the Yugoslavs will forgive or forget the Field-Marshal's criticism.

It would be more difficult for them to disprove it. Even their willingness to negotiate is to a large extent a function of the Allied show of force before Trieste.

Progress at San Francisco

The United Nations Conference on International Organisation, or UNCIO, is making gradual progress from compromise to compromise. Three important matters have been mainly engaging the attention of the delegates during the past week, and the score book shows one settled, one on the way to settlement, but the third still in dispute.

The long contest over the place of regional agreements within the world organisation, which has hitherto proved to be the most stubborn of all UNCIO's problems, has been settled by a formula. The problem, in the end, resolved itself into that of finding enough autonomy for the Pan-American system without diluting the authority of the Security Council. The formula, evolved in long negotiations between the United States and the Latin Americans, recognises the "inherent right" of nations, individually or collectively, to defend themselves when attacked until such time as the Security Council takes control of the dispute. The Soviet delegation at San Francisco expressed the strongest distaste for this formula, but from Moscow they were overruled and the clause was accepted. This was a notable success in that deadlock was avoided, and an agreed text adopted. But it is open to doubt whether it is not the sort of successful operation in which the patient dies, since there has never yet been a war which could not be, and has not been, justified on the plea of the "inherent right of self-defence."

The second great problem is that of trusteeship for dependent areas, where the Great Powers now appear to be in agreement. The British have won their point that there should not be two systems of trusteeship, one of tight control for colonial areas (i.e., British mandates), and one of loose control for strategic areas (i.e., American mandates). There is to be only one system, but not all ex-enemy territories are to be placed under it, so that the American Navy Department can have its desire of ruling the Pacific islands without control. The British have also maintained the substance of their position on the extent of the international control over the mandatory power, though they have had to admit "independence" as well as "self-government" as one of the objectives of trusteeship and they have had to agree to seats on the Trusteeship Council for the non-colonial Great Powers, Russia and China.

The chief dispute remaining is the original and familiar one of the Great Powers' veto. It appears to be agreed that the veto shall apply to any use of force, and, at the other extreme, that there shall be no veto on matters of procedure. But ambiguity and dispute reign in between these two extremes. A Great Power is apparently not to be allowed to veto expressions of opinion on, or recommendations for peaceful settlement of, disputes to which it is itself a party (though even this is not quite certain). But shall it be allowed to veto such action where one of its allies or clients is the party directly concerned? This appears to be the point on which the smaller powers are directing their attack. The strongest defenders of the veto are the Russians; the British delegation has dropped hints that it has some sympathy with the critics.

Another unresolved matter, raised by Canada and the Netherlands, is whether a country can be called upon to contribute troops to an enforcement operation without being consulted either on their use, or even on the major question whether there should be forcible action at all.

Labour Party Conference

The certainty that Labour would have to face an election in July and not in October, as the party had hoped, and the resentment at what are regarded as "Tory tactics" in saddling Labour with the responsibility for breaking up the Coalition, had a galvanising effect on the delegates to the Blackpool Conference. The general level of debate was markedly higher than at previous conferences—partly because of the anxiety of so many candidates to get into oratorical training for the forthcoming contest, and partly because of the natural effect of releasing pent-up political emotions, after five years of repression under a Coalition Government.

The imminence of the election had the unusual result of smoothing away the differences between the National Executive Committee and the rank and file of the Conference. Normally there is a constant tug-of-war between the platform and the floor. This year, executive and delegates presented, at least superficially, a "united front." It was expected that the policy document, "Let Us Face the

Future," would come in for sharp criticism from the Left as a dilution of the pure milk of Socialism. But even the most hardened critics and out-and-out nationalists, faced with the possibility of a Labour Government actually having to bring in the legislation it has talked about for 25 years, accepted the more moderate time-table of transferring a few selected industries to public ownership.

The proposal to discuss again the party's decision to eschew alliances with other Left Wing parties was defeated by a margin so narrow (1,314,000 to 1,219,000) that it surprised the opponents and delighted the supporters of electoral unity. It may well be that had the election been fixed for the autumn the proposal would have been carried, but many delegates felt that, with only six weeks to go, there would not be time to reach workable agreements with parties already in the field. This may result in the return of Conservatives in seats which would otherwise go to a Labour, Liberal or Common Wealth candidate. There is still a possibility that local agreements may be made in a few marginal constituencies to which Transport House will conveniently turn a blind eye. One issue, which was uppermost in delegates' minds but which by common consent was not referred to publicly, was the question of the party leadership. Mr Morrison made what can best be described by two clichés—a "brilliant fighting speech" and a "bid for the leadership"—when he outlined the party's policy on Tuesday. But Mr Bevin's speech on Wednesday on foreign policy—a subject in which he has a growing interest—was equally impressive, and there is a strong current of trade union opinion which believes that "Vote for Bevin" would be the best rejoinder to the "Vote for Churchill" campaign.

Canadian Reconstruction

The full text of the Canadian Government's White Paper on "Employment and Income" has now reached this country. The problem that faces Canada has its peculiar difficulties. Thus the increase in the number of people in remunerative occupations (including the armed forces) between 1939 and 1944 was from 3,700,000 to 5,000,000—



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a considerably larger proportion than in this country—and it is estimated that to provide full employment, some 900,000 more jobs than in 1939 will have to be provided. The great wartime diversion of labour from agriculture to industry will be painful to reverse but difficult to absorb as a permanent policy. Secondly, not only is Canada very dependent on exports, but the Canadian balance of payments is intricately involved in the sterling-dollar complex.

When allowance has been made for these differences, however, the White Paper follows a line of argument closely similar to that of the British Government statement on Employment Policy. The title shows how complete is the acceptance of the new doctrine that employment depends on an adequate maintenance of the flow of incomes. As a theoretical exposition, the Canadian statement is an improvement on the British, since it recognises that the task of Government is to seek stabilisation in all the different categories of income-generating expenditure, private and public, home and overseas, capital and current.

The post-war employment policy is not to be solved by huge expenditures on "public works." Efforts to increase and stabilise employment and income must pervade all economic policies.

When it comes to practical measures, however, the Canadian document is somewhat vague; too many abstract policies are to be "continued and expanded" in "close and effective co-ordination" with other abstractions. It would seem that the Canadian Government's economists are more fully imbued with the necessities of the new policy than their British colleagues, but that the practical work on the implementation of the policy has gone less far.

To the reader in the United Kingdom, the most interesting passages of the Canadian White Paper are those that discuss the method of restoring overseas trade in the transition period. Canada is unequivocally in favour of a free and multilateral solution of commercial and financial problems. But it is recognised that the United Kingdom, "which has spent its substance without stint in the common cause," will face a very difficult balance-of-payments position. The Canadian Government therefore states its willingness to grant credits for the purchase of Canadian goods, and adds that, in its view,

appropriate terms for repayment of these credits would recognise unequivocally the dependence of such international debt payments on the expansion of world trade and ample markets for the exports by which credits must be repaid.

This is ambiguous—perhaps intentionally so. But if it means that Canadian credits to the United Kingdom would be repayable only if the British balance of payments permitted, it is an interesting suggestion. It has obvious defects from the British point of view. It would not be very pleasant to have a contingent liability overhanging the balance of payments, or to know that any improvement in export proceeds had to go to liquidate the debts of the transition period. Special facilities for the entry of British goods into the Canadian market—even if they were only temporary—would be a much more direct assistance. Nevertheless, the suggestion of conditional credits—if this is, in fact, what is intended—is at least welcome as showing a realisation, hitherto rare in North America, of the realities of the British position.

Yalta and the Poles

In his letter to the Moscow Correspondent of the *Times*, Marshal Stalin sought to separate the issue of the Yalta Agreement on a new Government for Poland from the vexed question of the 16 arrested Poles. The arrests, he declared, had nothing to do with any invitation to negotiate. The 16 men were simply engaged in wrecking activity in the rear of the Red Army and were arrested as saboteurs. As for a new Polish Government, he adhered to the Russian interpretation of the Yalta Agreement—that the Warsaw Poles should be the core of the new Government—but added that the problem should be solved "by agreement between the Allies."

In reality, the distinction the Marshal tries to make is an impossible one. Among the 16 arrested men there were respected political personalities—for instance, M. Jan-kowski, the Labour leader—who had been recommended by the British and American Governments and who were known to be sincere supporters of the alliance with Russia. To lump them together with General Okulicki, whose

record is more suspect, to paint them all as saboteurs, and to permit no communication to reach them or defence to be made for them creates such a precedent that no Polish statesmen of any independence and integrity can now take the risk of being suggested by the Allies as a possible member of a widened Polish Government. The Russians, by their brutal tactics, have closed the door to the solution they themselves propose. Their excuse is the existence, in London and in Poland, of Poles whose chief aim is to isolate Russia and to act as a *cordon sanitaire*, yet their policy can only have the effect of convincing the outside world that such a *cordon* is necessary.

Burmese Independence

None too soon after the liberation of Rangoon has come a Government statement of policy for the constitutional future of Burma. The White Paper in question is not an inspiring document; it appears to be touched more with self-conscious realism than with enthusiasm for the professed ultimate ideal of Burmese self-government. It is handicapped, in its tacit appeal for Parliamentary and public support, by its apparent indifference not only to Burmese, but also to Indian, suspicions of British procrastination. A little more attention to salesmanship and less to the letter of constitutional succession might have eased a somewhat unfriendly reception. But, in substance, there is no real alternative to the policy proposed.

In brief, the White Paper—prefacing its proposals with a summarised account of Burmese history and economy—maintains that ultimate power should rest in the hands of the Governor, for, at the most, another three years from next December. This extraordinary power, taken under the exceptional circumstances of December, 1942, the Government proposes to dilute gradually by introducing representatives of Burmese opinion into a small Executive Council (expanding to include members not directly appointed from above), and possibly, at a later stage, a small Legislative Assembly. When economic conditions and communications are sufficiently re-established to permit the holding of a *bona fide* General Election, Burma will return to the constitutional position she occupied, under the Act of 1935, at the beginning of the Japanese invasion. Only then, according to the White Paper, can "the ground be prepared" for the final replacement of British rule by a constitution agreed upon by the Burmese. According to some reports, the Burmese, however, are already planning to start discussions on this subject when military government is replaced by the civilian authority some time in the autumn.

If this political programme, which will seem to the Burmese to be very slow-moving, is not to be sabotaged by their non-cooperation, every effort will have to be made to retain their confidence in British good intentions. For the moment, economic reconstruction occupies the centre of the stage, and it is certainly unfortunate that the recent drastic currency measures of the BMA should, however inevitably, have added to the burdens of the Burmese people. These measures are discussed in a Note on page 709; and it is there suggested that the decision to repudiate the Japanese notes, whatever the real merits of the case, was not implemented in the manner best calculated to minimise the resultant hardship.

Both in the political and the economic spheres, the technique of implementing policy, quite apart from the policy itself, shows signs of being either clumsy or unimaginative. Remote and understaffed administrations are no way to handle practical problems with the necessary flexibility and delicacy of touch. Nor is the India Office the proper body to preside over a process that requires both prompt efficiency and ready sympathy. A leading article on an earlier page argues the case for a special executive body to plan British reconstruction policy in Europe. The need is no less in Asia.

Parks or Portals

The awkward choice of parks or Portals has at last been faced. The Government has introduced a Bill to permit local authorities to erect temporary houses in their own parks and open spaces without the complicated procedure previously necessary. For two years, the Ministry of Health would authorise the use of parks if no other suitable land were available. The temporary houses would be allowed to stay for ten years.

It is fruitless now to complain that this unpalatable step

need never have been contemplated had the Government decided earlier on temporary construction less wasteful of space than the bungalow design. The dies are, literally, cast and the Government should surely need no urging to make as much of the Duplex (and other prefabricated two-storey designs) as possible. The new Bill will need careful watching. This it will certainly get. It also provides an added spur to the public to press for the permanent building which alone can release the parks for general use before the ten years are up.

The contribution of the Bill to the housing shortage can necessarily only be small—though that in itself cannot be held against it so long as the need is desperate. In London, for instance, the greatest temptation to invoke the Act will be in those boroughs where open spaces are already depressingly inadequate, and where, for that reason, the Minister's permission, presumably, will be grudgingly given. At the same time, the spate of return from evacuation is beginning, and the demand for living-space continues to rise. Even at this late stage, a Government appeal to individuals and business organisations, for whom the country has been a safe retreat during the war, to stay where they are might have some effect.

A second measure concerned with housing—the Building Restrictions (Wartime Contraventions) Bill—attempts to clear up the future of wartime buildings which do not comply with existing building bye-laws or planning provisions. It gives power to the Ministry of Health to make the final decision between the local authority, whose inclination will generally be towards removing the building, and the owner of the land who may wish it to remain. The Bill would permit all individual cases to be decided on their merits. Certainly, the excuse of wartime construction must not be used later on as an excuse for extending the life of the Portals in the parks; although the political difficulty of removing them, if there is still—as there almost certainly will be—a housing shortage in ten years' time, will be very great.

Family Allowances in Committee

The progress of the Family Allowances Bill through the House of Commons shows that the grant of 5s. a child without means test is not such a simple matter as it sounds. Not only have there been long discussions on what is a child and when does a child cease to be a child—for the purpose of the Bill—and on the proper recipient of the money; there has also been a struggle over the question of non-duplication of allowances.

Clause 13 of the Bill, as first drafted, empowered the Minister to make regulations, subject to the House's approval, reducing or withholding the family allowance in respect of a child for whom an allowance is being paid in respect of service in the armed forces or in respect of the disablement or death of a person who has served in the armed forces, or in respect of civilian war injuries, disablement or death, or under provisions relating to pensions for the police or for firemen. Clause 14 provided that where a family allowance was being paid in respect of a child, no supplementary allowance for the child would be paid under the other social insurance schemes. The Government stated, in effect, that the serving soldier would receive both the service allowance and the family allowance, as the former is regarded as part of his remuneration. The power to withhold or reduce the family allowance is wanted, however, because the present review of service allowances may result in the adoption of scales which are all-embracing and include family allowances.

This explanation did not satisfy the House, which eventually persuaded the Government to withdraw both clauses for redrafting. In agreeing to this course, Sir John Anderson stated that an attempt will be made to remove any apprehension about the application of the Bill to the allowances of the serviceman and analogous cases. But he emphasised that the Government stands by the principle of no duplication in regard to social service allowances. He pointed out that although comprehensive social insurance is being put into force bit by bit, the final aim is to produce a scheme under which beneficiaries in different circumstances receive the same treatment. And by making the family allowance payment the firm payment, instead of the allowances already payable under the social service schemes, the Government is relieving the insurance funds and the insured at the expense of the Exchequer. Indeed, the Chancellor stated that if that course were not taken, "the finance of Part I of the social insurance scheme would be com-

pletely upset." It looks, therefore, as though Clause 13 will be completely redrafted, but that Clause 14 will remain without any substantial alteration, which may well mean a resumption of the opposition, particularly from the Labour benches.

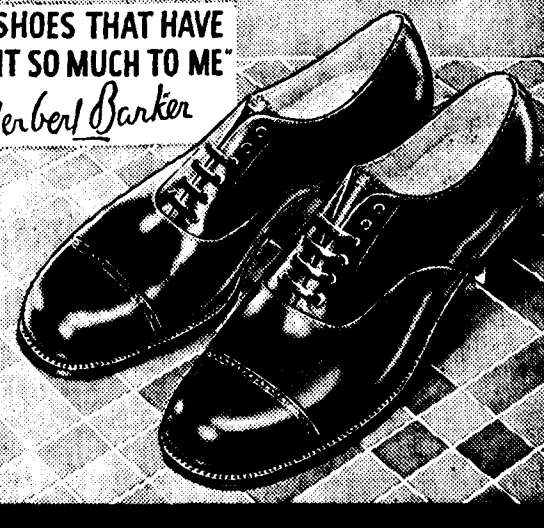
Hospital Deficiencies

The Ministry of Health's regional survey of the hospital services of England and Wales is nearing completion, and the report of the survey of London and the surrounding area, with a population of just over 14 million, was recently published (HMSO, 10s.). It is not surprising that the survey revealed a big deficiency in hospital accommodation, for it has long been recognised that the lack of hospital facilities as a whole is one of the worst shortcomings of the present health services. The number of beds available and the estimated number required in 1938 was 50,973 and 70,805 respectively for general acute cases. Only for the chronic sick and for fever cases were there enough beds available, but the poor quality in many of the converted poor law institutions, used for the chronic sick, and in the isolation hospitals, offset the relatively favourable amount of accommodation. In particular areas, the deficiency is even more marked than is apparent in the totals. The south-east district of Kent, for instance, centred on Folkestone and Dover, and with a population of nearly 200,000, provided only 12 maternity beds, against an estimated requirement of 70, and these were in public assistance institutions. In the counties of Hampshire, the Isle of Wight and Dorset, "little or nothing has been done . . . to supplement the resources of the voluntary hospitals by building up municipal services. . . ." In Hertfordshire, in spite of the increasing population before the war, the county council refrained from developing any municipal service apart from a public assistance hospital at Barnet. The result has been

to create a general deficiency of beds, which is peculiarly acute in the Watford area, and a general shortage of specialist assistance, pathological services and other essential facilities. The chronic sick and fever accommodation are generally poor; maternity beds are inadequate.

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Too much blame should not be placed on the local authorities for these deficiencies. It was not until 1930 that the provision of general hospital facilities became an accepted function of the local authority, and it is still not a statutory duty. But, in spite of the difficulties of the thirties, some county councils, notably London, Middlesex and Surrey in this survey area, made great strides in the provision of hospital accommodation. What has, however, been almost entirely lacking is co-ordination between the different authorities and co-ordination between the local authorities and the voluntary hospital service. What has also been almost entirely lacking is the provision of a specialist service outside the Greater London area. In the voluntary hospitals, specialists are unpaid and tend, therefore, to settle in an area where private practice brings in an adequate remuneration. The municipal hospitals have still not evolved adequate methods of staffing, and the highest salaries are given to the administrators instead of to clinicians.

The authors of the survey make various recommendations for co-ordinating and expanding the hospital facilities throughout their area. But they emphasise, first, that the natural catchment areas of the hospitals rarely coincide with administrative areas; secondly, that no comprehensive service can be established "without considerable give and take on the part both of the local authorities and the voluntary hospitals"; thirdly, that it is very largely a problem of staffing rather than building—which raises the question whether many authorities will be able to offer high enough salaries to attract an adequate specialist staff. These three considerations themselves raise the further point whether even "joint authorities" are large enough to undertake the responsibilities of providing a hospital service and whether it would not be better, in view of the considerable reorganisation, rebuilding and new building that will be necessary, to nationalise the service from the outset.

Foreign Publicity

The debate on foreign publicity initiated by Mr Kenneth Lindsay deserved more attention than it obtained as a motion on the adjournment. Neither Foreign Secretary nor Minister of Information was present. Their representatives were reduced to tame assurances that the matters raised were under review. All told, it must be written off as a mere reminder that here is an activity in transition from war to peace that needs more attention and more forceful Government handling.

But the speeches were interesting because they revealed among members a wide first-hand experience of the publicity activities of H.M. Government. Thus the debate, though officially labelled "Foreign Broadcasts," roamed over most of the other important publicity channels now in use—films, books, magazines, special news services called to press attachés, exhibitions, the two-way traffic in chosen visitors. The tributes paid to the efficiency of all these services were, no doubt, gratifying to their organisers. But a glow of pleasure is a fleeting emotion. The permanent impression left by the debate is one of ends floating loose and unsolved problems hanging fire.

In particular: What provision is being made for retaining in Government service some of the men and women who have learnt the job of production and distribution for overseas? The inference to be drawn from what was said is that the best of them—always in demand—are for lack of a lead accepting jobs in other callings.

Secondly, what is to be the relationship between the three or more bodies which handle publicity abroad? There are, now and in the future, no easily definable boundaries between (i) the British Council, purveying culture, (ii) the BBC, covering one channel of publicity only, but on all subjects, and (iii) the general and political information service in other media which is believed to be going into the Foreign Office, but has hitherto been run by the MOI and Political Warfare Staffs.

Thirdly, who is going to pay for and control the foreign language services of the BBC? Are they to be the Corporation's Cinderella, paid for out of the fag-end of British licence fees, or is the Foreign Office to pay for one section of the Corporation in return for the voice in policy that is more important in peace as in war?

And other loose ends will only be tied up satis-

factorily if some one strong personality, conversant with publicity as well as with foreign countries, is made responsible for the job. With dissolution in sight, Mr Bracken's interests are turning elsewhere. No one representing the Foreign Office has both the two necessary qualifications. One of the good things that might emerge from a summer election would be a last-lap Minister of Information who relished the herculean task of dividing the Government's overseas publicity duties between an economic number of channels and departments.

MPs' Salaries

In the House of Commons last week several members had the temerity to ask for a "rise," and in doing so they put their case very strongly. Sir Herbert Williams, who had been "out of pocket for years," declared that only those Ministers who had private means were able to carry on without anxiety. Mr Montague went further and proclaimed that there was "not a member in the House who could live on his Parliamentary salary." His £600 a year was reduced to £8 10s. a week by taxation and to £3 by postage, meals in the House and travelling expenses. Mr Driberg wanted travelling allowances (vouchers) in addition to those granted between Westminster and the member's constituency since homes and constituencies are often far apart.

Most members would prefer any readjustment of salaries to take the form of additional concessions—covering postage, secretarial services and travel. But, as Mr Peake pointed out, such concessions—taking the free frankage of letters as a tried example—might well lead to abuses without adequate safeguards.

It is of the utmost importance that the nation's legislators should be remunerated adequately. If they are not, too large a share of their interests and energies are devoted to the earning of a supplementary income. It is not uncommon for members to lose their independence for the subsidies of sectional interests. If the remuneration of MPs remains inadequate a parliamentary career will become possible only for those with private means or private backing.

Mr Peake's opinion that a review of the position now would not commend itself to the electorate is not convincing. If readjustments are necessary, it is surely better that they should be made by a Coalition Government and by a Parliament that will not itself be a direct beneficiary.

Enticement

The case that came to be known as the Abbey Enticement case finished last week with a verdict in favour of the plaintiffs. They recovered judgment for £500 and an injunction against the defendants, to prevent the continued "harbouring" of Miss Lough. In view of the possibility of an appeal, the operation of the injunction was suspended until the end of the month, and in view of the same possibility comment on the details of the case are not possible. But actions for enticement are interesting in themselves, even if considered as no more than a curious mediaeval section of the mosaic that makes up our Common Law. Their basis is far removed from any ethical desire to uphold the sanctity and responsibilities of parenthood. They are founded on the rather earthly view that a father is entitled to the free benefit of his child's labour until the child reaches 21. Nor is the usual enticement action the result of a child's withdrawal into the spiritual fastnesses of an abbey in New Barnet. It more frequently arises from the child's unfortunate union with a member of the opposite sex, and the enticer, if a man, is called upon to pay damages to the head of the family as well as weekly maintenance for the illegitimate grandchild.

But the case does raise one point of social importance, that is the inability of the Court in which it was heard to deal with the custody of the child, having regard only to the best interests of the child. This is a defect in procedure only, for, while an action of enticement is heard in the King's Bench Division, the Chancery Division of the same Court has full power to safeguard the welfare of a child who becomes a ward of court. It would be a simple matter to alter the Supreme Court Rules so as to make it essential that the child involved in any enticement action should be treated as a ward of the court, and so considered when judgment in the action is pronounced.

Letters to the Editor

BETRO

SIR,—Mr Bruun appears to overlook the type of research to which BETRO intends primarily to devote itself, namely, research into the requirements of the consumer (which, unfortunately, are not always identical with "the export article of the individual manufacturer"). Others, too, have overlooked this type of inquiry, particularly in overseas countries, and BETRO's intention to fill the gap, where it exists, may be the cause of the boiling enthusiasm to which Mr Bruun refers.

Market research, which before the war was used by an increasing number of British manufacturers, is a science which the average manufacturer is not equipped to conduct for himself in every overseas market.

It is true that there is no substitute for individual effort, but co-operation is a valuable means of supplementing it. BETRO is an organisation formed by a considerable body of British business concerns who intend, by mutual co-operation, to supplement their individual efforts.—Yours faithfully,

PHILIP SCOTT,
Organiser for Formation Committee of BETRO

The Port of Cardiff

SIR,—The reference in your issue of May 5th to the Port of Cardiff and the Post War Reconstruction Report distributed by this Chamber calls for some comment.

Your remarks do not fairly interpret the claims and purpose of our Report as regards the development of a general cargo trade for the port. The object in view was not the acquisition of trade now or formerly moving through other ports, by instituting artificial conditions or preferential rates to the detriment of those ports. The position is, in fact, quite the reverse. It was clearly indicated that those

other ports, such as London and Liverpool, were already strongly protected—not, as you suggest, by geographic considerations, but by an accumulation of preferential traffic rates, some of which were enumerated. So long as these artificial preferences, both in railway and port charges, obtain, it is obvious that, even with geographic advantages, no great progress can be made in the development of Cardiff's general cargo trade.

The Government has called for, and expects, a 50 per cent increase in the export trade of this country, but much of the coal which would have been available for export will be used in this country for manufacturing purposes. It is, therefore, reasonable that we in Cardiff should hope and expect that a fair proportion of the general export traffic should pass through our port. It cannot be denied that we have distinct natural geographic advantages. The port's communications have been abundantly tested and proved by wartime accomplishments. Experience during the war has demonstrated that the equipment is undoubtedly adequate to deal with that larger proportion of traffic which we are hoping to secure.

What we ask for is that, with a population of 8½ millions within a radius of 80 miles, we should be allowed equal opportunities of trade within and beyond this orbit. This will only be practicable if the rates and conditions enjoyed by other ports are not, as they now are, preferential in character.

The authorities here realise the importance of efficiency in the post-war era, and they are confident that post-war traffic will, in all respects, be handled with the same efficiency as during the war, but if present disparities in rates and conditions are allowed to continue, Cardiff's efforts to expand its general cargo trade will be severely, and very unfairly, handicapped.—Yours faithfully,

H. KENDRICK, Assistant Secretary
Cardiff Incorporated Chamber of Commerce

AMERICAN SURVEY

San Francisco Side-Show

(From a Correspondent at San Francisco)

WHILE the delegates to the United Nations Conference carry on their deliberations in the Opera House and the neighbouring Veterans' Building at San Francisco, a side-show is being staged in the crowded lobbies and smoke-filled hotel rooms of that cosmopolitan city. Forty-six nations are represented at the conference. No reporter has computed how many national and international groups make up the side-show. Importunate minorities are a feature of most international conferences. Usually they include the lunatic fringes of public opinion, with their schemes to remake the world overnight into something rich and strange. But the pure crackpots have been pretty well barred from San Francisco, thanks to the alert stage-managers in the State Department at Washington. Railroad and plane travel to the Golden Gate city has been severely rationed. Hotel rooms are at a high premium. Nevertheless, in a country so addicted to "organising" and with scores of pressure groups maintaining offices in every large city, the sidelines in San Francisco are inevitably crowded.

Even the State Department found it expedient to invite forty-two national organisations—labour, industrial, educational, fraternal and the like—to serve as "consultants" to the American delegation. The overworked delegates have scarcely had time to glance at these consultants, much less to consult with them. Now this may be all right with, for example, the Kiwanis International, which has ample opportunity to lunch with the various "service clubs" that abound here as in every American city. And the National Council of State Garden Clubs may find edifying relaxa-

tion in the environs of San Francisco. But the official neglect is resented by the labour consultants, who feel themselves too important to be left out in the cold. Here, however, the conference has some reason for sticking to the main problem in hand. The trouble with so many of the consultative groups is that they cannot agree among themselves. The State Department was compelled to invite both the AFL and CIO labour organisations, fully realising that these gentlemen will not sit down in the same room together. When the World Trade Union Congress held its convention in Oakland, just across San Francisco Bay, the AFL boycotted the meeting because the WTUC included the CIO. The AFL belongs to the International Federation of Trade Unions, which will have no truck with the State-controlled Soviet unions. When Mr Molotov lost his plea that the WTUC be named official labour adviser to the conference, the reason may have been as much the obvious disunity of labour as the pronounced leftist hue of WTUC.

A similar confusion of aims marks the activities of the various Jewish groups operating on the sidelines. In one week four more or less different Jewish points of view were presented to the conference—by Dr Chaim Weizmann's Jewish Agency for Palestine, by the World Jewish Congress, the American Jewish Committee, and the Hebrew Committee of National Liberation. The groups are united in demanding an International Bill of Rights to protect all creeds everywhere, and in calling for a Jewish Commonwealth in Palestine. But the Hebrew Committee insists that, while "Jews" are a religious group, "Hebrews" must be

formally recognised as "a national entity." Though less numerous than the Zionists, the voices of the anti-Zionists can be heard amid the babel from the sidelines.

Distinguishable, too, are the voice of the American Negro, demanding his constitutional rights; the plea for "true equality" for women; the clamour of the farmers for high and steady prices, and the appeals of groups too numerous to mention for a place in the better world whose foundations, they hope, are being laid on the shores of San Francisco Bay. An apt, if undiplomatic, comment on the conflicting pressures was made by Mr Archibald MacLeish, the Assistant Secretary of State, who welcomed the consultants with the remark, "What wonderfully organised confusion!"

There are dozens of other groups, in no sense official, in what Mr Attlee called "this delectable city." Their spokesmen buttonhole delegates wandering through hotel lobbies or emerging from plenary sessions into the Opera House foyer for a smoke; they cram the reporters' mailboxes with literature; they arrange, endlessly, lectures, luncheons and cocktail parties for all who can be induced to lend an ear. Special pleaders who cannot appear in person hire publicity agents ("public relations consultants"), who, for a large fee, will convey smooth messages to the delegates.

From this studied propaganda one turns with relief to such colourful plaintiffs as Chief Dagarleehogo (meaning "Man-with-two-minds"), representative of the Six Nations' Iroquois Confederacy. The beaded and buck-skinned chief is trying, admittedly with no prospect of success, to interest the forty-six United Nations in repeal of the Canadian Indian Act of 1927.

The most important and most serious groups on the sidelines here are the spokesmen for uninvited nations and for national minorities who find themselves in jeopardy. Most prominent, of course, are the Poles. The Polish influence began to exert itself before the conference opened. Newsmen from many lands who boarded the special train at Chicago—a city with a huge Polish population—found their path to the gate lined with a double row of Polish-American beauties, garbed in native costume, who handed out envelopes crammed with anti-Lublin literature. The reaction to these brochures was mixed, but all the newsmen approved the delightful novelty of having propaganda spread by pretty girls with a charming smile and a curtsy.

Detraining at San Francisco, the newsmen were beset by invitations to a press conference with the "Free India Committee," where Mrs Vijaya Pandit, sister of Jawaharlal Nehru, warned them that the "so-called Indian representatives" at the conference do not represent India at all, and that India's millions will not be bound by the vote of "nominees of the British Government." Quieter but not less earnest are the peripheral activities of the American Croats and the Serbian followers of General Mikhailovich. While the Croats, from their Chicago headquarters, petition President Truman to investigate "Tito's reign of terror" in Yugoslavia, the Serbs here are arranging a meeting to undermine American confidence in the official Yugoslav delegation. Active on the sidelines are the Friends of the Spanish Republic. Enjoying powerful support from American reporters who covered the Spanish Civil War, they have asked the Conference Secretariat to boycott Franco and recognise a democratic Spanish government, "when it is formed." Rumours are afloat that the Finns will soon be heard from.

All these national group pressures are, of course, familiar to the European delegates. What surprises them is the number, variety and intensity of the American "causes" in a country which seemed so peaceful and prosperous on their long journey across the continent. Perhaps they do not realise that the United States is the home not of lost causes but simply of "causes," some good and some bad, some frivolous and some deadly earnest—but each with a board of directors, a publicity agent and a steadily mounting budget. They do not understand the organising tendency, which at times resembles a mania, of this over-organised land. And they are only now beginning to realise the magnetic force exerted by a conference, where there is so much talk of "justice," upon a people whom free speech and modern communications have encouraged to air their views on every real and imaginary ill which humanity is heir to. San Francisco has drawn a multitude of zealots, "do-gooders" and profiteers in public gullibility to its hospitable self.

To the student of crowd psychology, the San Francisco side-show is valuable source material. It should likewise

hold a serious interest for the European delegates. These minorities and pressure groups represent a continuing force in American political life. British delegates, who have so often meditated upon the delays, confusions and contradictions of the American Congress, should take a day off in San Francisco to study the side-show. Here are the kinds of pressures that are being steadily exerted upon Senators and Representatives. And this side-show will be transported to Washington, in person, by mail or by telegraph, when the Senate is called upon to ratify the charter of the United Nations.

American Notes

"World Planners"

A Bill to extend and broaden the Reciprocal Trade Agreements Act, which expires on June 12th, has been sent to the floor of the House of Representatives by a Committee vote of 14 to 11. The Doughton Bill provides for extending the Act for three years and gives authority to the President to reduce tariffs to 50 per cent below the rates existing on January 1, 1945, which are themselves, in some instances, 50 per cent below the Hawley-Smoot rates.

The dissenting report, signed by 10 Republicans and one Democrat, all of whom did their best to kill the Bill in committee and can be expected at the very least to try to emasculate it in the House, must have read very strangely to delegates at the San Francisco Conference, and certainly must have made the US delegates wince. They attacked "world planners" and insisted that an increased export programme "will bring us head on into conflict with Britain and other nations." The intransigent Republicans were not even swayed by a long procession of responsible, sober men who testified in favour of the Bill: heads of the most important Government agencies, Cabinet members, even Mr Robert Lincoln O'Brien, Republican chairman of the Tariff Commission under President Hoover. And certainly the dissenters were not affected by the endorsement of the Congress of Industrial Organisations.

They even turned a deaf ear to the findings of a two-party Committee of the House, which for many months has been working on post-war economic policy and planning. This Committee, under the chairmanship of Mr Colmer, Democrat, recommended an early international conference to consider the reduction or elimination of world trade restrictions. The Colmer Committee specifically called for the passage of the Doughton Bill, without qualifications.

Testifying before the Ways and Means Committee, Mr Wallace, Secretary of Commerce, saw in the American handling of tariffs a chance to prevent a third world war. Mr Knutson, his Republican interrogator, could only insist that if Mr Wallace were not so "naive" he, too, would understand that the lowering of tariffs was comparable to the lowering of immigration restrictions.

It is still too early to predict the fate of the Bill on the floor of the House, and still less in the Senate. The National Association of Manufacturers has proposed as an alternative the extension of the present Act for one year, with no provisions for further reductions in tariffs. Outright rejection is not likely, but some such compromise as this is by no means impossible.

* * *

Cradle to Grave

Congress recently cut by \$77,200,000 the Administration's Budget requests for the Labour Department, Federal Security Agency and related offices, and rejected a \$15 million increase required for the care of dependent children, the aged and blind. President Truman evidently believes that these actions are not a true barometer of the present temper of Congress, for he is expected very shortly to recommend a sweeping expansion of the Social Security programme. At the same time, Senator Wagner will introduce in Congress a Bill proposing the changes in the existing programme which the President will advocate.

The Bill, which inevitably will be called the "American Beveridge Plan," will seek to raise unemployment compensation to a maximum of \$30 a week and to bring under the wing of the Federal Government unemployment insurance schemes now handled by the states. It would add 15 million newcomers to the estimated 47,500,000 who held Social Security cards at the beginning of the year: domestic,

farm and social workers, teachers, self-employed, employees of non-profit institutions and other groups not included under the present Act. It would provide medical and hospital care to all who are covered by Social Security, to wives and to children under 18. To accomplish all of this and more, it would increase taxes on employees and employers from the present 1 per cent each to 4 per cent.

The principle of Social Security is no longer argued even in the United States, which accepted it only after the worst depression in America's history. In Congress, Democrats and Republicans have agreed that the provisions of the Act of 1935 are no longer adequate. It is on the methods of overcoming the inadequacies that the disagreements will arise. If the new Bill follows the patterns of its predecessor, the Wagner-Dingell Bill, which was introduced in mid-1943 and never got beyond the Committee stage, the chief target for opposition from Conservatives will be the medical provisions. Even a partial nationalisation of medicine will attract the powerful opposition of the American Medical Association.

Opposition can also be expected from those who believe that in lumping together all types of social security taxes the Federal Government is infringing on states' rights. There will be a revival of the conflict over how large the fund should be allowed to grow and whether it should be at the disposal of other Government agencies. And then, of course, there are still some very vocal diehards who believe that to protect the public from hazards over which they have no control means to stifle initiative and to vitiate economic enterprise.

* * *

Shortage becomes Absence

The shortage of meat in many centres in the United States is fast becoming an absence of meat. In New York City, for example, 400 restaurants of all types will have closed down by June 1st, and the number will be multiplied many times over if the meat and poultry famine is not arrested by July. At least 10,000 butcher shops in the metropolitan area alone have shut down temporarily. The remainder have found that they can dispose of their meagre supplies in an average of two hours a day.

So perhaps Mr Fred Vinson, Director of War Mobilisation, is not to be too severely criticised for bowing to the pressure of western Congressmen who turned the Senate Agriculture Committee investigation of the meat shortage into a drive for higher prices for large packers. Mr Vinson has announced a new subsidy schedule, to total \$30 to \$40 million on high-grade cattle, with a general, unspecified increase in the subsidies granted to packers of all grades of cattle and pork. Every attempt, it is said, will be made to keep retail prices at their current levels.

The public has been allowed to believe that present scarcities derive, to a considerable extent, from huge food shipments to liberated and Allied countries. It is ironical, therefore, that Mr Crowley's Foreign Shipments Committee, which was established by Mr James Byrnes ostensibly to protect the American consumer from having his supplies shipped abroad, in its first report pointedly states that in 1944 only 7 per cent of US food production went to foreign countries. Mr Crowley has no doubt that Americans will willingly reduce their food demands when they have assurance that their reasonable needs will be met with a minimum of inequity in distribution. "It is simply in the interest of humanity not to permit millions of hungry people in Europe to starve," he says.

Mr. Crowley reveals not even a vestige of the much-criticised Byrnes attitude which emphasised, to the detriment of hungry people abroad, the limitations of the American economy, while it disregarded some of the glaring reasons for those limitations.

* * *

La Guardia Bows Out

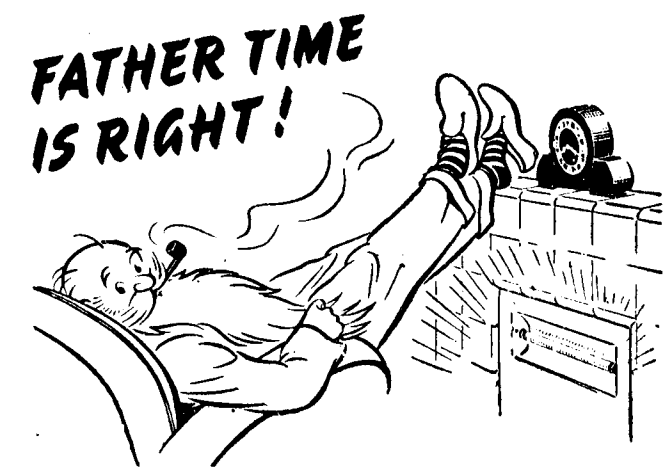
New York City will miss its thrice-elected mayor, Mr Fiorello La Guardia, the "Little Flower." For La Guardia recently followed the "Patience and Fortitude," with which, incredibly enough, he introduces his regular Sunday broadcasts, with the announcement that he would not run again. This uncontrolled, despotic little man, who browbeats his commissioners and showers unprintable abuse on newspaper reporters, brought to New York City, wearied by many years of corrupt Tammany Hall rule, an incorruptibility—and a passion for clean government. New schools,

magnificent park and highway systems, not so magnificent housing projects, a unified subway system, are monuments to his energies. And if a study of the monuments reveals notable gaps, in slum clearance, for example, or in still overcrowded schools, or in a Harlem which is still a series of promises, it is important to remember that his period in office has been one of depression and war and that in much of it he has not been in control of the city legislature. There is no denying that his arbitrary methods have created needless ill-will. And certainly his verbal outbursts in half a dozen languages have had no effect on a sinister black market in meat.

Who succeeds Mayor La Guardia is important not just to New York City but to the state and country as well. In Presidential elections New York State controls 47 out of a total of 531 electoral votes and over half of those votes are in New York City, with its population of over seven and a half million. It is safe to assume Mr. Truman will follow the pattern set by other Presidents and throw his support to one candidate. This opens the way for a regular Democratic administration, dependable at least from a party point of view. It should also warn New Yorkers to guard against the return of Tammany Hall rule, to be avoided even though it would be a temporarily chastened Tammany.

The position of the American Labour Party, which will be dominated by the CIO Political Action Committee, will be interesting to watch. In the past, the ALP has united with the Republicans to elect La Guardia. This year such an arrangement is likely to be equally distasteful to both sides. For the PAC is hardly likely to be willing to strengthen Republican Governor Dewey's position, and the Republicans, who in the past have gingerly accepted Labour support, will be eager to rid themselves of this embarrassing Left Wing tie. The most probable link-up is said to be between the Democrats and the ALP, with which goes PAC support, on the one hand; and between the Republicans and the Liberal Party, a right-wing offshoot of the ALP, on the other.

All of which depends, of course, on whether the mercurial La Guardia allows himself to be "drafted."



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THE WORLD OVERSEAS

Unrest in Belgium

THE chief impression made by M. Van Acker, the Belgian Prime Minister, is one of unfurried common sense. Since he succeeded M. Pierlot three months ago, he has gone about his work calmly and competently and for a time at least his Government was that rare thing in Belgian politics, an administration nobody criticised. It is, therefore, a sign of a considerable upheaval in Belgian life if he says, as he did in a broadcast to the nation of May 19th,

I am not in the habit of exaggerating or dramatising events. I view the situation with the common sense the country has ascribed to me. But I do not hesitate to tell you that the hour is serious; I can even say, very serious indeed.

The cause of the crisis is the wave of strikes that has swept the country. In the Borinage and the Centre, 90 per cent of the miners were on strike last week, in Liège and Charleroi, 50 per cent. Only the Limburg miners were unaffected. At the same time, there has been an agitation to extend these strikes to the whole country, and one small journal, *Le Pouvoir aux Travailleurs*, was banned for advocating a general strike. These strikes are in the main irresponsible. The trade unions have not ordered them and, although somewhat equivocally, are condemning them. Cabinet Ministers have gone to the microphone to appeal for a return to work. Finally, in this broadcast of May 19th, M. Van Acker himself tried to bring home to the men the seriousness of the crisis they had precipitated.

It turns on the fact that the recovery of Belgian production depends very largely on coal. Coal is Belgium's only raw material. Its highly industrialised pre-war economy was based on the import of raw materials—wool, cotton, iron ore,

copper—which were turned, with local coal, into processed and manufactured goods. At the moment imports are negligible. Whereas 100,000 tons a day were imported before the war, the figure for the whole month of May will not exceed that figure. Coal is therefore all the more important. The Van Acker government succeeded in March in increasing production to about a million tons a month (the pre-war figure was over two millions a month). Now production has fallen seriously. Gas and electric supplies are threatened. Train and tram services may be cut. Reconstruction in other branches of industry is at a standstill. For example, textile workers who were beginning to work on the small amounts of imported cotton and wool are again unemployed. This delay affects the whole Belgian economy. The effectiveness of the fight against inflation and the Black Market depends upon an increase in civilian supplies. The peasants will not deliver their produce without some hope of securing manufactured articles in return. Meanwhile, the absolute shortage is a constant temptation to all producers to sell illegally. The Prime Minister said recently that 99 per cent of the textiles that are being produced find their way into the Black Market.

The only effective answer is the arrival of more supplies. A recent shipload of fats reduced the Black Market price for butter from 60 francs to 25 francs a kilo. The end of the war in Europe will slightly ease the import position which has been inhibited not only by lack of shipping but by lack of internal transport. But the imports will not do more this year than put the Belgians in a slightly better position to help themselves—which, if they strike, they cannot do.

M. Van Acker has taken a number of steps to increase production and to counter strikes. The miners in particular have received a number of important concessions in pay, rations and pensions. This week, compulsion is to be added to inducement. All strikes have been declared illegal for three months and instigators are liable to arrest. The law of civilian mobilisation has come into force in all vital sections of industry. Workers may not change their work, although they may still move from one job to another within their own branch of industry. The Trade Unions appear to have acquiesced in these measures with rather bad grace. The Mineworkers' Union, which did not at first sponsor the strikes, agreed at its latest meeting only to postpone an official strike for another week, until the Government should have met the men's latest grievances.

In return for the greater discipline he intends to impose on labour, M. Van Acker and his colleagues have prepared Bills for a capital levy—5 per cent is the figure mentioned—and for the almost complete confiscation of war-time profits. The Government also announces that the representatives of organised labour shall be able to participate in all decisions on future economic policy.

Economic Distress

Will these measures restore stability to the Belgian economy? The difficulty lies in the very complex and diverse motives behind the present unrest. It is a symptom of general post-war malaise, and it is no coincidence that the ending of the war has led to a more violent expression of discontent. The reasons are partly economic. In spite of better rations and higher wages, the life of the miner, short of clothes and without soap, is very hard. The working class as a whole has gone hungry on a diet containing less than half the calories of their pre-war consumption. Although the drastic financial measures introduced by M. Gutt have probably checked inflation, inflation is there and prices have steadily increased through the winter and spring. A section of the community—the wealthier classes in the town and the peasants in the countryside—escaped the full rigours of the hard, fuelless winter. The fact that they, on the whole, support the conservative parties has added political bitterness to people's economic distress.

The ordinary split between Right and Left is aggravated

in Belgium by a racial and cultural split. Broadly speaking, Wallonia in the south is the radical section of the country. Here in the past a great part of Belgium's industry and coal have been concentrated. The people are French speaking, free thinking and tend to join the Socialist or Communist parties. The bulk of the peasantry live in Flanders; they are Catholic and Conservative. Even the new industrial area of Limburg does not share the political turbulence of the south. For instance, the miners there are not striking now. The Flemings have a high birthrate, while the Walloons are declining. Separatism is not an issue except among extremist Walloons, but the variety of social and economic differences make the cleavage between Fleming and Walloon a factor in Belgian life, which even the great national parties cannot entirely bridge. The Germans were able, as usual, to exploit this racial split. They drew their Quislings from both groups—the VNV from Flanders, the Rexists from Wallonia—but they took care to create friction and suspicion. For instance, at one point they returned to Belgium all the Flemish prisoners of war, leaving the Walloons in captivity. Peace has not entirely wiped out the bitterness. At this moment an extremist Walloon paper, *Le Gaulois*, is banned for its insulting comment on the Flemish people.

There are particular reasons why unrest should have come to a head now. The end of the war and the easing of tension is one. Another is the return of the political prisoners from Germany. Some of them have organised demonstrations against the "slowness and ineffectiveness" of the purge. In some towns there was rioting, and collaborators who had been released were re-arrested by the crowds. On the other hand, the question of the King's return does not appear to have caused any strong political upheaval. His decision not to resume his duties for the time being calmed the incipient crisis. His brother, the Regent, is quite popular with the Left Wing, and the issue of the monarchy as such is not in question.

Yet when all the particular causes of unrest are taken into account, they do not fully explain the malaise in Belgium. M. van Acker has spoken of Fifth Columnists and agents provocateurs. Dissident Walloons, ex-Rexists and ex-VNV men may indeed be active. The local Communists, too, are always ready to encourage action against collaborators and dissatisfaction over the black market and inflation. The official Communist party leaders work with M. van Acker, and in social policy are, so many Socialists affirm, to the Right of the Socialist Party, but this fact does not preclude local activities and agitation.

Back to 1939?

The action of dissidents would, however, be ineffective if the general atmosphere did not encourage dissidence. The economic reasons—shortage, inflation, black market—are obvious. The political cleavage between Walloon and Fleming is important, but should not be exaggerated. Perhaps one of the most significant reasons—one that can also be observed in neighbouring France—is general dissatisfaction among the younger and more radical elements that five years of war and intense internal struggle should have led to the re-establishment of something which looks so remarkably like the political structure of 1939. There have been efforts, since liberation, to change the political parties. The Left Wing of the Catholic (or Conservative) Party—the Christian Democrats—have talked of breaking away to join the Socialists. They in their turn are being solicited by the Communists to form a single working-class party. But the only structural change achieved so far has been the separation of the trade unions from the Socialist Party. Meanwhile, the basic political and economic structure of the country has not changed; and to-day far more people in Belgium than ever before want to see it changed.

The conditions for a peaceful evolution are good. Of all the countries in Europe, Belgium has emerged the most unscathed from the war. Its transport system is intact. Its industries may need modernisation, but they have not to be rebuilt. The magnificent harbours of Antwerp and Ghent are in full working order. Above all, the Belgian people represent one of the most skilled and hard-working labour forces in the world. With these assets, Belgium can play a great part in the reconstruction of Europe. For these reasons, too, it is probable that the present wave of unrest will decline, and the way be opened to hard work in the interests of Belgian and European recovery. The Allies can help the Belgians to maintain their country

"Liberated" Trieste

[FROM AN ITALIAN CORRESPONDENT RECENTLY IN TRIESTE]

May 15th

WHILE Italy, together with the rest of the world, was cheering the end of the war in Europe, there were few celebrations in Trieste and in the other towns of Venezia Giulia. At a time when the greater part of the world was eagerly awaiting the first consequences of the armistice, the military commander of the Yugoslav partisan forces, who had assumed the administration of the Italian territory into which they penetrated less than a day ahead of the New Zealanders of the Eighth Army, had begun to conscribe all male inhabitants between the ages of 16 and 60.

Military conscription is a blatant infraction of international law, even if the annexation of the territory announced by the "Slovene Federal Government" were recognised. To the outside world, it may seem preposterous to talk about annexations in view of the recent declarations of the Yugoslav Foreign Under Secretary. But inside the disputed area open publicity is given to the annexation, and anyone expressing public opposition would be arrested. If enquiries were made, the reply would probably be that no order of arrest had been issued and that, anyway, it would be difficult to obtain information owing to the lack of postal communications. Although arrests have now been going on for a fortnight—and there have so far been only about a dozen, very conditional, releases—there has been no report of a public trial. It is also worth noting that many of the arrested were active anti-Fascists, some of whom had only just been released from Fascist prisons. A number of people who did not fare badly under the Nazi occupation are, however, entirely unmolested; some of them are to be found on the new "executive council" of the town of Trieste, nominated in place of the National Committee of Liberation, which was not recognised because it contained no Communists.

Trieste's Junta

To this junta the military commander has handed over complete powers. It is composed of twelve Italians and seven Slovenes. Among the Italian Communist representatives are members of a new party executive, appointed after the arrival of the Yugoslavs and until then unknown in Trieste. The other members were informed of their nomination by the only newspaper, which is published by the authorities. They do not represent anybody. One of them had the courage to refuse to take office, others were not so brave. The Socialist Party declared officially that a man claiming to be their representative had never belonged to the party.

Cars, typewriters and all kinds of property are requisitioned, frequently without a receipt being given. Nobody is allowed to leave the area with more than 3,000 lire (£7 10s.). Many of those trying to leave, even after having obtained a permit, are deprived not only of that sum, but often also of their clothes, and are sent back or imprisoned. There is still plenty of looting. The Slav flag flies even on the memorial for Italy's killed of the last war. A peaceful demonstration of about 50,000 people was fired on, with the result that about 40 were killed, and wounded, among them at least one New Zealand soldier. It is impossible at present to confirm the news of massacres in Istria, except for the mass killing of 150 Italian Custom guards, of which

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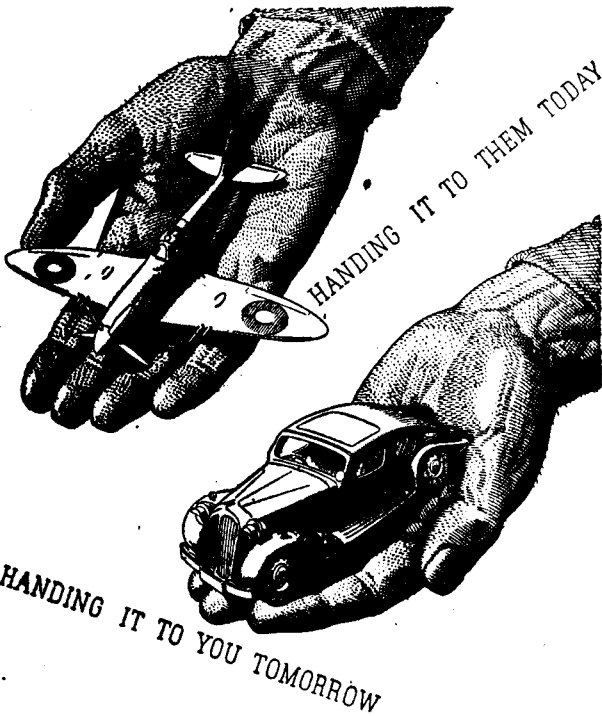
detailed reports are available. As in most other North Italian towns, these guards had for some time been secretly affiliated to the Italian partisans and gave considerable help to the insurrection.

The Facts of Liberation

After sharp fighting, in which 39 patriots were killed, Trieste was under the control of the Italian Liberation Committee by April 29th. The Germans were holding out in the port area and in the castle; but fighting had stopped, the Germans recognised the authority of the committee and had given a guarantee that no destruction would take place. The patriots had taken many prisoners, but the garrisons of the strong points declared that they would surrender to the New Zealanders, which eventually they did on May 2nd. On May 1st, however, Tito units had begun to infiltrate into the town and, helped by the local Communists, who by then still considered them as liberators, attacked the Germans. The Liberation Committee, which did not wish a conflict with an Allied Power, had ordered the 5,000 patriots who had not withdrawn to obey the Yugoslav order to surrender their arms. On the arrival of the New Zealanders most of the buildings in the town were, therefore, already occupied by Tito's soldiery and by *bona fide* Communists. They had, however, been unable to take the port or the castle.

These are the facts about "the liberation of Trieste by the 9th Corps" which is duly celebrated by innumerable bilingual posters in the streets. It led to the unrestricted rule of the "Osvra," the secret police whose significant name is interpreted by the population as a mixture of "Ovra" (Fascist secret police) and SS.

One week after the end of the war the whole area on the western approaches of Trieste is a huge military camp of troops preparing for battle. The fate of the northernmost port of the Mediterranean is important to many countries, whose economic interests demand that Trieste should be a free port. But the political fate of the town and of the province should only be decided according to the freely expressed desire of their population. No true decision can be taken during or immediately after a rule of terror.



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Portugal and the Peace

[FROM OUR LISBON CORRESPONDENT]

FROM start to finish, Portugal has kept to the strict letter of neutrality. The events of the first week in May were still in the tradition. Official condolences on the death of Adolph Hitler, with the flags on public buildings and naval craft at half-mast, were tendered to the newly-arrived German Minister in recognition of the death of the titular chief of the Reich. Not by any means a popular gesture, it was nevertheless considered correct diplomatic procedure, as Portugal had not up to that moment taken the step of severing relations with Germany.

Three days later that step was taken, much to the public's surprise. The interim Minister for Foreign Affairs asked Dr von Halem to call at the Ministry, and there and then gave him Portugal's reasons for requesting all official German representation now acting in the Republic to cease. It was pointed out that as there is no central authority in the Reich with which relations might be entertained, the German Minister, the consulates and certain other offices, notably that which housed military attachés and bore two great brass plates reading *Deutsche Wehrmacht*, had no *locus standi*. So seals were set on the locked buildings, which will be cared for by the Portuguese Government police until such time as a recognised authority again exists in Germany.

Another three days passed, and then came the announcement that all German funds and credits were blocked, any would-be transaction being subject to investigation by the Banking Inspection Department and later to the decision of the Bank of Portugal. To cap all this came a striking and unannounced speech of Dr Oliveira Salazar to the National Assembly. In few words he emphasised that Portugal had reason to be glad that England was in the forefront of the victorious nations, given her position on the Western Ocean. Neutral Portugal's aid had not been either depreciated or forgotten.

THE BUSINESS WORLD

Paralysis of French Industry

THE facts about the state of industrial activity in France contained in the first of the accompanying tables are disquieting. They show that, in a number of important industries, the rate of production in January and February was only a fifth, or even less, of the average for 1938. Railway car loadings, a rough index of the overall state of activity, were last February about 25 per cent of the pre-war average. If the state of French trade is compared with that of 1943, the reduction, though less marked, is still substantial. In sum, the recovery that took place after the liberation of the country, when activity was almost at a standstill, has not gone very far. There has been no further improvement since last February; in some industries there has even been a recession. Inevitably, long-term problems of economic reconstruction and expansion have receded into the background before the urgent task of getting the wheels of industry moving again. The obstacles to further recovery are not to be found in any lack of plant and equipment, but in the shortage of coal, materials, transport and labour.

The main obstacle to recovery is the lack of adequate coal supplies. Current output is at the annual rate of about 30 million metric tons, against 42 million tons in 1943 and 41 million tons in 1938. Imports are virtually suspended; they were four million tons in 1943 and 27 million tons in 1938. The amount of coal actually available has thus been reduced from 68 million tons in 1938 to 46 million tons in 1943, and is now at the rate of only 30 million tons. If allowance is made for consumption at the mines and for the coal to which miners are entitled—together some five to six million tons a year—the quantity disposable is now at the annual rate of only about 25 million tons, against 62 million tons in 1938. Table II shows that, after providing for the needs of transport and other essential services, the amount of coal available for industry and for domestic purposes is only a fraction of normal consumption. The amount allocated for domestic use last January, incidentally, included nothing for domestic heating; it barely provided for cooking—in Paris alone there are 330,000 dwellings linked neither to gas nor electricity—and for the needs of institutions such as hospitals.

The causes of the fall in coal production in France are the same as in this country. Output per manshift has shown a steady decline from 1,229 kilograms per manshift in 1938 to 943 kilograms in 1943 and—in spite of some improvement last winter—859 kilograms at the end of March, 1945. Absenteeism, too, has shown a steady increase. During the period of occupation output was maintained by drafting additional labour into the industry; for example, the number of miners working underground was increased from 149,000 in 1938 to 169,000 in 1943. Unfortunately, large numbers of them left their jobs during and immediately after the liberation of the country; by December, 1944, the underground labour force had been reduced to 135,000. Steps are now being taken to increase output. Thus extra rations are expected to reverse the decline in productivity and the rise in absenteeism; the labour force is to be augmented by the employment of prisoners of war. These and other measures should have the immediate effect of preventing a further fall in production; but it remains to be seen whether they will lead to an expansion before next winter.

While the shortage of coal is undoubtedly the chief difficulty to be overcome, the removal of this bottleneck would only permit a limited recovery. Complaints about the shortage of materials, transport and labour are only less insistent because the lack of coal dictates a disastrously low level of industrial activity. The supply of imported raw materials has been increasing, but it remains a mere trickle, and is behind the schedule set by the Monnet Plan for the first six months of this year. Up to April 15th less than a tenth (by weight) of the scheduled imports had actually

arrived. Although, compared with processing capacity, there may be no overall shortage of raw materials, there are individual bottlenecks; the lack of tanning materials, for example, is holding up the production of footwear; there is also a shortage of rubber for tyres. Transport capacity is reported to show a steady improvement. Increased numbers of repaired and imported locomotives and goods wagons have been put into service. Road haulage capacity has been increased by imports and the resumption of domestic production; the output of motor vehicles increased from 1,967 units in January to 2,514 in March. The shortage of labour, while potentially one of the most serious

I.—FRENCH INDUSTRIAL PRODUCTION

	1938 Monthly Average	Per cent. of 1938		
		1944 Dec.	1945 Jan.	1945 Feb.
Coal (thousand tons).....	3,401	70	71	69
Gas (index of heat value)...	100	(a)	75	88
Electricity (index, district of Paris).....	100	(a)	140	116
Pig iron (excl. Moselle district, thousand tons)....	315	10	9	10
Crude steel (excl. Moselle district, thousand tons)....	347	16	15	17
Finished steel (thous. tons)	213	22	17	17
Motor vehicles.....	(a)	1,572(b)	1,967(b)	1,990(b)
Sulphuric acid (thous. tons, excl. Alsace-Lorraine)...	81	5	7	9
Rubber (consumption, tons)	5,100	3	5	(a)
Paper (thous. tons).....	105	7	10	11
Rayon (tons).....	2,333	27	25	(a)
Staple fibre (tons).....	416	13	58	(a)
Footwear (index).....	100	33	(a)	(a)

(a) Not available.

(b) Number produced.

problems, is not a major immediate bottleneck, except in certain industries, particularly coal-mining and, of course, in agriculture. In March the number of unemployed was less than 400,000, though of the remainder many were then working only part-time. The immediate problem is one of redistributing the available manpower in order to secure its fuller utilisation on urgent tasks not held up by other shortages. Inevitably, the shortage of food, clothing and other essential supplies has led to a fall in the productivity of industry, and to unrest, reflected in the recent strikes.

The difficulties of French industry, however, are not merely physical ones; owing to political disagreements within the government, industrial recovery has also been

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hampered by a policy, or rather, a confusion of policies, that has given rise to uncertainty and has had the effect of forcing many concerns to operate at a loss. This confusion of policies arose from the fact that some elements in the government wished to introduce far-reaching structural changes immediately, while others set their faces against such changes in the absence of a test of public opinion.

The confusion caused by this tug-of-war has been reflected, for example, in the price policy pursued until the end of last month. Until then industrialists had not been allowed to raise their prices above the levels of last autumn.

II.—DISTRIBUTION OF COAL CONSUMPTION

(Excluding coal consumed in coal-mining; thous. metric tons)

	1938 Monthly Average	1945 January
Transport	835	592
Electricity (a)	262b	310
Gas	336b	191
Industry	1,732	455
Domestic use	1,365b	347
Military use	...	131
	4,530	2,026

(a) Excluding small quantity of electricity generated at mines and sold to other consumers. (b) The figures for January, 1938 are appreciably higher.

Yet their costs had shown a marked rise. Overhead costs per unit of output rose—appreciably in industries such as iron and steel—because of the low level to which industrial activity has sunk. Current costs rose substantially because industrial firms have had to pay 25 per cent of the wages of workers who had become redundant but had to be retained and, more importantly, because of the advance in wage rates—averaging about 40 per cent—granted by the Government last September. As a result of this policy, many firms have lost a substantial part of their cash resources as well as their working capital. The need for a decision became urgent in the spring because it was becoming increasingly clear that private enterprise could not effectively

carry on in those conditions. It was made at the end of last month, when it was announced that industry would be permitted to adjust its selling prices to the rise in costs by taking account of the rise in wages last September, the increased prices of raw materials and fuel, and part of the new advance in wage rates granted in April. No adjustment seems to have been permitted for the rise in overhead costs caused by the slump in production; on the contrary, industrialists were informed that in industries in which the rate of production was too low to permit profitable working, a solution should be sought by the concentration of output. Nevertheless, the change in policy is expected to restore the incentives of industry.

Other, though immediately less potent, hindrances to recovery are the uncertainties about the prospects of nationalisation and unsettled labour relations. French industry still does not know within what kind of framework it will eventually have to operate. Nor does it know how far the demands of labour to obtain representation on boards of directors will be fulfilled. The recently created joint production committees have only been given equality with shareholders in access to financial information; but, for this reason, the Government has come in for severe criticism from the trade unions. All these are political matters that are not likely to be settled before the general election.

French industry is thus not merely paralysed by physical shortages, but it is also hampered by uncertainty about the kind of framework within which it will have to operate. The change in price policy has removed some of the financial hindrances to recovery, but, unfortunately, the physical obstacles, especially the shortage of coal, cannot be removed at short notice. There is a serious danger, however, that a continuation of the disastrously low rate of industrial activity, coupled with the food shortage, may, by accentuating social unrest, make recovery more difficult at a time when the physical obstacles begin to be less formidable. On a longer view, there are, of course, no serious physical obstacles to recovery. But France, even more than Britain, has still to define the conditions in which industry and trade are ultimately to be carried on.

An Opportunity in Bicycles

THE bicycle has enjoyed an ever-growing popularity ever since its invention, and especially since the introduction of its modern version towards the end of the nineteenth century. By exception, its popularity—and, incidentally, that of the motor-cycle—have decreased in North America; there both have yielded to the motor-car, which has become part of the standard outfit of almost the whole population. But almost everywhere else the use of bicycles has steadily risen, and there is every reason to believe that it will continue to increase rapidly, especially in countries in which they have hitherto remained the privilege of a small proportion of the population. During the next few years the market should be exceptionally buoyant because of the special demand created by the curtailment of production during the past six years.

British manufacturers will have every opportunity to make the best of the heavy demand for bicycles. In contrast to

motor-cars, competition from the United States is not likely to be a dominating influence, for, largely because of the comparatively small home market, the industry in that country is much smaller than in Britain. Germany and Japan, hitherto the chief competitors of this country on the export market—Japan specialised successfully in cheap types—will be out of the world market, at any rate for a period. The British industry, in fact, should become by far the most important source of supplies, though of course it cannot expect to have the field entirely to itself. Major importing countries, such as India, have made plans to produce and assemble bicycles on a large scale; but even these countries will have to import, if not all, at any rate a substantial array of components. And there is no reason at all why British manufacturers should not set up or finance assembly plants abroad, if this is a condition of participation in certain markets.

The industry in this country has not merely the opportunity of raising its stature on the world market; it possesses most of the attributes needed to seize its chance. Even before the war, the British bicycle industry was the largest in the world. Between 1924 and 1935 the production of complete machines nearly trebled, while that of components doubled. At the census of production held in 1935, the output of the industry was valued at £11.5 million. Before the war it produced complete machines at the rate of 2,000,000 a year and components equivalent to another 1,500,000. The industry is assured of a large home market, that is, of a heavy demand in the short run and a stable, if not still expanding, demand on a longer view. In 1939 the number of bicycles in use in this country exceeded 10 million, that is, more than in any other country in Europe, with the exception of Germany. For many years, too, British manufacturers have successfully held a leading position in the export market. In 1938 they exported 576,000 machines valued at £1.7 million, and components valued at £1.6 million, a total of £3.3 million. (In the same year exports of new private cars and chassis were £7.3 million.) Bicycle manufacturers have yet another advantage, in that output, though curtailed, was never completely suspended during the war. In 1943, for example, they produced 658,000 machines, and the equivalent in components of a further 395,000 units. Nor were exports suspended; in 1944 these were still 113,000 complete machines valued at £523,000, and components valued at £742,000. This should enable manufacturers to be quick off the mark.

Although there are no indications of major changes in design, technical progress has by no means stood still during the war. The quest of the industry for less weight and greater strength has been assured further headway by the development of light alloys. New and ingenious gadgets have been developed, such as the hub-pump that will enable the rider to increase the pressure of his tyres without getting off the bicycle; it will even enable him to ride all day with a slow puncture.

As at present organised the industry is still highly competitive. In their paper read before the Royal Statistical Society, Mr H. Leak and Mr A. Maizels showed that in 1935 there were ten companies employing 500 persons or more; together these concerns controlled 75 per cent of the gross output and 83 per cent of the net output of "bicycles and tricycles." There is a good deal of variation, both in the size and functions of individual firms. The majority of the larger ones have interests other than bicycle manufacture, frequently of financially greater importance. These interests range from motor-cycles and motor-cars to more general manufacturing and merchanting activities.

In spite of the favourable immediate position of the British bicycle trade, its long-term prospects, especially abroad, are conditioned by its willingness and ability to

raise its productive efficiency still further (that is, to reduce its real costs), and to keep abreast in the matter of design. The industry would delude itself if it were to assume that it could maintain its lead indefinitely without enterprise and efficiency of the highest order. The history of the cotton industry, for example, has shown that competition alone is not necessarily a guarantee of efficiency. This is not to say that the bicycle industry is not alive to the conditions of sustained progress, or that it is unaware of the economics of large-scale production and standardisation, and of the need for careful research in overseas markets. Probably there is scope for further progress under some or all of these headings; clearly it is in the interests of the industry that this should not be neglected.

The industry is certainly alive to its favourable immediate post-war prospects, for it aims ambitiously at almost doubling its pre-war output, that is, at stepping up production to an annual rate of 6 million units, including 3 million complete machines and components equivalent to a further 3 million units. This target, of course, cannot be attained immediately; in the current year, for example, output is expected to reach 2 million units, inclusive of parts. But an ambitious programme is better than a modest one, in that it reflects a spirit of enterprise.

The favourable prospects and, on the whole, good profit-earning record of the bicycle industry have not been overlooked by the investor. He has fairly wide choice. In point of sales at home Raleigh, Hercules (a private concern), Birmingham Small Arms, New Hudson and Sunbeam are the most important; on the export market the order has been Phillips (a property of Tube Investments), Hercules and Raleigh. Raleigh is one of the leading and also most self-contained producers; its capital is owned by Raleigh Cycle Holdings. Enfield Cycle, a smaller concern, producing also motor-cycles and lawn mowers, has long enjoyed a good profit record. Renold and Coventry Chain, much the biggest manufacturer of bicycle chains, is largely exempt from the fluctuating fortunes of individual bicycle manufacturers. Tube Investments, although an important bicycle producer, is chiefly interested in supplying tubes for the frames of bicycles; this combine provides more than nine-tenths of the requirements of the industry, but it has many other interests besides. BSA normally derives the main part of its income from activities other than the manufacture of bicycles. An interesting concern in the industry with a good earnings record is Halford Cycle, which owns a multiple shop business dealing in cycles, motor accessories, and a variety of other goods. This, of course, does not exhaust the list, and, in the table on the page opposite, the companies listed are examples rather than a selection. It is certain that, after reconversion, competition in the bicycle trade will be keen; but it is also reasonably certain that the most progressive firms will benefit from the prospective increase in sales.

The New Finance Corporation

FOUR months have elapsed since the Chancellor's first announcement about the two new corporations for the post-war financing of industry. The announcement had a somewhat mixed reception, at all events in the City. But it was everywhere agreed that the success of the proposed institutions would depend absolutely upon the quality of their direction and management. The auspices under which they are being organised have certainly ensured the widest possible choice among men of the highest calibre and experience; yet it is generally understood that the delay in reporting further progress has been due to the difficulty of making the best selection. If this was so, this week's announcement of the board of the larger corporation, the Finance Corporation for Industry, Ltd., indicates that the time has been well spent. It is undoubtedly a strong board, perhaps not of all the talents—for, somewhat surprisingly, it does not include an economist; but, apart from that, it is well balanced without being too large. Above all, it is an independent board, which thus fulfils the precept laid down by the Macmillan Committee that an industrial finance corporation ought to be entirely separate from the banking system.

Lord Hyndley, the chairman, will bring to bear a wide administrative experience, a peculiar aptitude for inspiring effective teamwork, and a very extensive knowledge of the coal industry. It would probably be wrong to regard this last qualification, as some have been disposed to do,

as a pointer to the company's main spheres of operation; even though Sir John Morison—Director-General of Finance at the Ministry of Supply since 1942, but best known to the public for his unravelling of the Royal Mail group tangle, and as an active member of the War Damage Commission—also has an unusual knowledge of coal finances. Sir Robert Sinclair, of the Imperial Tobacco Co., and Lieutenant-General Sir Ronald Weeks, of Pilkington Bros., have extensive industrial experience, and both have held key posts in the organisation of war supplies and production planning—Sir Robert as, successively, Director-General of Army Requirements, Deputy for Mr Lyttelton on the CPRB at Washington, and Chief Executive at the Ministry of Production; and Sir Ronald as Director-General of Army Equipment and Deputy-Chief of the Imperial General Staff. Sir Jeremy Raisman, well known for his successful handling of India's wartime finances; Mr Thomas Frazer, prominent in the insurance world, and—a significant qualification—member of the Capital Issues Committee; Professor C. D. Ellis, physicist; Mr Ivan Spens, with special experience of company finance; Lord Westwood, spokesman for Labour aspects—each of these has a distinctive contribution to make.

The Chancellor, during the debate last March, declared that the project represented part of a new technique, an attempt to establish such a connection between the Government and private organisations as would promote the public

PROFITS AND DIVIDENDS OF SELECTED COMPANIES

Company (and Balance Sheet Date)	Date of		Profits (£'000)		Earnings for Ordinary		Dividends on Ordinary		Current S.E. Price of Ord.	Yield
	Best of Three Pre-war Years	Latest Year	Best of Three Pre-war Years	Latest Year	Best of Three Pre-war Years	Latest Year	Best of Three Pre-war Years	Latest Year		
Bicycle Makers:					%	%	%	%		%
Halford Cycle (August 31)	1937	1944	48	106	10.1	10.4	8.5	7.5	29/6	5.08
Raleigh Cycle (August 7)	1937	1944	527	598	66.7(a)	48.9(a)	57.25(a)	32.5(a)	NA	—
Raleigh Cycle Holdings (November 30)	1937	1944	281(c)	159(c)	24.9	20.2	25(d)	20(d)	79/6	50.3
Sun Cycle & Fittings (August 31)	1937	1943	20.8	41.4	21.5	38.2	12.5	15.0	8/-	7.50
BSA (July 31)	1939	1944	849	893	11.4	13.8	6	7.5	25/3	5.94
Equipment Makers:										
Imperial Pers. (September 30)	1937	1944	26	84	13.2	12.5	10	10	45/7½	4.39
Joseph Lucas (August 7)	1939	1944	354	340	25.6	25.5	15	15	82/3	3.65
Renold Coventry Chain (June 30)	1938	1944	335	105e	20.3	21.4	12.5	10	46/3	4.33
Robert Terry (December 31)	1937	1943	104	46(e)	48.5	53.7	30	30	33/-	4.55
Tube Investments (October 31) (f)	1938	1944	884	827	30.5	42.3	23.7½	22.5	106/3	4.21
Other:										
Halford Cycle (October 3)	1937	1944	38	106	20.9	22.3	15(d)	15(d)	73/-	4.11

(a) Income Tax. (b) Owned by Raleigh Cycle Holdings. (c) Mainly dividends received. (d) Including bonus. (e) After taxation. (f) Also produces bicycles.

interest in the presence of a positive Government policy in the economic field. In this context it is clearly significant that no fewer than seven of the nine directors have during the war held important full-time Government appointments; they should be well-fitted to build the bridge between Government and industry, between public policy and private needs. Obviously, and inevitably, it is a board acceptable to the authorities, but it is one that should be well able to resist Government pressure where necessary.

Uncertainty remains about the scope of the Corporation's activities, and some quarters, indeed, still question whether there is any "gap" to be filled or whether, if there is a gap, the Corporation will be able to fill it. Because of this lingering scepticism, it is not generally recognised just how important it is, in the widest interests of the City no less than of industry, that the scheme should succeed. The war has driven home, as never before, the truth that no project that is economic from the national standpoint need, under a rational organisation, be ruled out on financial grounds. If in the post-war world the traditional mechanisms of private enterprise, as extended by these new organisations, fail to provide adequate finance for projects obviously necessary in the general interest, the public will sooner or later demand drastic change.

It is true that many schemes that are economically sound from the social standpoint will not be "commercial" propositions in the accepted City sense. It is emphatically not the province of the new Corporation—a private body, privately financed, despite its official inspiration and despite the obviously official selection of its board—to go beyond the limits of what is commercially prudent. At that point the Government itself must step in and provide further facilities. The ultimate danger, from the City viewpoint, is that this vital distinction will be blurred, not indeed, by the new Corporation—the calibre of the board is sufficient assurance against that—but in the public mind. If worthwhile schemes are turned down because they are genuinely not reasonable commercial risks, the public may blame the City for failing to do what it could never reasonably be expected to do. These are unresolved difficulties—they remain so because the coalition Government was not disposed to grasp the nettle firmly. But, in the meantime, the new Corporation, even within the limits assigned to it, should be able to make

possible some projects that would not be possible if they had to rely solely upon the pre-war channels of finance.

It has been plainly stated that the Corporation will not seek to pay more than moderate dividends on its capital; which in effect means that each of the many participants is willing to invest a small part of its resources for a lower return than it would consider reasonable, on the average, if it were doing the business direct. Secondly, the cost of even moderate dividends will be minimised by the very high gearing that will be achieved by a small called-up capital combined with large borrowing powers. Thirdly, the existence of the uncalled capital and the very great strength of the participants in combination will ensure extremely favourable terms for the Corporation's borrowings. Subject to the need for building up a strong reserve, it will be able to—and, indeed, must—pass on these benefits to its industrial clients. This should mean, not that it will undercut the market channels for finance, but that projects will be facilitated that would not look commercially possible on the terms offered by the market. And as the reserve position improves, there will be increasing scope either for the offering of progressively finer terms or for an increasingly elastic lending policy.

This seems to be the most important way, in principle, in which the Corporation may be able to do more than existing channels can do. But there may be other ways, not dependent upon differential terms. For example, large projects involving heavy outlays spread over a period of years are not always appropriate subjects for direct approach to the market—even supposing that the Capital Issues Committee would permit the whole requirement to be met in a single advance issue—and a series of issues has obvious disadvantages. This kind of operation may afford a fruitful field for the development of a new technique which may give industry, in significant instances, not only the assurance of the resources it needs for long-term development, but also a new independence of the more precarious methods of floating finance. If it should happen that, in working out its mode of operation to bridge such gaps as these, the Corporation's activities impinge upon—not to say, compete directly with—those of established institutions, the City must reflect that, in a very vital sense, its own long-term interests are bound up with the success of this experiment.

Business Notes

More Liquidation

The resumption of business on Tuesday brought the heaviest fall in industrial equities that has been experienced since late January, and the decline in the index of *The Financial News* is just over three weeks is now fully 6 per cent. Although the fall in this index attracted most attention, the weakness was general in almost every section of the market with only a few exceptions in favour of Far Eastern securities. The cause of the fall is again political; a

conjunction of the imminence of a general election, and the more definite evidence of awkward problems in foreign relations. The volume of business has fallen further, but, as gauged by the number of bargains received, is still at a very fair level. There is good reason to believe that at first such selling pressure as there was arose largely from sales by speculators of the inner ring, but there are signs that selling is now spreading to much wider circles. Further, the falls appear again to have been heaviest in those stocks which had recently risen most, and this is in some measure true of gilt-edged as well as of the more speculative industrial equities and overseas securities.

The recession appears to reflect the liquidation of a small speculative open position rather than a general adjustment of values to the possibility of an anti-capitalist programme. Nonetheless, members of the "House" are much less certain than they were of the success of the Conservative Party at the coming election. While speculators are reducing their open positions, it is not to be supposed that they are, necessarily, retiring from business until the outlook is clearer. From time to time there will almost certainly be movements in groups of securities based on political factors rather than on earning power: that is one of the inevitable concomitants of political uncertainty. But there is no reason to assume that these movements will invariably be downwards. As has been said before, there are few things which are as bad for stock market turnover and prices as preparation for a general election, and it is possible that, in this particular instance, the effects will be more marked than usual. The fall is not finished, but it may be expected that the pressure of cheap and plentiful money will play some part even in the few weeks between now and the issue of the election results on July 26th or 27th.

Inflation Danger in France

The policy of wages and price stabilisation laid down on behalf of the Provisional French Government by the Minister of National Economy and Finance, M. René Plevin, in his Budget Speech on March 29th and, more specifically in a broadcast address on April 21st, is being severely tested. The trade unions have been pressing hard for a fresh increase in wage rates in discussions with the Minister of National Economy and Finance and with the Minister of Labour. On Wednesday it was reported from Paris that the French Cabinet had categorically refused to authorise further increases in wages and prices. For the moment, therefore, the dam holds; but can it be held indefinitely?

Before calling a halt to the advance in wages and official prices, the Government made an attempt at restoring a measure of equilibrium in their relationship. The original increase in wages rates was granted last September, but, owing to the administrative difficulties at that time, it was applied unevenly; the hourly rate of an unskilled worker in Paris was then raised from Frs. 10 to Frs. 15, with corresponding but not proportionate advances for skilled workers. Inevitably and equitably, this advance led to a parallel increase in the pay of civil servants. The uneven application of the September increase in wages necessitated a levelling-up adjustment made in April; the basic rate of an unskilled Paris worker was then raised to Frs. 20 an hour. (At the present rate of exchange this is equivalent to 2s. an hour, against a London rate of about 1s. 9d.) A month ago, the Government decided to permit an upward adjustment in the prices of industrial products—these had hitherto remained unchanged in spite of higher costs—and in those of certain agricultural products as a means of restoring the incentive to production. This completed the levelling-up process necessitated by the original wages increase last September. The decision to permit an upward adjustment in prices and the withdrawal of food subsidies in April meant, of course, that wage-earners are now no better off than they were before. Hence the pressure for yet a further advance in wage rates.

Its Causes

The real cause of this inflationary trend, as has so often been said, is the shortage of food and other consumer goods. And the real cure, in other words, is an increase in the supply of goods. At present, the standard of nutrition in the towns is deplorably low. Before the war France was virtually self-sufficient in food, but last year's harvest was only two-thirds of the pre-war average, and this year's may be still smaller. If available supplies could be distributed equally, the daily calories per head of the population would be about 2,000, that is to say nearly a third less than in this country. But they are not evenly distributed. French farmers, like those in other countries, continue to eat reasonably well in conditions of scarcity; this diminishes *pro tanto* the supplies available to town-dwellers. With rations providing for barely 1,500 calories a day, that is about half the British rations—and even these are not regularly available—the craving for food is such that people are willing to pay almost any price for additional supplies and thus encourage a profitable black market. Other consumer goods are equally short, for, as is shown in an article on page 703, French industry is paralysed.

Against this background of misery the insistent demand for higher wages can be easily understood. A worker who cannot buy sufficient food inevitably tends to attribute his difficulties to lack of money, especially if there is a flourishing black market. And trade union leaders naturally find it difficult to resist collective pressure. Yet further concessions would certainly breach the dam and herald a sharp inflation, which would still further impoverish the poor and aggravate the already serious social unrest. No financial prescriptions can bring a cure in present conditions. More energetic direct measures will be necessary to ensure a more equitable distribution of supplies, though in any comparison with this country it should be remembered that the success of the British rationing system rests in no small measure on the facts that the rations of food and clothing are well above the hardship level and that the coupons are honoured with regularity. More energetic measures will be necessary to speed up production. And everything that can possibly be spared by more fortunate nations should be sent not only to France, but to all the liberated countries.

ICI Review

On Thursday, Lord McGowan took the opportunity afforded by the lifting of the black-out to give shareholders of ICI a review of that institution's contributions to the war effort. It is an impressive list and should be read, if only that it may be known to what extent the ramifications of ICI extend into almost every section of British industry. But the future is more important than the past, and it is perhaps a pity that Lord McGowan's comments on what the group intends to do were mainly general rather than specific. Taken by and large, the products of ICI are the materials of other forms of industry, and this means that, although the proportions in which the plants will be required in time of peace may be different, there will in many cases be no conversion problem. But there will be new factories to be built and equipped and old ones to be modernised. The group apparently contemplates the outlay of some millions for these purposes. The speed with which this will be done must depend on the extent of the release of men and materials for the purpose. On this point a reminder is voiced that the USA is far better placed than this country to put post-war trade plans into operation and that a market, once lost, may take years to recover.

The second point taken up by Lord McGowan is the coal position. At present ICI's coal bill is £4 million a year above that of 1939, and it is difficult to get the necessary supplies even at the higher price, while the outlook seems to promise a deterioration rather than improvement. The argument that something must be done with all speed is too familiar to call for repetition.

Many people will learn with some envy that ICI war-time costs have included making-up—in part only to women and single men—all Forces pay of employees to the level of peace-time wages and salaries, including increases in pay which they would have received had they been working for the group. There are plans for improving still further conditions and stability of employment; but, very properly, these have to go hand-in-hand with a thorough overhaul and re-equipment of factories.

G.E.C. In war or peace—at the service of the Empire



G.E.C. electrical equipment — motors, control gear, etc. — for trolley buses is serving public transport undertakings in many parts of the world, and confidence in its reliability is justified by long and dependable service under all sorts of conditions.

During the war the vast technical and manufacturing resources of the G.E.C. — the largest British electrical manufacturing organisation in the Empire — have been concentrated on the war effort. The Company's plant and apparatus are faithfully serving the United Nations on all fronts, and not least on the Home front where British industry has developed and maintained the greatest production effort in history.

Under the impetus of war the Company has made remarkable technical advances in all applications of electricity, including the important one of electronics, which will be of immense value to all concerned with carrying out electrification schemes for reconstruction or development in all parts of the world.

Electrification Schemes

G.E.C. Electrification Schemes have been applied to all industries, including: Aircraft Factories; Chemical Works; Collieries; Food Factories; Gold Mines; Iron, Steel and Copper Works; Motor Car Works; Oil Refineries; Ships and Shipyards; Textile Mills, etc.

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Finally, Lord McGowan comes to the question of free enterprise and state control. He points to the fact that America is committed to the former, and asks what will happen if, when it comes to a question of spending money, the decision is to be made on the merits of each case not by those with long and intimate acquaintance with the trade concerned, but by the Treasury. His answer is that it would inevitably lower efficiency and ultimately lead to stagnation and paralysis. On the daily talk of nationalisation he quotes at length the plea of *The Economist* for more precision as to what is meant. But he fails to quote *The Economist* when he turns to the question of combines and cartels. He concludes with a statement that neither at home nor abroad has ICI engaged in what is called restraint of trade, and continues:

We have always believed in high productivity which carries with it low selling prices. . . . Moreover, we live in harmony with others who produce articles similar to our own, and do not seek to eliminate the small man.

Problems of Deconcentration

In an article in the April issue of the *Journal of the Institute of Bankers* Professor G. C. Allen draws attention to some awkward problems likely to arise in the process of industrial deconcentration. His special knowledge of this subject is derived from the fact that he was intimately concerned with the concentration of industry at the Board of Trade. In part the difficulties of deconcentration are the difficulties of reconversion; but the issue is complicated by the specific undertaking given by the Government that firms closed by concentration schemes would be assisted to return to production. It is in the fulfilment of this promise that awkward problems may arise.

Professor Allen quotes two examples. First, there is the problem of synchronisation in the re-opening of closed factories. In equity the closed firms in given industries should be allowed to resume production simultaneously; indeed, it appears to have been decided that all cotton mills closed by concentration shall be given permission to restart at a date that is to be announced. The effect of this

decision, which is in fulfilment of the Government's promise, will be to create a situation in which a large number of mills are running well below capacity, at least for a period, and, hence, uneconomically. Secondly, there may be a conflict between short-term and long-term aims. In the jute industry, for example, many mills have been converted to other forms of production during the war. Since the long-term prospects of the industry are not very bright because of Indian competition, and as employment in the district of Dundee depends in no small measure on jute, it would seem desirable to retain some of the new industries that have occupied the mills during the war. But jute manufacturers whose mills have been closed will presumably wish to share in the buoyant trade that may well exist immediately after the war. They, too, would have justice on their side.

It may be argued—and with some force—that the national resources will have to be used to the best advantage and as economically as possible. During the period of transition, in particular, the shortage of homes, clothing and the rest will be such that wasteful use of resources cannot be permitted. The problem of deconcentration will have to be faced in the context of the national interest. While some discrimination may be unavoidable, it should be possible to find a solution for each of the various concentrated industries that fulfils the Government's promise so far as this is possible within the context of the national interest.

Post-war Financial Controls

The substantial omission of the Defence (Finance) Regulations from the scope of the Supplies and Services (Transitional Powers) Bill, the objects of which were surveyed in *The Economist* last week, has given rise to some interested speculation in financial circles. The only Finance Regulation embraced by the new Bill is the quite formal DR 7AA, which extends to four years the time-limit (imposed by the 1928 Act) on the Treasury's authority to permit an increase in the fiduciary issue. But only in a mood of post-VE abandon could anyone in the City have seriously supposed that this minor inclusion signified that, in the official view, the major financial controls were of less importance than those more general controls that can be prolonged or transformed under the new Bill. The City has never taken kindly to restriction, but it well understands that, in the sphere of foreign exchange at least, it cannot look for any early relief. Hence it has reflected that the Supplies and Services Bill is directed towards transitional needs, and is limited to two years, and has concluded that in the financial sphere some more enduring structure is contemplated.

There is no doubt that this deduction is sound. Indeed, it is believed that legislation to put the financial controls on a new basis, and possibly also to codify into regular statutory form some at least of the many Statutory Rules and Orders, is already in draft. The need for continued financial controls should not be used as an excuse for retraining from an early and thorough combing-out process. There must be many minor restrictions that could now be dropped without loss of effective control. So far, only three provisions of the Defence (Finance) Regulations have been revoked. The first of these, DR 6A, which prohibited the transfer of businesses, or control of them, abroad (except with the consent of the Treasury) is of some significance. But it is noteworthy that the second revocation is, in fact, a withdrawal not of a restriction but of an emergency concession. The Scottish and Northern Ireland banks, under DR 7A, were permitted to keep the coin and Bank of England notes, which back their own note issues, at as many of their offices as the Treasury approved. This was an obvious emergency measure, but it also had the effect of affording for the banks a certain economy of cash, since till money carried at branches that formerly were not "reserve" offices could be counted as part of the note cover. Now that the regulation is revoked, these banks must again hold their note reserves at not more than two offices. This is a small point, but the promptness with which the authorities have withdrawn a concession and yet have delayed possible relaxations is hardly a promising augury. Certainly it is to be hoped that the Government will be distinctly more generous in dealing with the control of capital issues.

Currency Troubles in Burma

Reports from Rangoon this week have revealed that the recent proclamation by the British military authorities, whereby they refuse to recognise the Japanese occupation currency, is causing serious trouble in Burma. Precise information about the situation that confronted the authorities is still not available on this side, but there is no doubt that they were faced with a very awkward problem. The Japanese, it appears, have stripped the country of supplies of all kinds, both for maintenance of their troops and for export, and payment has been made in special Japanese notes. Given this facile means of payment, the Japs have not been very particular about the prices paid. The result has been a huge creation of paper, the amount of which is still quite uncertain, but some estimates put it as high as 3 billion rupees. The pre-war circulation, comprising Indian and Burmese notes totalling some 200 million rupees, disappeared immediately after the Japanese occupation, most of it into private hoards, which may now amount to rather more than half the original issue. These hoarded notes are now beginning to reappear, still further increasing the inflation potential.

If these figures are even approximately reliable, it is clear that recognition of the Japanese issues except at a fraction of their nominal value would have precipitated an uncontrollable inflation as soon as there were any goods to buy. The authorities had in any case to take drastic measures, and if the practicable conversion ratio would have had to be anything approaching the 100 to 1 that has been suggested, the difference between "recognition" and repudiation was not substantial. Such a ratio as this, however, hardly squares with provisional estimates of the circulations, and until more is known about the extent both of existing issues and of the future issues of BMA currency, it would be premature to conclude that the BMA decision has been needlessly harsh.

The authorities seem to have been influenced partly by the fear that any recognition might provide opportunities for fresh infiltration of Japanese notes, and partly by the view that, whereas the peasant population probably had only negligible holdings, the really large holdings would tend to be in the hands of those who had collaborated most freely with the enemy. This view finds some support in reports from up-country districts to the effect that the Burmese, generally speaking, had always assumed that the Jap money would be repudiated. Meanwhile, it is understood that every effort is being made to soften the impact of the decree by the distribution of relief supplies. Indeed, it appears that the officers concerned have discretionary authority to accept Japanese notes in payment in necessitous cases in which it appears that public morale would be better sustained by this course than by free distribution. The rate to be applied to Japanese notes for this purpose would certainly be very much less drastic than the 100 to 1 ratio suggested from Rangoon.

If judgment must be deferred on the general merits of the case, it does, however, seem that more vigour and imagination might have been shown in publicising the decree. Speculators from the towns are reported to be unloading Jap notes, for any supplies that can be bought, in remote districts still ignorant of the decree. Such activities may yet create an ugly situation unless the strongest measures are speedily taken to bring the delinquents to book. Perhaps the urgent military need for local supplies is in itself a sufficient assurance that there will be no diffidence about requisitioning—or even confiscating—goods thus acquired. But the next time this general problem arises, the British might well take a leaf from the book of the Americans, who, it is said, found in the Philippines large quantities of unissued Jap notes, printed repudiation notices on them, and then broadcast the whole supply by aircraft.

Sugar Supply Difficulties

The Minister of Food has announced that, although there will be no Christmas half-pound sugar bonus, in other respects the British sugar ration will remain unchanged for the rest of the year. Should the supply fall short of expectations, it is proposed that in this country the deficit should be met by cutting manufacturers' allocations.

During the past three years the international sugar supply position has been strained, and prevailing difficulties have

increased with the liberation of Europe. Java, a former sugar surplus area, is in Japanese occupation; while shortage of labour and shipping, combined with the strict price control practised by the United Nations, has adversely affected production in certain other regions, particularly Cuba, whose export surplus is in normal times the largest in the world. On the other hand, wartime demand for sugar has increased, especially for industrial purposes, such as the manufacture of industrial alcohol; and stocks have been heavily drawn upon for some years past. The Special Committee appointed by the United States' House of Representatives to investigate food shortages has recently reported that international withdrawals from sugar stocks totalled 1 million tons in 1943, not less than 1.4 million tons in 1944, and may reach another million tons in 1945. If by the beginning of 1946 reserves were exhausted, world consumption next year would have to be met from current production.

This year the Combined Food Board's sugar pool will have some 12 million tons of sugar at its disposal—about 2 million tons less than last year; of this total 10,640,000 tons have already been allocated; 6,274,000 tons to the US; 1,962,000 to the UK; 448,000 to Canada; and the balance of 1,956,000 tons has been earmarked for other claimants, including the liberated areas, European neutrals, Russia, and the Near and Middle East. Of this balance roughly half is available for the liberated areas.

The present main task is to ensure a bumper sugar crop for next season. The US House of Representatives' Special Food Committee has proposed that, in order to assist the European beet crop, the best US surplus beet seed should be made available to Europe; and further, that negotiations for the purchase of the next Cuban and Puerto Rican sugar crops should be immediately opened, in order that producers in these areas may be able to plan their crops on the basis of definite contracts. If, in addition, natural conditions should be such as to favour an abundant sugar harvest, there is reason to hope for a happy issue out of a position which contains many elements of serious world shortage.

Clothing Ration

In the first few days after the German surrender there was a good deal of welcome news in the shape of relaxation of restrictions, restorations of the petrol ration and so on, but this week has been notable for the announcement of cuts in the food ration and the confirmation of the cut in the clothing ration for the current period. When the current allocation of coupons was made available on February 1st, the President of the Board of Trade made no bones about the possibility that 24 coupons would have to last for seven months instead of six. He has now confirmed this, and no more coupons will be available, except for children (who get theirs on August 1st) until September 1st.

The new clothing book, which is shortly to be distributed with the food ration book, contains provision for an issue of at least 60 coupons. It must be remembered that it was probably planned some considerable time ago, when it was not foreseen, somewhat inexplicably, that clothing production would not keep up with consumption and that stocks would fall to the extent they have. That, however, is by the way. The only things certain about the new issue are that it will consist of not more than 24 coupons, and that

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COMPANY MEETINGS

SUN INSURANCE COMPANY,
LIMITEDMR. W. M. PRYOR'S REVIEW OF
235th YEAR'S OPERATIONS

The annual general meeting of the office will be held on the 29th instant, when the business will be limited to the usual formal resolutions. In conjunction with the publication of the report and accounts, the chairman has issued a statement concerning the year's operations.

This opens with a reference to two grievous losses suffered by the board through the deaths of Lord Herbert Scott and Lord Essendon in June, 1944. Both had rendered eminent service to the office and their wise counsels will be greatly missed. The untimely death of Commander Sir Charles Craven, Bt., appointed a director last September, is also reported.

FIRE AND ACCIDENT EXPANSION

Following the advance in both fire and accident premium income in 1943, there was again a substantial increase in 1944. The premium income in each of these sections stands at a higher level than ever before and, notwithstanding the loss of income sustained by reason of the occupation by the enemy of territories in which the office formerly operated, premiums from fire (£2,904,053) and accident (£2,247,379) business in 1944 exceeded by over £1,000,000 the corresponding figure for the last pre-war year. In the marine section a reduction in rates, due to improved war conditions, brought with it a further fall in premium income.

The fire claims experience was very satisfactory at home and in the majority of countries abroad and there was a further decline in the expense ratio. The percentage of profit was slightly less than in 1943, being 11.33 per cent., compared with 11.61 per cent.

Accident premium income was £260,521 higher than in the preceding year. The claims experience was not so good, the profits earned amounting to 5.95 per cent. of the increased premium income. The heavy increase in burglary claims throughout the country had an important bearing upon the results as a whole. Losses of this kind continue to be numerous and costly and, unless the epidemic of burglaries now being experienced is checked, a profit from this class of business in 1945 cannot be expected.

Marine premiums at £846,642 showed a fall of approximately £140,000. While the experience with war risks was satisfactory, the strictly marine side had a somewhat less favourable experience. Nevertheless, the year 1944 is expected to close with a very fair profit after the transfer of £250,000 to profit and loss account, the marine fund stands at £1,686,281, representing almost 200 per cent. of the premiums.

PROFIT AND LOSS ACCOUNT

From the three revenue accounts, transfers amounting to £712,636 have been made. Net interest earnings were £199,042. Provision for British taxation called for £210,000. The sum of £250,000 has been transferred to the general reserve fund, bringing it up to £3,500,000. It is proposed to make grants of £200,000 to the pension fund and £12,500 to the widows' and orphans' fund. The balance of the profit and loss account carried to the balance-sheet is £1,395,232.

An interim dividend of 1s. 6d. per share was paid last January and a final dividend of a like sum has now been declared, making 3s. per share for the full year. The cost of these two dividends amounts to £192,000, which is within the year's interest earnings. The book value of the investments is now £11,229,570, an increase of £828,602 over 1943.

The chairman's statement closes with a tribute to the loyalty and efficiency of the management and staff at home and abroad.

John Summers Results

The preliminary statement of John Summers had already shown a fall of some £80,000 in profit of the company, offset by a drop of that amount in the tax provision. The full accounts reveal that total revenue declined rather less but that there was an increase in the provision for depreciation. The net result is that the directors have maintained the appropriation of £50,000 to war contingencies reserve, but have cut the transfer to general reserve from £160,000 to £150,000, but there is a rather larger addition to the carry-forward than was possible a year ago. In fact the whole position is virtually unchanged. The consolidated balance-sheet shows that additions to fixed plant, less sales, were some £245,000 against depreciation of £364,000. In consequence of this and of the additions to reserves, there is a considerable increase in net liquid assets to £3,345,000 odd before deducting the tax reserve of £537,000, which is designed, presumably, to cover liabilities which do not mature this year.

There is no evidence of any falling off in turnover and, for a concern whose main production is sheets and plates, there seems little reason to anticipate any immediate change in the position. The company has, however, certain sections of plant which are far from being as up-to-date as the continuous strip mill which started operations shortly before the war. Presumably some of its large cash reserves will be used for modernisation. Further, when the third continuous strip mill is in operation it is reasonable to suppose that it will be technically even more efficient than that of John Summers. The existing set-up in the iron and steel industry suggests, however, that competition is not likely to be so intense as to create difficulties, and it will, presumably, be possible for John Summers to effect such modernisation as is necessary. The price of the "A" ordinary units of £1 is some 28s. 9d. ex dividend, giving a yield of very nearly £6 per cent on the dividend of 8½ per cent.

Information, Please

The end of the war in Europe would seem to provide the occasion for a reconsideration of the statistical blackout. True, a wealth of statistics has been released in the White Paper on the British War Effort. The publication of annual export statistics has also been resumed. But surely the time has now come when further statistics might be made available, and when some of the pre-war series might again be released at regular intervals. In particular, the publication of monthly production figures might now be resumed for commodities, such as coal, pig iron and steel ingots. Similarly, in view of the need to expand exports, it would seem to be desirable to resume the publication of trade returns at monthly intervals, at least in summarised form. Without these indices informed discussion remains difficult. There may be reasons for further delay in lifting additional covers of the statistical blackout. But only good ones can now justify delay.

Shorter Note

Marks and Spencer 5s. "A" ordinary, which have recently stood as high as 72s. 9d., have lost only some 2s. in the recent fall. On Wednesday the board announced an increase in the total distribution from 35 to 40 per cent, the best wartime figure, and a rise in profits, before tax and depreciation, from £1,940,021 to £2,331,169. This seems to be the best since 1940-41. So far as can be told from the preliminary statement, the amount earned on the ordinary rose on the year from 61.9 to 67.4 per cent, while the yield is around £2 17s. per cent.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so immediately upon receipt of a renewal notice. If they fail to do so, their subscriptions will be automatically cancelled on the date of expiry, and this may mean a gap of many months before the despatch of copies can be resumed.

it will be available on September 1st. No indication is given of how long it will have to last. It would be unreasonable to suppose (as even Mr Dalton hints) that clothing production will not be stepped up during the next twelve months. What is not certain is whether the increase can be fast enough to keep up with demand and to replenish stocks in wholesalers' hands and in the shops. It is certain that to maintain the clothing ration in face of even further reductions in the quantity of clothing available would make a mockery of the smooth working of the rationing system.

Labour is slowly and gradually returning to the making-up industries, but the increase in the labour force is likely to make even more evident the real bottle-neck—spinning and weaving, particularly the former, and particularly in the cotton industry. Mr Dalton's speech to the Labour Party conference last Tuesday, when he declared that the cotton industry was a most serious problem and that when he was "unmuzzled" he would express his own views on the subject, makes intriguing reading.

Alberta Agreement

The terms of the agreement between the Province of Alberta and its bondholders, so far as available here, appear to be a great advance upon any previous offer, but there is, as usual, no special reference to the bonds of the London issue. Until details are available no comment can be made regarding them. There are, however, two points of interest arising from the information so far available. One concerns the change of attitude of the Province, which has now accepted assistance from the Dominion Government. It is understood that the additional burden of implementing the new agreement will be borne by the Dominion, but it is not clear how far this carries any limitation of the freedom of the Province. The contrast between the credit standing of the Dominion and that of many of the provinces suggests that a greater measure of central control and responsibility might be desirable. The second point is the reported decision of the Alberta authorities to ban dealings in the stocks forming the subject of the agreement. Actually, only one stock is now dealt in in London, and no ban by Alberta can affect business in London. If, however, the Province were to refuse transfer of any registered stock dealt in here, that would constitute an interference with the rights of holders which ought to be strenuously resisted. Things have come to a pretty pass if the borrower, in addition to defaulting, is to depress still further the value of the lenders' security by depriving a would-be buyer of any reward for holding the security during a part of the period of default. Is that perhaps the intention? That is what is, apparently, intended.

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IMPERIAL CHEMICAL INDUSTRIES,
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GREAT WAR RECORD

The eighteenth ordinary general meeting of The Imperial Chemical Industries, Limited, was held at Grosvenor House, Park Lane, W., on the 24th instant, the chairman, the Rt. Hon. Lord McGowan, K.B.E., D.C.L., LL.D., presiding.

The chairman, in the course of his speech, said: Now that the war with Germany is ended, I owe it to all who have part or lot in our great enterprise to give some account of our contribution to the national effort. It is a record which is certainly unexcelled and probably unequalled. For more than six years I.C.I., like all concerns directly and deeply involved in the national war effort, has had to keep strict silence on their doings. In this we had no option, but our enforced silence has unfortunately left the stage clear to the critics and detractors who are ready to seize any and every opportunity to attack what is popularly known as "big business." They single out I.C.I. for most reckless attacks, partly because of its size, but mainly perhaps because they recognise I.C.I. to be one of the most efficient and successful examples of that system of free enterprise which they wish to overthrow. I make this statement without fear of contradiction, that had your company not been in existence, organised and directed as it was, the whole ability of Britain to prosecute the war would have been gravely, if not fatally, impaired.

Nitrogen is the basis of both fertilisers and explosives, and naturally in war-time the demand for them rises to dizzy heights. Bread is as necessary as bombs, and we are proud that throughout the war we were able to meet the needs of the farmer and the filling factories alike. Since 1939 almost 400,000 tons of explosives have been made in these factories, besides hundreds of millions of detonators, fuses and other accessories, including the filling for over 90 million incendiary bombs.

INVALUABLE RESEARCH AND EXPERIMENT

Not that we were content to remain producers only. Throughout the war our explosives division rendered invaluable service in the realms of research, experiment and development. Literally hundreds of new devices were tried and many put into successful operation.

New S.A.A. factories, together with the I.C.I. plant at Witton, produced a substantial percentage of the country's ammunition requirements. By the end of 1944 they had turned out over 3,500 million rounds. All forms of metal, whether rolled, extruded rods or rubs, registered large increases. Rolled metal and extruded rods were products which increased particularly, the former being in great demand for cartridge cases, for quick-firing gun ammunition and for S.A. ammunition, and the latter for fuses and other components of shells and bombs. Non-ferrous tubes of all kinds were also of great importance, and condenser tubes in particular were vital to our shipbuilding programme, both Royal Navy and Mercantile Marine.

In the air our contribution was as important as on land or at sea. We played an important part in the supply of fabricated sheet metal components such as radiators, oil coolers and fuel tanks, as well as of many special items of equipment, including hydraulic landing gear. Plastic materials, of course, were specially needed for war in the air. Our product "Perspex"—which I would remind you is also our invention—is almost universally used as a non-splintering, glazing material for British aircraft.

An outstanding I.C.I. achievement in the field of plastics was the discovery and development of polythene or polymerised ethylene. Without polythene, Radar could never have been developed so rapidly or so efficiently.

Penicillin, that wonderful discovery by Sir Alexander Fleming, is now a house-

hold word, and is too well-known to need description. I need hardly tell you that in the treatment of battle wounds it has had revolutionary results and has saved thousands of valuable lives. In its production I.C.I. has from the outset played an important part.

Our part in the development of petrol production in Great Britain has been told so often that I need not repeat it. I must, however, put on record that the knowledge and experience we had gained in the great plant we had had for four years in operation at Billingham were the foundations on which was built a successful home production of the highest grade aviation spirit in Britain.

By no means the least satisfying feature of our war-time records is the virtually complete freedom from labour disputes, even of the most minor character. This freedom is the more remarkable when it is remembered that the employees who have been brought up in the traditions of the company have been heavily diluted by new entrants in many cases from distant parts of the country, who know nothing about I.C.I., or the aims and objects for which it exists. I hope you will agree it affords an indication both that our workpeople are not dissatisfied with the conditions under which they work, and at the same time of the harmonious relations which exist between I.C.I. and the trade unions, those other outstanding examples of large-scale industrial organisation. Indeed I feel I should take this opportunity of putting on record our appreciation of the co-operation we have throughout the war received from those responsible for the control and direction of the unions with which we are concerned.

THE TRANSITION STAGE

The switch-over from war to peace production is naturally uppermost in the minds of most people today. I am glad to be able to assure you that the process will involve little delay as far as I.C.I. is concerned. Although we have necessarily had greatly to extend our plants which have been making products of direct war-time use, the majority of our works have played their part by continuing their normal peacetime production without which, as I have noted, the other industries of the country and agriculture would have been short of essential raw materials.

We are continually being told by responsible Ministers that Britain must export more and more if we are to import the necessities of everyday life, let alone meet the increased bill for social services. But how can we do this in a volume and at prices which other countries will pay if we are uncertain first of our supplies of coal and secondly of the price at which we can buy them? I may tell you that I.C.I.'s coal bill to-day is £4,000,000 a year higher than it was in 1939, and we are disturbed at the prospects of being unable to obtain adequate supplies even at the increased price.

FREE ENTERPRISE OR STATE CONTROL

I.C.I.'s war-time achievements are the result of the system of free enterprise. In certain quarters there is a disposition to consider that free enterprise has had its day and should now retire in favour of some form, which has never been clearly defined, of State control. In my view, the suggestion that free enterprise has had its day is certainly wholly incorrect. We have always believed in high productivity which carries with it low selling prices—a policy which has been much appreciated by our many customers. Moreover, we live in harmony with others who produce articles similar to our own, and we do not seek to eliminate the small man. In our national, as in our international arrangements, I.C.I. has nothing to hide, nothing for which to apologise and nothing of which to be ashamed. On the contrary, it has a great deal of which to be very proud. The report was adopted.

ALLIANCE ASSURANCE COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

The annual general Court of the Alliance Assurance Company, Limited, will be held at the offices of the company on the 23rd instant.

The following are extracts from the review by the chairman (Mr R. D. Trotter) circulated with the report:—

In the life department the net new business completed shows a slight increase over that of the previous year, the comparative figures being £1,210,839 in 1943 and £1,399,439 in 1944, which, I hope, foreshadows that our prospects in this department are becoming brighter.

The claims by death in the year under review were a good deal higher than for the previous year, standing at £746,157, of which £160,098 represented war claims. In 1943 the total claims by death amounted to £701,082, £91,969 being the amount paid out in war claims. The total amount paid out in war claims now amounts to £468,557. At the close of the year the "Alliance" life and annuity funds amounted to £23,415,196.

FIRE DEPARTMENT

Turning to the fire department accounts, I have pleasure in reporting an increased net premium income amounting to £2,557,803, which is the first occasion in the history of the company that we have exceeded the two and a half million mark. This is due in large measure to the enhanced value of buildings and commodities.

The claims and contributions to fire brigades were higher than in the previous year, amounting to £775,953, as compared with £683,255 in 1943. After adjusting reserves for unexpired risks, the sum of £564,459 has been carried to profit and loss account. Our overseas business continues to increase in volume and shows a satisfactory profit.

The accident department shows further satisfactory expansion, the net premium income at £1,315,191 showing an increase of £71,633 over the figures for 1943. After the necessary adjustments of the reserves for unexpired risks, a surplus of £291,091 is disclosed, which has been carried to profit and loss account.

The marine department results have turned out better than one might expect. The net premium income for the year under review amounts to £1,045,744, an increase of £18,182 over the previous year's figure.

The underwriting account for 1942 shows a balance of £50,983 after maintaining the reserve fund for previous years at £425,000, and this amount has been carried to profit and loss account.

The Trustee department continues to expand, and it is hoped that our many friends will make use of this department by appointing the company as their trustees and/or executors.

INVESTMENTS

Turning now to our investments, the Stock Exchange securities (all funds) once more appreciated in value. We have fully given effect to the Government's expressed wish and have invested a further sum of £1,720,000 in Government War Loans during the year.

The following appropriations have been made from the profit and loss account: £50,000 to reserve for contingencies arising out of the war, bringing this reserve up to £300,000; £75,000 to writing down of premises; and £50,000 to the staff pension fund, and we have increased our contribution to the widows' and orphans' fund by £25,000.

This year marks the centenary of our associated office, the Law Fire Insurance Society, Limited, and we offer our congratulations to the board and management on the successful progress its history discloses. In 1907, when we acquired the stock of that society, the premium income was £160,000 and the profit was £71,313. At the close of its financial year 1944, the premium income was £345,000 and the profit £114,355.

STEWARTS AND LLOYDS, LIMITED

VAST WAR OUTPUT

SIR ALLAN MACDIARMID'S REVIEW

The annual general meeting of Stewarts and Lloyds Limited was held on the 17th instant at Glasgow.

Sir Allan Macdiarmid, the chairman, said: My first duty on this occasion is to deal with the directors' report and the accounts of the company for the year 1944, which are in your hands. Thereafter, I should like to give you an indication of the contribution which your company has made and is still making to the war effort.

E.P.T. POSITION

While the excess profits tax provisions remain as they are it is not possible, nor would it serve any useful purpose, to analyse and discuss the figures in the balance sheet and profit and loss account in the manner which was customary before the war. This, coupled with the complications arising out of the arrangements made by the Government during the war within the iron and steel industry, which involve the sharing generally by the whole industry of certain particular war burdens and to some extent the pooling of profits, renders it impracticable to discuss as in normal times the trading position of the Company, and makes the figure shown in the profit and loss account as trading profit largely arbitrary and artificial. That figure is, and must be, almost entirely controlled by the ceiling of the company's standard profits arrived at under the rules of the excess profits tax legislation.

In this respect your company has been unfortunate. Our standard profit for E.P.T. purposes is based on the average of the years 1936 and 1937. Both these years were seriously affected by the costly struggle which we had to wage for two years in the markets of the world against the deliberate and insensate competition of German producers, when they were selling at prices which bore no relation to their costs of production. Further, in neither of these years had anything more than the most partial benefits been derived from the comprehensive scheme which culminated in the building of Corby at a cost of some £8,000,000, and the Capital cost involved in scrapping some £3,000,000 of plant rendered redundant.

STRONG AND HEALTHY POSITION

Had we been permitted to include the year 1938 in our average, up to the end of which year the profits of the company were not in any measurable degree affected by Government contracts or work on armaments or munitions, we calculate that we should have additional cash reserves in our treasury to-day amounting, after income tax had been paid, to some £1,250,000.

I am not explaining these matters to you in any spirit of complaint or with any idea of seeking redress. Our case was fully explained to the authorities at the appropriate time.

My main purpose, apart from the fact that I think the shareholders have a right to such an explanation as I have given, and which I have refrained from referring to until now, is to lead on to the remarks I wish to make in regard to our plans for post-war development. I shall deal with these later, but, in the meantime, I may point out that it is obvious from my explanation that in our case the E.P. tax has removed, in an especial degree, necessary working capital and reserves essential to provide for obsolescence and development.

I do not think there is much more I need say in regard to the report and accounts. You will observe that out of the net profit for the year your directors propose to appropriate £500,000 to reserve for obsolescence, to pay a dividend on the deferred stock at the rate of 12½ per cent. and increase the carry forward by £63,839.

WAR-TIME ACTIVITIES

Proceeding to review the company's war-time activities, he said that as concerned the switch-over from peace to war and from war to peace the company was fortunate in that nearly all their products were equally essential for either purpose. There were few purposes for which tubes, pipes and castings were not required. It was that which made it difficult to describe the contribution of their ordinary peace-time production to the war effort because that had consisted more in the adaptation of tubes for war purposes than in the production of new articles.

For instance, over 15,000 miles of tubes had been supplied to the Admiralty for boom defence purposes; over 1,000 miles of fire-fighting water-mains for the principal towns; 1,200 miles of oil pipe-line for transportation of petrol from tankers to storage depots and airfields. The British Army had required large quantities and so had the oil companies. The demands of the shipyards had been very large, especially for marine boiler tubes, deck pipes and steam pipes. Boiler tubes had been supplied for locomotives, power stations and war factories, and tubes had been used in the production of projectiles, shells, bombs, other munitions and projectors. Over 10,000,000 tubular units had been supplied for those purposes.

50,000,000 SHELL FORGINGS

Probably the most spectacular matter to which he could refer was their contribution to the production of shell forgings. The total number of plants installed and operated was 23; a further 30 built to the company's design had been operated by other firms, at Royal Ordnance factories and overseas. The grand total produced in the works operated by the company up to the end of 1944 had reached a figure of 50,000,000; over 8,000,000 had been machined and 8,000,000 armour-piercing shot had been machined from the solid bar. The company had undertaken the manufacture of many other weapons of war, reaching a total of 14,000,000 pieces by the end of 1944.

The Stanton Company's principal single item had been aerial bombs, some 550,000 having been produced by the end of 1944; 2,000,000 castings had been produced for general munitions and Stanton had also undertaken the machining of gun barrels, torpedoes, tank components and other important war stores.

LEEWAY TO MAKE UP

Practically none of the expenditure and developments undertaken during the war for war purposes would be of value in their peace-time business. It had been impossible to keep abreast of technical developments in other countries. They had leeway to make up and anticipated large developments, quantitatively and qualitatively, in certain sections. That meant that if they were to maintain their pre-war position in the front rank of the tube makers of the world they must spend large sums of money on deferred repairs, alterations to plant and new developments.

The board had already approved a large amount of capital expenditure and had come to a provisional arrangement with their bankers to borrow up to a certain amount with the intention of funding at a later date. The future was likely to be a period of almost unlimited demand for home consumption and export. So long as commodities and necessities were in short supply, some form of control and rationing was necessary, but they should be dissolving bodies and their dissolution should take place at the moment when there was no urgent national need for their retention.

The report and accounts were unanimously adopted.

LONDON BRICK COMPANY, LIMITED

DIFFICULT CONDITIONS

The annual general meeting of the London Brick Company Limited was held on the 17th instant in London.

Sir P. Malcolm Stewart, Bt., O.B.E., LL.D., J.P. (the chairman), said that the profit on trading and income from various sources was down by £98,703 at £136,702. To that had been added the sum of £100,000 transferred from general reserve to provide for the cash bonus of 5 per cent. on the ordinary stock. Last year he had stated that conditions influencing 1944 were deteriorating and would adversely affect the trading results. The considerable reduction of profits afforded ample evidence of the accuracy of that forecast.

With regard to the causes which had brought about that state of affairs, three dominating factors had prevailed—the declining and ultimately abnormally low demand, the extreme severity and exceptional application of the transport restrictions on bricks, and the operation of departmental controls which had worked to their disadvantage through the lack of equity in their application, in particular that exercised through the Ministry of Works.

DIFFICULTIES OF ORGANISATION

He had never regarded it as practical to attempt to organise more closely or to regulate the brickmakers of this country as a whole. They worked a vast variety of raw materials, differing widely in character and employing different types of plant and machinery, producing a great number of products selling at different prices. Then there was a multitude of brickmakers, big and small, scattered widely over the country. There was no adequate uniformity or standard of product which would serve successfully as a foundation for corporate action. However, to further that policy and to give the impression that the brick industry was being effectively consulted, the Minister of Works then in office appointed the National Brick Advisory Council. The Fletton brickmakers had representatives on that council, but were a small minority and were voted down on every occasion of import to their interests by competitors, many of whom enjoyed the protection arising from transport restrictions.

They did not grudge them that war-time windfall, but they would fight their efforts to continue in the post-war those conditions which were now crippling the Fletton section, formerly the most efficient of the industry. The fact that they had used much less fuel and employed far less labour per thousand of bricks produced, matters of importance in war-time, had been completely ignored. That transpired at a time when industry was being constantly warned of the vital necessity of conserving both coal and manpower.

THE QUOTA PLAN

The committee on the brick industry was fortunate in having a prominent industrialist as its chairman, Sir Oliver Simmons, M.P. Needless to say he appreciated the value of efficiency and did his best. He inspected their Stewarthly works to acquaint himself with the facts at first hand. He further produced a helpful report which *inter alia* recommended a quota plan for all brick manufacturers. Under that plan there was allocated to the Fletton section 33.18 per cent. of the total. To that their competitors on the committee objected, and it was voluntarily reduced to 31.21 per cent. to secure harmony. Let them examine the figures and see how the plan which the Minister of Works approved should have worked out as far as their company was concerned. For the year 1944 the London Brick Company alone was

entitled under the quota scheme to some 21.18 per cent. of the national brick deliveries, but they only delivered 59 per cent. of the company's share of the demand. The position to the end of March this year was even worse. In the three months they delivered only 52 per cent. of the company's quota, about 24 millions. Pre-war in such a comparative period they would have delivered some 350 millions. It was not only in respect of quantity that they were hit, but by virtual prohibition of deliveries south of the Thames they were arbitrarily limited to deliveries only north of the Thames, and in many cases from rail depots adjacent to the river. So much for the approved quota plan, which had completely failed to give them a fair share of the much diminished national demand.

The first intimation they had obtained of the restriction of rail transport on bricks was from the newspapers to the effect that from December 1st, 1941, no bricks would be accepted for transport by rail to a destination over 75 miles. The effect on their business was to cut off overnight 50 per cent. of their current deliveries and to disrupt completely their organisation. They had lodged a protest with no effect.

They had protested against the raising of selling prices, but the most objectionable feature of the price control had been the fixing of a minimum price as well as a maximum. Their freedom to operate was thus rigidly restricted by minimum selling prices and severe limitation of transport. Road transport restrictions were equally severe.

NEED FOR FREEDOM

The post-war policy for brick-makers should be restoration of freedom for competitive prices, but with the retention of maximum prices so as to protect the consumer against exploitation. It was absolutely essential that minimum prices now operating should be abolished. He could not hold out any hope of improvement in results for the current year, but then should follow two years of building up to a position which should once more absorb their colossal productive capacity provided that freedom to expand was not cramped. The year 1945 should, in fact, represent the lowest ebb of the business if restrictions were not lifted, and thereafter they would have the help of the steadily rising tide of better demand. It must be clearly understood, however, that their progress depended upon the removal of the hampering controls now crippling the business.

THE NEGLECTED CINDERELLA

It was interesting to note that Lord Portal, when Minister of Works, had negotiated with marked success measures to secure such reasonable stability as could be expected in war-time to assist certain sections of industries producing building materials. The Fletton brick industry had throughout been condemned to be the neglected Cinderella, banned by political considerations. He could but hope that the present Minister would fit on her foot the slipper of efficiency and that comfortably cloaked she would be gallantly escorted to the party enjoying freedom and progress.

They were conscious that a far worse fate would have befallen them but for the indomitable fighting spirit of the Forces. They must remember how Providence had protected them through the steadfast bravery of the airmen in the Battle of Britain, through the watch kept by the Royal Navy and by the armies overseas, and all these efforts had been guided by the fortitude and inspiring leadership of the Prime Minister.

The report and accounts were unanimously adopted.

UNITED CANNERS, LIMITED

FAVOURABLE OUTLOOK

The thirteenth ordinary general meeting of United Canners, Limited, will be held on the 31st instant in London.

The following are extracts from statements by the chairman, Mr Joseph B. Dring, circulated to the shareholders:—

In view of the limitations imposed upon the production of canned fruits and vegetables during the war, we have developed other departments of food production, so that in spite of a restricted canning output our sales in 1944 showed a considerable increase on the previous year and our net profit before taxation was increased from £24,165 to £30,134. The board recommend a dividend of 10 per cent., less income tax, which rate your directors feel can easily be maintained, comparing with 7½ per cent. for 1943.

In our balance-sheet you will notice an increase of £5,538 in freehold land and buildings, due to the purchase, under expert advice, of a farm of 200 acres for fruit growing, and we have already commenced planting this farm out with fruit. It is anticipated that in the course of a few years it will become a valuable asset of the company. There is also an increase of £2,288 in plant, machinery, etc., which has been mainly occasioned by the increase in our production of dried peas, for which additional machinery was required.

The capital of the company is being increased to £210,000 by the issue of 280,000 shares of the nominal value of 5s. each at 7s. 6d. a share, as the purchase price of the ordinary share capital of J. and J. Beaulah, Limited, whose shares we are purchasing, took over in 1917 a business established in 1870. They are well-known canners of fruits and vegetables, and, like ourselves, are also largely interested in dried peas. They manufacture other food products as well, of which perhaps the most important is Beaulah's Malted Milk.

J. and J. Beaulah's average profits, before taxation, for the four years ended April 30, 1944, were £35,000 per annum, with an E.P.T. standard of approximately £14,000. Results achieved for the year to April, 1945, should show a profit in excess of £30,000.

SERVICE CONTRACTS WITHOUT PROFITS

During the war our canneries have been chiefly engaged in supplying Service requirements. Our contracts with the War Office and the Admiralty have included canned peas, beans in tomato sauce, canned potatoes, runner beans, carrots, turnips, and spinach, as well as canned fruits.

As an expression of patriotism during the European war the Services have been supplied without profit, and sometimes at a loss. Your board do not feel, however, that this should now continue.

Only very limited supplies of canned peas have been available for the British public, due to the acute shortage of labour, which will now be alleviated by the victorious end of the war in Europe.

SALES EXPANSION PREDICTED

It seems clear that at the end of the European war the canning industry of Great Britain stands on the threshold of great developments. We are looking forward to an enormous expansion in our sales of Benedict peas, on which we have spent upwards of £100,000 in obtaining national distribution and which are now well and favourably known throughout Great Britain. We have provided for all possible requirements of our canneries by growing 15,000 acres of peas this year, and J. and J. Beaulah, Limited, are also growing a large acreage. The combined companies will be probably the largest growers of peas in Great Britain.

In regard to our prospects for the future, your company, after this merger, will occupy a leading position among British canners. Even while canning was severely restricted the combined companies have been able to earn £60,000-£70,000 a year; by working only one day a week they could earn their combined E.P.T. standard, which is approximately £29,000, or 13½ per cent. on the increased capital of £210,000.

CENTRAL MINING AND INVESTMENT CORPORATION LIMITED

STRONG POSITION

SIR R. SOTHERN HOLLAND'S STATEMENT

The fortieth ordinary general meeting of the Central Mining and Investment Corporation, Limited, will be held, on the 12th proximo, in London.

The following are extracts from the statement by the chairman (Sir R. Sothern Holland, Bt.), circulated with the report and accounts:—

The net profit for the year amounts to £847,761. Our dividend income was lower and profits realised on the sales of shares were also less but, on the other hand, our revenue benefited by the payment during the year of arrears of debenture interest by the Anglo-Spanish Construction Company, Limited. An allocation of £50,000 has been made to contingencies reserve and the profits have been charged with the amounts necessary to provide for the writing down of the book values of certain of our stocks. Compared with last year, the net profit is less by £190,003.

THE DIVIDEND

The directors propose the payment of a final dividend of 8s. per share with a bonus of 4s. per share, making a total distribution for the year of 16s. per share and the allocation of £200,000 to the three reserves shown in the appropriation account. Provision for taxation calls for £250,000. The book value of our portfolio shows little change at £5,077,370. The reduction under the heading of gold mining is accounted for in the main by the writing down of book values, while under the heading of oil, coal and base metals the increase to £1,577,827 results from additions to our holding of oil shares. The balance-sheet shows a strong, liquid position, which I am sure the shareholders will contemplate with satisfaction.

GOLD MINING RESULTS

The results of the gold mining industry of the Witwatersrand in the year 1944, are summarised in the directors' report, and as you will see they continue to show a contraction in the scale of operations, attributable in the main to the shortage of native labour and materials. The decrease in tonnage milled, together with a further

rise in working costs, resulted in a marked falling off in working profits and dividend distributions.

In the Orange Free State, the presence of the Basal Reef underlying some portion of the areas in the Odendaalsrust district, over which we hold options, has been proved. We must await the results of further drilling upon our own and neighbouring properties before it will be possible to determine the economic prospects of our holdings.

TAXATION AND LABOUR DIFFICULTIES

During the war period the Witwatersrand Gold Mining Industry, as the mainstay of South Africa's economic structure, has been called upon to provide by way of taxation very large sums towards the war expenditure of that country. Now that the European war has come to an end, the time is at hand when the South African Government, in the interests of the country, must assist in restoring the Gold Mining Industry to a condition of maximum production. As a first step in this direction the present high level of taxation calls for drastic modification both to extend the life of the producing mines and also to encourage the development of new gold mining properties by giving capital adequate recompense for the risks inherent in such undertakings. Unless every encouragement is given to start up new mines as the older ones approach their end, the industry must inevitably contract, with serious consequences to the Union. Another immediate requirement of the industry is more active assistance in securing a sufficiency of native labour. These two matters call for the urgent consideration of the Government.

BRITISH MATCH CORPORATION, LIMITED

The eighteenth ordinary general meeting of British Match Corporation, Limited, was held, on the 16th instant, in London, Sir Clarence E. Bartholomew, O.B.E. (chairman and managing director of the company), presiding.

The Chairman submitted the report of the director, which states: The net revenue for the year ended April 30, 1945 amounted to £347,240 to which has to be added the balance brought forward £128,544 and after allowing for the dividends already paid, which absorbed £92,297, there is a balance of £383,487 available for distribution.

The directors recommend placing to dividend equalisation reserve £50,000, the payment of dividend on the preference stock for the half year to April 30, 1945, and a final dividend on the ordinary stock of 5½ per cent., making a total of 8 per cent. for the year, leaving £149,849 to be carried forward.

In spite of increasing difficulties, production in the United Kingdom has been well maintained, and the yield on the Corporation's overseas investments has continued to be satisfactory.

The report was adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

MR E. J. BUNBURY'S REVIEW

The sixteenth annual general meeting of this company was held on the 17th instant in London, Mr E. J. Bunbury (the chairman) presiding.

The following are extracts from the chairman's statement circulated with the report: The new Agricultural (Miscellaneous Provisions) Act enabled us to reduce our lending rate of interest on mortgage and improvement loans to 3½ per cent. and enlarge our borrowing powers to over £30,000,000. These measures afford the industry long and medium term credit by mortgage and improvement loans at 3½ per cent. In the seven months from September, 1944, when our lending rate was reduced, £369,000 of mortgage loans had been taken up—more than five times the total for the previous five months, when our lending rate was 4½ per cent. In addition we had on March 31st some £280,000 of loans approved and awaiting completion.

To give existing borrowers benefit of the lower rate of interest for the unexpired period of their loans we have allowed them to convert to 3½ per cent. on payment of a fee of £5 per cent. Over £1,100,000 has been so converted during the last half of our financial year.

In 1944 acreage under crops in England and Wales again increased. Milk continued to receive first priority; dairy herd increased to 12 per cent. above pre-war but consumption has risen by 37 per cent. and dairy farmers have a large and expanding market for many years to come. The repair and the renewal of the capital equipment of the land is of greatest importance to the future of agriculture. In this field we hope to be of the greatest possible assistance.

The report was unanimously adopted.

FINANCE AND BANKING

THE MONEY MARKET.—The short loan position this week has been distinctly easier, thanks to the overtaking of the delays in payments caused by the V.E. holiday and to a reduction in the net requirements of the Treasury. There was a further fall in applications at the Treasury bill tender, suggesting that there had been no repetition of the recent substantial official demands, and the discount houses secured 44 per cent. This represents some £57 million, the largest take-up since last September, with its record quota of £59 million. The net call on the banks for T.D.R.'s was, however, no more than £5 million, the smallest for over three months, so that the total of new money passing to the Treasury was reduced from about £42 million to £25 million. Even so, the beginning of the monthly make-up—though this month it is comfortably spread over two weeks—might have been expected to produce some pressure. Actually, the market has benefited both from a release of funds previously immobilised in public deposits—these are down by £7.3 million—and by the effect of the shorter working week, which, by pushing payments for T.D.R.'s further forward, seems to have necessitated a substantial recourse to Ways and Means. Thus the Bank return shows Government securities no less than £33.8 million higher at £237.7 million a position which will no doubt be somewhat corrected later in the week. This heavy release of funds has much more than offset the efflux of a further £5 million of holiday notes, and bankers' balances have leapt by £34.4 million to the high level of £219.3 million. These changes have been reflected in a substantially better demand for bills from the banks than for some time. Whereas towards the end of last week money was in only fair supply and inquiry for bills for June paper and on Tuesday one of the large banks was actually buying on its make-up day. In some cases, at least, market houses have at last been able to sell more bills than they have taken up.

MONEY RATES, LONDON.—The following rates remained unchanged between May 16th and May 23rd:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months,

NOTICES

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Public Administration tenable at the London School of Economics and Political Science (salary not less than £750). Applications must be received not later than first post on 15th June, 1945, by the Academic Registrar, University of London, Richmond College, Richmond, Surrey, from whom further particulars should be obtained.

UNIVERSITY OF DURHAM

Applications are invited for the Readership in Spanish and Latin-American Studies, tenable at King's College, Newcastle-upon-Tyne. The candidate appointed, if now on National Service, will not be expected to take up appointment until his release. The salary offered is £750 per annum. Further particulars may be obtained from the undersigned, by whom applications should be received not later than 30th June, 1945, although consideration will be given to later applications from those serving overseas. G. R. HANSON, Registrar of King's College.

UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION

RELIEF WORK IN EUROPE

Men and Women are urgently needed by U.N.R.R.A. for welfare work among United Nations displaced persons in Assembly Centres in Germany, and applications are invited for posts as Principal (Ref. R.S.81) and Deputy (Ref. R.S.82) Welfare Officers. Principal Welfare Officers will be responsible for the organisation and direction of all welfare activities in Assembly Centres, and under the administrative control of the Centre Directors and in co-operation with the Centre Medical Officers, Deputy Welfare Officers will act as assistants to the Principal Welfare Officers. It is desirable that candidates should have had some social work training and they must have had substantial experience (preferably 3 years) in social welfare work. The work calls for a person with general or varied experience, but applications from specialists are also invited.

Age limits 25-50. Period of service, 6-12 months. Salaries: Principal Welfare Officer, £300-£600; Deputy Welfare Officer, £450-£650, according to qualifications. Selected candidates will be required to pass a medical examination and to be ready to go abroad immediately after appointment. Uniform, food and quarters will be provided. Candidates who have applied for the vacancy of Welfare Specialist in China need not submit a further application. Applications, which must be in writing, stating date of birth, full details of qualifications and experience, including present employment; also Identity and National Service or other registration particulars, and quoting appropriate reference number, should be addressed to the Ministry of Labour and National Service, Appointments Department, Sardinia Street, Kingsway, London, W.C. 2.

ECONOMIST. age 25, outstanding University record, two years' manufacturing and business experience, one year as economic adviser to Government Department, desires Position of Responsibility with good salary and prospects. Able, versatile and conscientious, with good personality and wide knowledge of people and affairs. Overseas appointment considered, especially if in New Zealand.—Write, Box 71, *The Economist*, Brettenham House, Lancaster Place, London, W.C. 2.

1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, 1½%. Discount deposits at call, 1½%; at notice, 2½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 16th and May 23rd. (Figures in brackets are par of exchange). United States, \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. Canada, \$ (4-86½) 4-43-47; mail transfers 4-43-47½. Switzerland, Francs (25-22½) 17-30-40. French Empire, Francs 199½-200½. Syria, p. 8-81-85. Sweden Krona (18-159) T.T. 16-85-95. Dutch West Indies, Florin (12-11) 7-58-62. Portugal, Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama, \$ 4-02-04; mail transfers 4-02-04½. Brazil, 83.8456½ (buying). Uruguay, 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain Pesetas 44-00. Turkey, Piastres 520. Italy, 71-25 lire.

Marked Rates.—The following rates remained unchanged between May 16th and May 23rd. Egypt, Piastres (97½) 97½-1. India, Rupee (18d. per rupee) 17½-18½. Belgian Congo, Francs 176½-1. China, National \$3-3½. Iran, Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	May 16	May 17	May 18	May 19	May 21	May 22	May 23
Cables —							
London.....	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½	Cents 402½
Montreal.....	90-750	90-875	90-875	90-875	90-875	90-875	90-810
Zurich.....	23-40	23-40	23-40	23-40	23-40	23-40	23-40
Buenos Aires.....	24-85*	24-82*	24-84*	24-88*	24-88*	24-88*	24-85*
Rio de Janeiro.....	5-25	5-25	5-25	5-25	5-25	5-25	5-25
Lisbon.....	4-07	4-07	4-07	4-07	4-07	4-07	4-07
Barcelona.....	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm.....	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official Buying Rate 25-78.

† Free Rate.

§ Basic.

THE ROYAL MINT

Coins Struck in 1943 and 1944

The output of 81,840,000 halfpennies issued is easily the highest in the history of the Mint. Presumably, these have been issued to provide for the odd halfpenny that now figures in so many prices, but there is evidence that they have been used to a considerable extent instead of pence, although the

(Continued on page 717.)

NUNDYDROOG MINES, LIMITED

Referring to the Notice issued on the 12th April, 1945, at a Meeting of the Board of the Company held to-day, the undermentioned dividend was declared:—

First and Final for the year ended 31st December, 1944, of 9d. (ninepence) per share (7½ per cent.), less income-tax at 5s. 4d. in the £, payable on the 18th July, 1945, to the shareholders on the books of the company at the close of business on the 22nd May, 1945.

By Order of the Board.

C. H. D. GARLAND, Secretary.

2, White Lion Court, Cornhill, London, E.C. 3. 22nd May, 1945.

APPLICATIONS invited for the Post of Assistant Editor of an old-established British Commercial, Financial and Political Weekly published in India. Age 25 to 33, unmarried, and should be exempt national service, or anticipating early release. Salary and terms of initial 3-years' contract according to qualifications, which should include ability to write leading articles and editorial notes on economic subjects, including investments, some capacity for research and acquaintance with Mechanics of newspaper production.—Write, Box No. 69, *The Economist*, Brettenham House, Lancaster Place, London, W.C. 2.

EDITOR sought for high-class, old-established commercial journal. Salary high. Good style, good experience and proven abilities essential. A knowledge of Export Trade and practice desirable. Confidential communications invited.—Box 70, *The Economist*, Brettenham House, Lancaster Place, London, W.C. 2.

SPECIALIST in Incentive Bonus and Labour Relations required immediately by The Wallace Attwood Company, Management Consultants, 7, Park Lane, London, W. 1. Applicants, who must have been fully trained in a recognised method of Time Study, should have First or good Second-class Honours Degree at a British University and varied experience in advising on and introducing types of incentive. Salary up to £1,500 according to previous posts and qualifications. Ex-Officers preferred. Write, stating when available. Full details should be given of age, education and previous posts (with salaries).

MARKET Research Manager requires educated Lady for interesting work. Permanent position. Must have knowledge of statistics.—Please write, stating fullest details, to Box 1,333, E. W. Barney, Ltd., 4, New Court, Clements Inn, London, W.C. 2.

ASSISTANT to Market Research Manager wanted immediately. Splendid opportunity for well-educated Girl requiring permanent position. Must be good at figures.—Please write, stating fullest details, to Box 406, E. W. Barney, Ltd., 4, New Court, Clements Inn, London, W.C. 2.

INDUSTRIAL Scientist, shortly proceeding on a visit to the United States, is prepared to make technical and other inquiries on behalf of a limited number of firms.—Write, Box 72, *The Economist*, Brettenham House, Lancaster Place, London, W.C. 2.

RECORDS and STATISTICS

INDUSTRY AND TRADE

The "Economist" Sensitive Price Index.—Owing to an error, the crops component of the index (1935=100) was last week given as 139.7 for May 14th. This should have been 140.0. The complete index, which was given as 162.2 should have been 161.2. During the week ending May 22nd there was no change in the index. The crops component was 140.0, raw materials, 185.5, and the complete index 161.2.

COST OF LIVING INDEX (July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights:	7½	2	1½	1	1	12½
Sept., 1939.....	138	162	208	182	179	155
1940.....	166	164	295	212	218	187
1941.....	166	164	380-385	228	230	199
1942.....	160	164	395-400	240	265	200
1943.....	166	164	345	244	291	198
Mar. 1944.....	168	164	340-345	251	291	200
Apr. ".....	168	164	340-345	252	291	200
May ".....	168	164	345	252	291	200
Mar. 1945.....	168	164	345-350	267	291	202
Apr. ".....	168	164	345-350	266	291	202
May ".....	168	...	...	...	...	203

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE

	Daily Average Sales Percentage Change			Stocks (at Cost End of Mar.
	1945			
	Jan.	Feb.	Mar.	
(a) By Commodities				
Non-food Merchandise:—				
Piece-goods.....	+ 1.5	+ 8.5	+ 17.2	- 36.4
Women's Wear.....	+ 4.1	+ 12.9	+ 20.4	- 12.1
Men's and Boys' Wear.....	+ 29.4	+ 21.2	+ 16.9	- 28.0
Boots and Shoes.....	+ 8.0	+ 4.9	+ 20.4	- 26.0
Furnishing Departments.....	+ 0.5	+ 9.8	+ 16.2	- 24.3
Hardware.....	+ 10.1	+ 3.0	+ 7.7	- 25.0
Fancy Departments.....	+ 0.7	+ 11.5	+ 14.2	- 6.1
Sports and Travel.....	+ 0.9	+ 11.0	+ 16.2	- 12.7
Miscellaneous.....	+ 7.2	+ 5.0	+ 7.3	- 19.2
Total:—				
Non-food Merchandise.....	+ 4.7	+ 10.9	+ 16.1	- 17.4
Food and Perishables.....	+ 3.7	+ 4.0	+ 7.8	- 11.7
Total:—				
All Departments.....	+ 4.1	+ 6.7	+ 11.1	- 16.9
(b) Districts				
Scotland.....	+ 5.5	+ 6.1	+ 8.6	- 14.3
North-East.....	+ 4.1	+ 7.5	+ 11.8	- 13.8
North-West.....	+ 3.8	+ 6.0	+ 11.4	- 19.0
Midland and S. Wales.....	+ 5.9	+ 6.0	+ 10.3	- 15.4
South England.....	+ 6.8	+ 8.3	+ 12.2	- 12.8
Central and West-End London.....	+ 0.5	+ 9.2	+ 14.8	- 23.4
Suburban London.....	+ 0.6	+ 0.9	+ 7.9	- 19.7
Unallocated.....	+ 3.8	+ 9.7	+ 19.3	...

GOVERNMENT RETURNS

For the week ended May 19, 1945, total ordinary revenue was £42,887,000, against ordinary expenditure of £89,014,000 and issues to sinking funds of £30,000. Thus, including sinking fund allocations of £1,156,993, the deficit accrued since April 1st is £340,400,000 against £447,465,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1945-46	Receipts into the Exchequer (£ thousands)			
		April 1 to May 20, 1944	April 1 to May 19, 1945	Week ended May 20, 1944	Week ended May 19, 1945
ORDINARY REVENUE					
Income Tax.....	1350000	90,877	104,712	11,348	10,920
Sur-tax.....	80,000	5,013	5,319	476	700
Estate, etc., Duties.....	115,000	16,003	15,275	1,930	2,350
Stamps.....	19,000	452	925	428	900
N.D.C. } E.P.T. } Other Ind. Rev. }	500,000	2,659	4,196	428	900
	1,000	55,504	44,422	7,822	5,355
		50	25	30	
Total Ind. Rev.	2065000	170,558	174,874	22,034	20,225
Customs.....	589,000	81,097	74,261	14,988	15,392
Excise.....	541,000	64,300	66,100	3,800	4,010
Total Customs & Excise.....	1130000	145,397	140,361	18,788	19,402
Motor Duties... Post Office (Net Receipts)..... Wireless Licences Crown Lands... Receipts from Sundry Loans Miscell. Receipts	30,000 ... 4,850 1,000 11,500 23,000	1,948 3,100 320 140 815 8,152	1,934 3,200 350 140 2,428 1,428	... 650 1,291	... 800 2,304 156
Total Ord. Rev.	3265000	330,430	324,715	42,763	42,887
SELF-BALANCING P.O. & Brcdcastg.	114,100	14,100	13,600	1,700	1,600
Total.....	3379000	344,530	338,315	44,463	44,487

Expenditure	Estimate, 1945-46	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to May 20, 1944	April 1 to May 19, 1945	Week ended May 20, 1944	Week ended May 19, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	465,000	62,091	54,406	1,640	1,714
Payments to N. Ireland	11,000	664	713	...	...
Other Cons. Fund Services	8,000	266	265	...	...
Total	484,000	63,021	55,384	1,640	1,714
Supply Services.	508,128	713,694	608,573	101,800	87,300
Total	556,528	776,715	663,958	103,440	89,014
SELF-BALANCING P.O. & Broadcastg.	114,100	14,100	13,600	1,700	1,600
Total	670,628	790,815	677,558	105,140	90,614

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £183,311 to £2,667,147, the other operations for the week (no longer shown separately) increased the gross National Debt by £46,600,509 to £22,741 million.

NET ISSUES (£ thousands)	
P.O. and Telegraph	120
Overseas Trade Guarantees	40
	160

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1944						
May 20 1945	1260-0		Not available			
Feb. 17 1945	1430-0	2309-2	542-4	" " " " 1801-0		6082-6
Mar. 3 1945	1430-0		Not available			
" 10 1945	1430-0		" " " " " " " "			
" 17 1945	1430-0		" " " " " " " "			
" 24 1945	1430-0		" " " " " " " "			
April 7 1945	1430-0		575-7	" " " " 1859-0		6116-1
" 14 1945	1430-0		Not available			
" 21 1945	1430-0		" " " " " " " "			
" 28 1945	1430-0	2203-7	571-4	" " " " 1995-5		6209-0
May 5 1945	1440-0		Not available			
" 12 1945	1460-0		" " " " " " " "			
" 19 1945	1480-0		" " " " " " " "			

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944					
May 19 1945	110-0	202-4	110-0	a. d. 20 0-35	40
Feb. 16 1945	110-0	207-3	110-0	20 0-53	37
Mar. 23 1945	110-0	208-6	110-0	20 0-99	17
" 9 1945	110-0	237-6	110-0	19 11-37	21
" 16 1945	110-0	239-2	110-0	19 11-50	21
" 23 1945	110-0	236-1	110-0	19 11-77	27
" 29 1945	110-0	225-3	110-0	19 11-85	25
April 6 1945	110-0	225-6	110-0	19 10-06	30
" 13 1945	110-0	235-1	110-0	20 1-86	20
" 20 1945	110-0	244-4	110-0	20 2-28	24
" 27 1945	120-0	227-3	120-0	20 2-24	24
May 4 1945	130-0	225-2	130-0	20 0-17	24
" 11 1945	130-0	226-2	130-0	20 1-85	30
" 18 1945	130-0	218-0	130-0	20 0-13	40

On May 18, applications at £99 14s. 11d. for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of the following week, were accepted as to about 44 per cent. of the amount applied for, and applications at higher prices were accepted in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £130 millions of Treasury Bills are being offered for May 25. For the week ended May 26 the banks will be asked for all Treasury deposits at a maximum amount of £80 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	3% Defence Bonds		3% Savings Bonds		1½% Exchequer Bonds (1950)
		1944	1945	1944	1945	
Mar. 13 1945	4,387	1,789	15,134	15,258		
" 20 1945	4,107	1,816	8,142	19,288		
" 28 1945	3,292	1,686	7,537	12,546		
Apr. 3 1945	4,685	1,243	6,351	14,041		
" 10 1945	3,626	2,156	7,241	13,370		
" 17 1945	3,891	2,145	10,666	12,938		
" 24 1945	4,093	1,803	7,137	11,432		
May 1 1945	4,571	1,858	8,372	10,308		
" 8 1945	2,677	1,326	8,426	11,699		
" 15 1945	5,007	1,616	3,118	10,846		
" 22 1945	...	...	6,403	10,519		
Totals to date	1,373,685*	812,290*	1,969,838†	293,542‡		

* 286 weeks. † 229 weeks. ‡ 29 weeks. Including all Series. Interest free loans received by the Treasury up to May 22nd amounted to a total value of £71,285,439. Up to April 28 principal of Savings Certificates to the amount of £223,620,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

1945	Gold		Silver	
	Fine Tola	100 Fine Tolas	Rs. a.	Rs. a.
May 14	74 2	127 14		
" 15	73 12	130 12		
" 16	73 13	129 14		
" 17	75 12	130 4		
" 18	75 14	129 0		
" 19	76 6	129 4		
" 20	75 6	129 14		
" 21	75 6	129 14		
" 22	75 6	129 14		
" 23	75 6	129 14		
" 24	75 6	129 14		
" 25	75 6	129 14		

BANK OF ENGLAND RETURNS

MAY 23, 1945

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt:	11,015,100
In Circulation	1266,722,433	Other Govt.	1288,160,519
In Bankg. Department	33,519,285	Securities	811,334
		Other Secs.	13,047
		Silver Coin	13,047
		Amt. of Fid. Issue	1,300,000,000
		Gold Coin and Bullion (at 168s. per oz. fine)	241,718
			1,300,241,718

BANKING DEPARTMENT

£		£	
Props' Capital	14,553,000	Govt. Secs.	237,737,764
Rest.	3,222,493	Other Secs.	10,234,072
Public Depts.	9,786,399	Discounts & Advances	14,126,792
		Securities	24,360,864
Other Depts.	219,336,517	Notes	33,519,285
Bankers	49,950,630	Gold & Silver Coin	1,231,126
Other Accts.	269,287,147		296,849,039
			296,849,039

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS (£ millions)

	1944	1945	May 24	May 9	May 16	May 23
Issue Dept.						
Notes in circulation	1127-8	1250-1	1261-6	1266-7		
Notes in banking department	22-4	50-2	38-7	33-5		
Government debt and securities*	1149-1	1299-2	1299-3	1299-2		
Other securities	0-8	0-7	0-7	0-8		
Silver Coin	0-0	0-0	0-0	0-0		
Gold, valued at s. per fine oz.	0-2	0-2	0-2	0-2		
Deposits:						
Public	13-5	19-5	17-1	9-8		
Bankers	177-2	176-1	184-9	219-3		
Others	54-6	51-6	50-3	49-9		
Total	245-3	247-2	252-2	279-0		
Banking Dept. Secs.:						
Government	221-6	181-4	203-9	237-7		
Discounts, etc.	2-3	17-6	13-0	10-2		
Other	16-1	14-5	13-1	14-1		
Total	240-0	213-5	230-0	262-0		
Banking depart. res.	23-1	51-4	40-0	34-7		
"Proportion"	9-4	20-8	15-8	12-4		

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	May 20, 1944	May 19, 1945	May 20, 1944	May 19, 1945
Working days:	6	6	118	117
Birmingham	1,751	1,948	35,733	34,222
Bradford	1,120	1,650	36,382	37,394
Bristol	849	728	13,393	13,821
Hull	515	558	12,400	14,377
Leeds	767	866	23,602	24,768
Leicester	879	858	16,934	17,842
Liverpool	4,746	5,625	103,559	106,117
Manchester	3,012	3,008	69,296	69,537
Newcastle	1,547	1,877	35,190	35,885
Nottingham	392	404	8,221	9,885
Sheffield	854	833	20,030	20,040
Southampton	193	195	3,054	4,055
12 Towns	16,625	18,550	377,794	387,624
Dublin*	7,222	7,156	154,185	156,606

* May 13, 1944, May 12, 1945.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE Million \$'s

12 U.S.F.R. BANKS RESOURCES	May 18, 1944	May 3, 1945	May 10, 1945	May 17, 1945
Gold certis. on hand and due from Treasury	18,844	17,533	17,508	17,513
Total reserves	19,451	18,457	18,426	18,436
Total cash reserves	267	250	241	242
Total U.S. Govt. secs.	13,808	20,478	20,720	20,668
Total loans and secs.	13,972	21,052	21,275	21,160
Total resources	35,535	41,560	41,437	41,900
LIABILITIES				
F.R. notes in circ.	18,213	22,631	22,722	22,782
Excess m. bank res.	900	900	900	1,050
Mk. bank res. dep.	12,986	14,891	15,029	15,246
Govt. deposits	397	423	447	102
Total deposits	15,336	16,886	16,939	16,889
Total liabilities	35,535	41,560	41,437	41,900
Reserve ratio	58-0%	46-7%	46-5%	46-5%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,354	20,374	20,352	20,351
Treasury & bank currency	4,099	4,130	4,132	4,137
LIABILITIES				
Money in circulation	21,846	26,204	26,312	26,373
Treasury cash and dep.	2,695	2,805	2,831	2,478

COMPANY RESULTS (May 9, 1945, to May 23, 1945)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	or in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Brampton Brewery Co.	Mar. 31	103,873	...	37,348	82,392	5,500	25,000	10	...	6,849	102,278	35,039	10
Buchanan-Dewar	Mar. 31	714,530	...	714,530	836,016	161,826	550,000	27½	...	2,704	715,745	715,745	27½
Chesters Brewery Co.	Mar. 31	114,676	...	82,486	155,254	11,347	58,687	25	7,000	5,452	116,367	80,367	25
Dartford Brewery Co.	Dec. 31	192,191	...	34,669	81,151	3,987	11,275	11	16,000	3,407	185,013	28,926	11
Rowell (John) & Son	Mar. 31	121,987	...	25,385	57,007	2,500	15,000	15	8,000	115	102,277	25,361	15
Royal Brewery, Brentford	Dec. 31	212,021	...	35,191	88,378	4,500	15,000	12	10,000	2,691	190,978	33,676	12
Shipstone (James) & Sons	Dec. 31	192,836	...	192,836	300,646	23,842	143,724	20	15,000	10,270	216,378	216,378	20
Whitbread & Co.	Dec. 31	316,552	...	257,529	628,152	43,407	184,392	18	...	29,830	315,123	257,058	18
Coal, Iron and Steel													
Bairds and Scottish Steel	Dec. 31	92,535	...	90,135	166,389	31,500	50,400	6	...	8,235	89,908	87,408	6
Bowes (John) & Partners	Dec. 31	248,230	37,779	24,050	58,518	21,000	21,000	6	2,318	732	256,173	25,263	6
Colvilles Limited	Dec. 31	631,411	350,000	279,911	531,999	55,000	156,782	8	...	68,129	648,407	296,907	8
Edinburgh Collieries	Jan. 31	24,659	...	2,415	23,602	...	...	...	...	2,415	43,039	20,606	Nil
Johnson (Richard) & Nephew	Mar. 31	45,860	...	37,298	76,505	10,500	15,500	9	10,000	3,298	45,775	35,023	9
Pressed Steel Co.	Dec. 31	639,045	...	195,005	608,067	14,700	113,934	27½	...	66,371	538,268	180,396	27½
Ransomes, Sims & Jefferies	Dec. 31	119,866	...	28,116	86,974	5,500	18,750	7½	...	3,866	115,064	27,749	7½
Stewarts & Lloyds	Dec. 31	1,989,836	1,124,612	719,091	909,551	121,202	534,050	12½	...	63,839	1,799,075	656,057	12½
Summers (John) & Sons	Dec. 31	966,500	...	378,718	566,864	170,000	45,000	4½	150,000	13,718	1,048,098	377,963	4½
Wilsons and Clyde Coal	Feb. 28	67,282	25,000	17,138	45,638	1,750	13,500	4	...	1,888	55,118	10,955	4
Yorkshire Amalgamated Collieries	Mar. 31	198,302	...	124,179	262,067	12,281	109,320	7½	...	2,578	202,024	174,506	7½
Rubber													
Allied Sumatra Plantations	Dec. 31	9,785	...	2,830	14,353	...	...	...	...	2,830	8,261	Dr. 9,599	Nil
Anglo-Malay Rubber	Dec. 31	1,535	...	Dr. 205	30,926	...	...	...	...	205	1,043	Dr. 1,242	Nil
Ayer Kuning (F.M.S.) Rubber	Dec. 31	1,342	...	132	26,306	...	...	...	...	132	1,175	17	Nil
Baru (Java) Estates	Dec. 31	321	...	Dr. 2,080	Dr. 9,539	...	...	...	...	2,080	135	Dr. 2,668	Nil
Doloswella Rubber and Tea	Dec. 31	22,016	2,630	13,848	19,084	...	13,824	6	...	24	31,025	14,290	6
Emerald Rubber and Coconut	Jan. 31	1,412	...	Dr. 196	12,580	...	...	...	...	196	1,283	Dr. 409	Nil
Gedong (Perak) Rubber	Oct. 31	354	...	Dr. 67	294	...	...	...	...	67	343	Dr. 84	Nil
Inch Kenneth Kajang Rubber	Dec. 31	722	...	75	14,609	...	...	...	...	75	621	Dr. 57	Nil
Jasin (Malacca) Rubber	Dec. 31	1,247	...	215	9,340	...	...	...	...	215	6,811	4,146	Nil
Jugra Land and Carey	Nov. 30	1,978	...	Dr. 978	1,701	...	...	...	...	978	2,026	Dr. 1,181	Nil
Neboda (Ceylon) Rubber, &c.	Dec. 31	21,312	320	12,113	14,179	...	12,000	6	...	113	19,335	11,860	6
Panagula Rubber	Dec. 31	13,191	...	5,127	7,180	...	5,000	5	...	127	16,041	4,904	5
Rassak (F.M.S.) Rubber	June 30	62	...	Dr. 352	Dr. 1,233	...	...	...	...	352	73	Dr. 310	Nil
Rembau Jeji Rubber	Dec. 31	2,742	...	1,098	48,504	...	...	...	...	1,098	2,251	788	Nil
Sempah Rubber	Nov. 30	526	...	Dr. 551	Dr. 1,656	...	...	...	...	551	329	Dr. 443	Nil
Singapore United Rubber	Mar. 31	422	...	Dr. 551	2,072	...	...	...	...	551	329	Dr. 606	Nil
Sungei Choh Rubber	Dec. 31	683	...	Dr. 1,079	6,472	...	...	...	...	1,079	680	Dr. 1,120	Nil
Sungei Salak Rubber	Dec. 31	500	...	287	1,886	...	...	...	...	287	400	Dr. 287	Nil
Shipping													
Clan Line Steamers	Dec. 31	381,532	208,416	85,616	175,479	39,875	45,000	15	...	741	272,832	84,988	15
General Steam Navigation	Dec. 31	231,625	81,719	29,189	54,369	9,190	18,996	5½	...	1,003	208,819	28,618	5½
Houlder Brothers & Co.	Dec. 31	113,944	...	52,112	97,582	5,500	40,000	5	...	6,612	78,462	56,826	5
Jacobs (John I.) & Co.	Dec. 31	87,166	15,000	51,166	117,492	3,569	18,000	15	30,000	403	72,303	53,903	15
Royal Mail Lines	Dec. 31	948,432	480,000	123,432	245,472	...	120,000	6	...	3,432	882,616	117,616	6
Telegraphs and Telephones													
Anglo-American Telegraph	Mar. 31	262,500	...	131,250	196,875	102,209	3,489	3½	...	25,552	262,550	131,250	3½
Marconi International Marine	Dec. 31	696,122	80,929	90,138	124,509	...	89,454	7½	...	684	668,988	93,392	7½
Textiles													
British Cotton and Wool Dyers	Mar. 31	132,617	44,986	61,091	113,902	...	51,611	6½	...	9,480	125,576	53,378	6½
British Enka Limited	Dec. 31	170,871	41,944	61,854	Dr. 311,162	...	...	...	...	61,854	147,580	71,432	Nil
Crosses & Heaton	Mar. 31	172,520	45,000	107,162	243,473	41,048	30,859	7½	...	35,255	180,242	64,625	7½
Sammugur Jute Factory	Dec. 31	177,318	...	45,735	121,263	6,562	43,750	10	...	4,577	387,603	47,915	10
Titagur Jute Factory	Dec. 31	390,847	...	54,235	112,792	6,637	44,275	10	...	3,323	365,520	50,078	10
Victoria Jute Co.	Dec. 31	253,701	...	39,068	83,415	6,562	29,167	10	...	3,339	285,502	31,218	10
Trusts													
African City Properties Trust	Dec. 31	167,372	...	38,539	73,983	5,234	33,642	16	...	337	162,238	32,733	16
City and Commercial Investment	Jan. 31	52,620	...	22,980	44,037	...	22,964	3	...	16	48,215	21,775	3
Continental Union Trust	Mar. 31	54,447	...	39,530	81,250	16,313	19,600	6	...	3,617	51,217	36,620	6
English and Caledonian Investment	Mar. 31	48,769	...	16,025	20,159	7,937	5,292	5	3,000	204	48,005	14,817	5
General Scottish Trust	Mar. 31	62,126	...	20,084	35,860	9,341	6,851	5½	10,000	6,108	58,955	18,311	5½
Home and Foreign Investment	Mar. 31	78,224	...	21,781	56,048	11,719	7,031	4½	2,500	531	74,959	20,223	4½
Industrial and General Trust	Mar. 31	287,174	...	204,924	372,635	42,656	132,526	14	500	29,242	272,026	190,618	14
London and Holyrood Trust	Mar. 31	135,552	...	42,861	97,677	23,532	12,550	4	...	6,779	130,307	40,256	4
London and Provincial Trust	Mar. 31	88,377	...	25,559	94,035	8,235	10,981	6	...	6,343	83,184	23,495	6
London Trust Co.	Mar. 31	80,350	...	48,854	107,000	15,155	30,655	12	...	3,044	76,899	46,029	12
Municipal Trust Co.	Feb. 28	38,656	...	9,648	23,159	9,212	...	...	...	436	37,692	9,255	Nil
St. Andrew Trust	April 15	61,736	...	16,200	62,883	12,094	...	...	9,106	5,000	57,407	14,068	Nil
Scottish Mortgage and Trust	Mar. 31	250,231	...	90,148	116,946	21,894	46,887	11	25,000	3,633	241,449	85,028	11
Sphere Investment Trust	Mar. 31	63,033	...	43,415	116,242	18,000	15,000	5	10,000	415	60,346	40,975	5
Other Companies													
Anglo-American Asphalt	Dec. 31	81,878	4,546	36,229	72,806	...	22,750	32½	15,000	1,521	94,358	44,194	32½
Associated Automatic Machine	Mar. 31	23,935	...	11,729	14,466	...	11,400	6	...	329	23,941	11,681	6
Bobby & Co.	Feb. 10	102,637	...	85,578	131,231	44,250	35,000	10	...	6,328	101,500	81,821	10
British Borneo Petroleum	Mar. 31	32,032	...	25,223	51,167	...	25,000	10	...	223	32,832	26,586	10
British Match Corporation	April 30	688,766	...	347,240	475,784	15,209	260,726	8	50,000	21,305	692,257	350,184	8
Callard, Stewart & Watt	Dec. 30	47,134	...	19,376	24,126	...	200,000	40	...	1,001	44,940	8,389	Nil
Cerebos Limited	Dec. 31	452,034	11,272	201,464	273,746	...	...	...	...	1,464	423,111	208,463	40
Collett (J.) Limited	Mar. 31	70,502	...	28,236	36,157	...	17,662	15	10,000	574	67,857	24,885	15
Criterion Restaurants	Mar. 31	55,904	...	11,580	25,140	...	11,250	10	...	330	87,492	15,237	10
Daily Mirror Newspapers	Feb. 28	408,547	30,000	112,955	168,826	32,000	70,000	10	...	10,955	351,747	97,180	10

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THE ECONOMIST

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SHILLING

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No Policy for Coal; Unfinished Business; The Electorate; "Wild Men of Blackpool"; UNCIO: The Last Phase; Great Power Agreement; Policies for Germany; Control of Engagements; Demobilisation of Doctors; Councils or Cabals?; Black Week for Japan; New Blood for French Cabinet?; Franco in Situ; The Future of Tangier; Lord Wavell's Mission; The O'Neill Inquiry.

AMERICAN SURVEY

The Trade Agreements Bill; Mr Hoover Enters the White House; An Idle Gargantua; The Battle of Freight Rates; Another Election for the U.S.

LETTERS TO THE EDITOR

Electrical Engineering; The Prospects for Exports.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE.: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3

Ipsos Custodes

THE Prime Minister's aim, in constructing his "caretaker government" has clearly been to make as few changes as possible. This, it is to be presumed, is only an interim Cabinet and there will be further changes after the election, whoever wins. If the Labour Party is to be accused of desertion while the Tories manfully labour on, it is an obvious tactic to fill only those gaps left by the deserters and not to give the appearance of seizing with any avidity on the opportunity of re-shaping the Cabinet.

In any event, the result has been to make what is really a major reconstruction look like a minor re-shuffle. The most difficult gap to fill was clearly that left by Mr Bevin at the Ministry of Labour—it is one of the major disadvantages of the Labour secession that the process of "unwinding" the manpower mobilisation is not to be presided over by one who enjoys such universal respect among the wage-earners of the country. But if a Tory has to fill the post, Mr Butler is as good a choice as could be made. He has had some experience at the Ministry of Labour, he is personally liked and conciliatory in method, and his successful piloting of the Education Act shows him to be a skilful administrator. The other major gaps have been filled, in the main, by promotions within the ranks of the Tory Ministers; Mr Bracken goes to the Admiralty, Mr Macmillan to the Air Ministry, Sir Donald Somervell to the Home Office. One of the few newcomers, Lord Rosebery, becomes Secretary of State of Scotland. The Ministry of Reconstruction is abolished and Lord Woolton moves, with the same duties, to the Lord Presidency. Mr

Lyttelton is to combine the Ministry of Production with the Board of Trade—a much better marriage than the rumoured one of the Ministries of Production and Supply, since the Ministry of Production's activities have for some time past been more concerned with post-war and reconstruction matters than with munitions.

All the above-mentioned Ministers are to be in the sixteen-man Cabinet—not apparently to be known as the War Cabinet. Possibly this is intended by Mr Churchill to be a permanent solution of the problem of the size of the Cabinet. Whether or not 16 is the best size, it is certainly better than 40, which is the number of posts of "Cabinet rank." The sixteen are made up of the Prime Minister, the two major sinecure offices (the Lord President and the Lord Privy Seal), the Chancellor of the Exchequer, the three Service Ministers, the six civilian Secretaries of State, the President of the Board of Trade and the Ministers of Labour and Agriculture. Whether the choice is of men or of offices remains to be seen. It also remains to be seen whether the Cabinet, unlike the War Cabinet, will in fact function as an exclusive body, confining its meetings to its members, or whether the distinction between "Cabinet" and "Cabinet rank" will continue to be almost entirely honorific.

Outside the Cabinet, the most interesting appointment is that of Sir Arthur Salter as Chancellor of the Duchy of Lancaster, with a particular mandate for matters concerned with European Reconstruction. Sir Arthur has recently been urging the appointment of a Minister to take in hand

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the urgent problems of formulating and co-ordinating British policy in Europe and it is a very wise move to set him to a task for which he is so clearly qualified. The proposal was, however, that the co-ordinator should be of the highest authority and it is doubtful whether, from the Duchy of Lancaster, he will be able, for example, to persuade the War Office to his view of the proper priorities.

A queer state of affairs has been created at the Foreign Office. Mr Eden remains, of course. But Mr Law is replaced as Minister of State by Mr Mabane. It has not been specifically stated, but it is the natural presumption, that Mr Mabane will inherit Mr Law's duties connected with economic relations with the United States—such matters as Lend-Lease, Bretton Woods, and the negotiation of agreements on post-war commercial policy. Mr Law has acquired definite views on these subjects, as close to Free Trade and *laissez faire* as a latter-day Tory allows himself to approach, and it is difficult not to see in his transfer to the Ministry of Education, promotion though it technically is, a victory for the very different school of thought represented by Lord Beaverbrook. The two Parliamentary Under-Secretaries are Lord Dunglass and Lord Lovat. Lord Dunglass was Mr Chamberlain's Parliamentary Private Secretary and his only recent intervention in politics was to support the Tory "revolt" on the treatment of Poland at Yalta. Lord Lovat is a commando leader of the greatest distinction and bravery; from what is known of his political associations he can be expected to be to the Right of the Conservatives. It is perhaps a mistake to credit junior Ministers with much influence on policy, especially in the Foreign Office. But these appointments can hardly avoid creating an unfortunate impression both at home and abroad.

This is the greater pity because of the high desirability of keeping foreign affairs, at least during the period of peacemaking, on a non-party plane. What is more, there is good reason for hoping that this will be possible. It has been suggested that, if there is to be another meeting of the Big Three before the result of the election is known, Mr Churchill will invite Mr Attlee to accompany him and it would certainly be a most desirable thing to do, not only because of the political uncertainties of these weeks, but as a permanent policy.

A non-partisan approach to foreign policy, or to any other sort of policy, cannot, however, be had merely by waving the magic wand of consultation or by putting two

party leaders into the same aircraft. Indeed, it is the core of the case against coalitions that the attempt to impose agreement where there is none merely produces a paralysis of all policy. The particular circumstance that makes it possible to urge a lifting of foreign policy out of the party battle is that there is a substantial measure of agreement. Mr Bevin's impressive speech at Blackpool last week amply demonstrated not only that, in the event of a Labour victory, there is a competent candidate available for the Foreign Office—if, indeed, Mr Bevin is not installed on the other side of Downing Street—but also that there are very few differences, and those few unimportant, between the Labour view of foreign policy and the Conservative. Mr Bevin's advocacy of the policy of alliance with America and Russia and of the necessity for reconstructing collective security was unexceptionable from any point of view, and his conception of a Britain armed sufficiently to defend itself and equipped by compulsory national service was one which has hitherto been almost prescriptively Conservative. His blend of policies on the economic side was also well calculated to please a wide audience—support, on the one hand, for the principles of the Hot Springs and Bretton Woods agreements and for multilateral trade arrangements, but insistence, on the other hand, on the necessity of bulk purchases and of Empire preference.

Whether Mr Bevin's ideas on foreign policy are exactly those best fitted to advance the interests of the country is not, at the moment, the point. There are, in fact, a number of items on which it would be proper to make some criticism, particularly Mr Bevin's surprising willingness to put the cost of supporting domestic agriculture on the consumer of food—that is, very heavily on the poor—rather than on the taxpayer in proportion to his ability to bear it. But the point of greatest importance at this moment of returning party strife is that there are, in the field of foreign affairs, no differences of practical policy, and hardly even difference of approach, separating the parties. It will be a breakdown of statesmanship if no attempt is made to build on this fact a structure of active co-operation and mutual commitment within a sphere that is easily delimited. The time to do this is now, before it is known which of the parties will be the giver and which the recipient of the concession. It will be difficult enough to navigate through the dark waters of the coming years without manufacturing differences that do not exist.

Western Association—I

New Model in Europe?

THE proposal that the states of Western Europe should develop a closer association among themselves has had a chequered history. The Foreign Office has blown hot and cold, largely in accordance with the state of relations with Soviet Russia and the means thought best from time to time for improving them. American opinion has also been suspicious, divided as it is between those who are congenitally suspicious of all British moves and those who condemn as "power politics" and "spheres of influence" all proposals less sweeping than a universal and equal system of collective security. The Russians, alternately proclaiming that peace is indivisible and that their own division of Europe would be menaced by any association that was not formed under Russian leadership, have so far instructed the Communists in the West to oppose the idea root and branch. In Britain itself, the proposal has met with opposition both from those who dream the dream of a self-sufficient Empire and from those who see the vision of a federation of the whole of Europe, East and West, North and South.

On top of all this, the first authoritative sponsoring of the idea, in General Smuts's London speech of nearly two years ago, put it in the worst possible light. General Smuts rested his plea for closer unity on three points—the might and possible aggressiveness of Russia; the eclipse of France as a continental power; and the need for Britain to reinforce its own strength by dominating its neighbours.

Thus, in addition to the hostility that could have been expected in any case, General Smuts contrived at one blow to insult the French, to antagonise the smaller Western countries and to confirm Russian suspicions.

Nevertheless, in spite of this bad start, it is a very sensible idea. Moreover, the general posture of affairs has been moving, since General Smuts spoke, strongly in its favour. For the British people, the final stages of the war in Europe proved that closer association with Holland, Belgium and France is not a luxury dictated by a desire to pull level with the physical power of Russia or the United States but a first strategic priority in all planning for security after the war. A successful invading fleet has crossed the Channel from Britain to the Continent. The direction could be reversed now that the technique has been established. Bombs and rockets have rained on southern England from sites along the coasts and deep into the western fringe of Europe. It has been made equally clear to the European peoples that Great Britain is the last bastion of their independence and the only bridge-head through which the resources of the New World can be deployed for the safety and freedom of the Old. Thus a mutual strategic need has been established beyond any possibility of dissent.

The first year of liberation has demonstrated quite as clearly the inter-connection of all problems of economic reconstruction. In every sphere, from transport and ship-

ping space to supplies of raw materials, the needs of Western Europe can be satisfactorily met only if they are considered jointly and joint priorities fixed. A European Transport Commission covering Western Europe has already been set up. In the Emergency Supplies Committee, established this week to regulate the flow of materials to Europe, all the members except Greece and Turkey on the receiving side and the United States on the supply side, belong to the "western fringe." Nor is co-operation between these states essential only during the transition from war to peace. All the states of Western Europe are committed to the avoidance of the mass unemployment from which all suffered before the war. All, apparently, accept the degree of planning which a policy of full employment involves. What is more, the nations of Western Europe are almost the only ones that both have a problem of securing full employment and also recognise the necessity for positive action by governments to secure it. Soviet Russia and the primary producers do not have the problem; the United States does not recognise the remedy. And as if this were not enough to draw the economic policies of the Western European states together, there is the further double circumstance that all of them are highly dependent on international trade and that all of them trade largely with each other. For nations in these circumstances to lay their economic plans in isolation would end either in failure or in the most poverty-inducing autarky. It would be difficult to imagine a more conclusive case for purposeful economic integration.

It is not only that the internal reasons for closer association have grown more compelling. The general development of world affairs is steadily making the idea more acceptable than it was even three months ago. At the Yalta Conference, a supreme effort was made to prevent the division of Europe into spheres of influence, and the proposals for a Western Association, which had received the modified blessing of the British Government last autumn, were deliberately put aside lest they should be used by the Russians to justify an exclusive sphere of influence for themselves in Eastern Europe. When the conference was over it was possible for a brief moment to believe that this plan had succeeded and that the dream of a single structure of policy for the whole of Europe, presided over by the three powers in concert, could still be entertained. But that dream did not last long. Whether or not it is still possible to escape from the accomplished fact of a Chinese Wall running across Europe from Luebeck to Trieste, it is now clear beyond any mistaking that the Russian influence in Eastern Europe is intended to be exclusive. So clearly has this been demonstrated that the Russians now seem inclined to withdraw their opposition to a closer association of the Western states—which could never, of course, be intended to be a tithe as tightly drawn as the Soviet bloc in the East. In any case, the only approach that it is possible to make at present to the ideal of a freely federated

or united Europe is for the countries of the West—and possibly also of the Mediterranean—to draw more closely together.

On the other side of the Atlantic, the United States has moved decisively toward a policy of regionalism. The Act of Chapultepec, signed at the Pan-American Conference at Mexico City, is a full regional agreement covering defence policy and economic co-operation. At the San Francisco Conference, the regionalists, represented strongly by the Latin American states, succeeded in establishing the validity of regional agreements on defence under the loose surveillance of the Security Council.

The fact that both the Russians and the Americans have accepted regionalism as a cornerstone of their foreign policy does not necessarily mean that they would favour the application of the same principle in Europe. It is difficult to say precisely what their attitude now is. Marshal Stalin, in a recent speech, appeared to bless the idea of a Western bloc. His attitude would, no doubt, turn on the question whether the association in Western Europe seemed to be directed against a possible resurgence of Germany, or a possible extension of Russian power.

The Americans would undoubtedly regard special economic arrangements with suspicion. But it should be possible to convince the United States that the purpose behind closer association is to expand, not contract, foreign trade, and that as a prosperous market, 120 million strong, Western Europe would be a far more stable trading partner than a divided Europe, a prey to depression and unemployment. Nor would a local association prevent Western Europe from joining in world-wide policies for expanding prosperity and international trade. If the Western Association were modelled on the principles of Chapultepec and on the underlying doctrine of the Good Neighbour, it would meet with a far more sympathetic reception in the United States at present than at any other time in recent years.

The change in the attitude of the other Great Powers towards regional arrangements smooths the way towards a closer association of Western Europe. It is, however, a negative factor only. The decisive force is naturally the attitude of the Western States themselves. The Norwegians and the Dutch have in the past declared themselves emphatically for an "Atlantic Community." In 1943, Mr Van Kleffens, the Dutch Foreign Minister, specifically supported the conception of a Western Association as a defensive wall against future German aggression. The Belgian Government, with the exception of its Communist members, is known to favour the greatest possible degree of strategic and economic integration with its neighbours.

In France, policy appears to be divided. Public opinion generally and the milieu of the non-Communist Resistance and of the Socialists in particular support the idea of closer unity. They see it as a natural extension of the

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system of security already initiated in the Franco-Soviet treaty. The bridge of security across Europe must be strengthened at its Western end. The policy of the Government is, however, equivocal and emotional—as it will very possibly remain so long as General de Gaulle has chief responsibility for moulding France's foreign policy. It appears that the British Government has already suggested an alliance. To this the French replied that in order to build the alliance on the firmest possible basis all outstanding problems—in particular, the Levant and the French zone of occupation in Germany—must first be settled.

There, it appears, the negotiations rest. Nor are they likely to prosper better so long as the basis of negotiation is the negative question of differences to be settled rather than the positive approach of policies to be jointly pursued. If advantage is to be taken of the changed attitude of the Great Powers, if the desire for co-operation among the smaller Western Powers is to be canalised into constructive channels, it is not possible to wait any longer upon France. The right course is to proceed with those countries that are more ready to talk business, to leave an honoured place for France at the table, and to have confidence that, before long, a less angular mood will prevail in Paris. The time has surely come to discuss, not the high politics of a Western Association, but the practical ways and means, the logistics of the proposal. This initiative can only come from the British Government.

Those who have been to Europe since the liberation say that people in this country do not realise on the one hand the prestige it now enjoys, and on the other the bewilderment felt over its apparent lack of a coherent foreign policy. There can have been few occasions in history when a constructive lead would have been more eagerly followed or when the diplomatic horizon was more earnestly scanned for the smallest cloud of policy. It is true that any proposals from Great Britain would have to avoid the errors which marred General Smuts's approach to the question. It would have to be made absolutely clear that far from constituting a menace to Russia, a Western Association was a

strengthening of the existing Anglo-Soviet and Franco-Soviet Pacts. It would be necessary to secure the understanding and acceptance of the United States and the Dominions that it was a practical application of the mutual assistance principle that was proposed, not the building of a ring fence round an exclusive and potentially aggressive combination. Any scheme proposed would have to be free of any taint of British "imperialism" or domination. The only possible policy is the Good Neighbour policy, worked out in a form to suit the strategic and economic needs of Western Europe. The framers of policy would also do well to avoid all suggestion of constitution-making or of working out rigid covenants. The proposal can succeed only as an association of convenience, based on pragmatic principles and justified, not by its theory, but by its performance.

These may seem a formidable list of obstacles to overcome. Yet there is nothing in the nature of the proposed association to make any one of the obstacles insuperable. At the same time, the achievement of such an integration might well start new currents flowing in international life. The world seems so far to have found no middle term between the one extreme of autarky and expansion by aggression and the opposite extreme of isolated sovereignty—political and economic—in which the devil takes the weakest, hindmost state. If in Western Europe the Powers can prove that sovereign independence is no bar to close political and strategic association, and that the co-ordination of economic policy is possible on a wider basis than that of the single national community, they may well create a nucleus to which other states, pursuing similar policies, can later join themselves. In the past, associations or federations of peoples have often tended to start from a single centre and grow outwards by attraction. Conceived and developed in this way, the Association of Western Europe could be a new model for internationalism in the twentieth century.

It is proposed, in a short series of articles, to examine more closely the ways and means of such a Western Association.

Exports and Industry

FOR economic policy by far the most interesting of the Government changes has been the replacement of Mr Dalton by Mr Lyttelton at the Board of Trade. Under Mr Dalton, the Board of Trade has been the target of the most widespread criticism for its lethargy and lack of policy, and Mr Lyttelton's main task will be to galvanise the department into life. He was an energetic and successful President four years ago, when he carried through both the concentration policy and the beginning of clothes rationing. Then he was a newcomer to politics; now he returns after more than three years in the War Cabinet. What is more, he is to retain the post of Minister of Production, with the final powers over the allocation of resources, that he wields in that office. There is no doubt that all the necessary authority for the re-conversion of British industry, with full powers over materials, productive capacity, machine tools, imports, storage and factory space, and conjoint powers over the industrial allocation of manpower, is being deliberately concentrated in one pair of hands.

The supreme test of Mr Lyttelton will be exports. The restoration of the export trade will not be, in a quantitative sense, his largest problem; the general efficiency of British industry and the attainment of an adequate and stable level of employment are both of them more fundamental. But the export problem is the most urgent, it is in the most critical state, and it presents the greatest difficulties. As a broad rule of thumb for the next few years, Mr Lyttelton might be well advised to assume that if he can set the export trade on its feet, his other problems will either look after themselves or at least be put well on the way to solution.

The crucial importance of an export revival has been often remarked. But it has not yet really sunk into the

public consciousness and no opportunity should be missed for repeating the emphasis. To pay for a volume of imports comparable to that of 1938 will require an increase of about 50 per cent by volume in British exports. Nor can the pre-war volume of imports be substantially cut down without grave inconvenience and discomfort to the country. After a decade of protectionism, there were not many unnecessary imports seven years ago. The 50 per cent increase in exports is not required to maintain some artificial standard of luxury, laid down as a target for no better reason than that it happened to be attained before the war broke out. It is required to maintain the standard of living of the country. Nor is a 50 per cent increase likely to be an easy task. On the contrary, it will be most difficult. The two great standbys of the British export trade have always been coal and textiles. British coal is now fabulously expensive and in critically short supply. Some of the textile industries, notably cotton, are experiencing great difficulty in getting their labour back at the prevailing wages and conditions of work; it is not unlikely that their labour costs will have to be increased, which will at once react on the possibilities of export. No part of the 50 per cent increase can be looked for in these two directions; indeed, coal and cotton cloth exports may find it difficult to regain their 1938 level. It follows that the proportionate increase in all the other export trades will have to be all the higher. If there is to be a 50 per cent increase in total exports, but coal and cotton make only their 1938 contributions, the increase in the rest will have to be well over 60 per cent. And if anyone, after examining the prospects industry by industry, is confident that such an increase in sales can be achieved, he has yet to be heard from in public.

In the short term, the problem is insoluble. The Chan-

cellor of the Exchequer, in his recent Budget speech, accepted the inevitability of further deficits in the balance of payments for the next few years. No doubt the countries of the Commonwealth and Empire and the other close commercial friends of this country who have taken payment for their goods in sterling balances during the war will be prepared to go on doing so for a short transitional period, provided grounds can be given them for confidence that thereafter they will be able to get real value for their sales. The crux of the problem in these next few years will be the dollar. The United States Congress has made it clear on many occasions that lend-lease is intended to apply only for the period, and for the purposes, of hostilities against the common enemy, and in particular that lend-lease and export drives do not mix. It might conceivably be just possible to squeeze through these years by spending only such dollars as could be currently earned. But if it would be possible at all it would mean, in many respects, perpetuating the full rigours of the war economy. The other alternative is the raising of credits in the United States, which would be difficult. There is no assurance that this could be done at all, and if the President did not seek to impose written or unspoken conditions of an economic or political character, Congress certainly would.

These two short-period alternatives—continued shortages or open borrowing from the United States—are both of them unpleasant. Nor could either of them be continued for very long. Continued shortages would try the temper of the people and undermine the economic fabric of the country. Continued borrowings would before long lead to the most unpleasant relations between Britain and America. Indeed, it is almost certain that a time would come when, for political or economic reasons, further loans would not be forthcoming. This country would then face the grim necessity of an immediate and unassisted balancing of its accounts without being able to count, as it can in the immediate future, on the buoyant support of a worldwide sellers' market.

The first requirement for a short-term export policy is therefore that it should aim to make the period as short as possible. In the main, the problem is one of supply, since there will be no lack of demand in the world for some time to come. The aim should be to ensure that in two years' time from now a volume of British exports is available for sale on world markets 50 per cent larger than that sold in 1938. This is quite inevitably a problem for Government. Ideological questions of control or no-control do not enter into it; the job must be done by the Government because no one but the Government can do it. If Mr Lyttelton, seeking to apply Tory principles, tries to leave it to "free enterprise," he will make himself look just as foolish as if he had tried to run the Ministry of Production on free enterprise. The job is, first of all, to see that there is a sufficient volume of non-war production; that is inevitably a task for the allocation machinery. Secondly, it is necessary to see that the first claim on the production is for exports; that is essentially a job for the priority machinery—in fact, for still more far-reaching intervention, since exports should not merely have priority, they should be compulsory.

Indeed, the reconstruction of exports in these next two years (without prejudice to what it may be thereafter) is precisely the sort of task with which Mr Lyttelton has been familiar at the Ministry of Production. First there must be a Programme. The task of estimating export requirements is certainly no more difficult than that of predicting what strategy, the state of the war and he military whim will require in two years' time; the programming machinery could be turned over almost intact to the new job. And then, when the Programme exists, there is the task of organising the production to meet it, of seeing that the capacity is available, that the orders are placed, that the materials, labour and machine tools are supplied and that the schedules are adhered to. If these procedures were something novel there might be an excuse for fumbling and delay. As it is, the familiar routine can be bodily transferred, and industrialists should be given

to understand that, in making for export during the next two years, they are serving the state fully as much as in making munitions during the six years of war.

There is, however, one large difference between munitions production in wartime and production for export in peacetime. Munitions production had to be achieved regardless of cost. In the next two years it is possible that overseas buyers will not scrutinise prices too closely; they will be only too anxious to get the supplies. But nothing could be more disastrous than to pursue the short-term programme without regard to prices. For a time will come, and come very quickly, when price will be all-important. The end of the short period will, after all, be indicated in two ways, by British production getting back to normal and by the abnormal world-wide demand disappearing. If, at that time, British goods are not competitive in price and in quality, then the first short period of supply difficulties will be succeeded by another period of demand difficulties. The only difference in Britain's plight would be that before the turning-point we should be able to sell but not to supply, and that after it we should be able to supply but not to sell.

There is no way of dodging the necessity of being competitive in price and quality. For a few years, no doubt, countries that are dependent on the British market could be compelled, by various Schachtian devices, to take British goods at high prices—but only for as long as was necessary for them to adapt their economies and escape from the compulsion. Depreciation of the pound sterling, in so far as it was not immediately followed by other currencies, might provide a temporary stimulus. But it would be likely, in most circumstances, to raise the price of imported food and raw materials and thus either lower the British standard of living or defeat itself by leading to a rise in wages. Subsidies to exports, even if they were possible without foreign retaliation, could only be paid out of higher domestic prices. In short, if British exports are not attractive enough to sell in the required volume, the only freedom of choice left to British policy is whether the reduction in the standard of living will be taken in the form of a physical shortage of all imports or in that of a fall in real wages—war economy or depression.

This is the real difficulty in export policy and the real challenge that it presents to economic statesmanship. The short-term problem can be solved by an energetic application of wartime methods of organisation. But a solution of the long-term problem can only be achieved by first solving the whole vast complex question of British industrial efficiency. It involves asking such questions as whether the universal prevalence of price rings and restrictive cartels is comparable with competitive prices in export markets; whether competition can be suppressed at home without making British industrialists incapable of competing abroad. It involves looking closely into the comparative productive efficiency of every British industry, on the lines of the Platt and Reid Reports. It involves what is far more difficult than the writing of reports, the acceptance of their recommendations. It involves putting the rival shibboleths of private enterprise and public ownership on the shelf and, in their place, entering upon a technical enquiry, industry by industry, into the possibility of improving productive efficiency by a change of structure and ownership. It involves asking why it is that British industry has such difficulty in keeping up to date.

To all these questions the Tory Party has hitherto closed its eyes. But if Mr Lyttelton closes his eyes to them he will be personally and individually ensuring a Tory defeat at the next general election—not to mention a disaster for the country. He has a chance to show that government by the Business Party means the encouragement of efficiency and enterprise. And he has also a chance of throwing away the country's opportunity of making a new economic start.

The Levant Crisis

FIGHTING has disastrously broken out in Syria. Damascus has been shelled, Hama is reported to have been bombed and it seems certain that unless some sort of truce can be quickly patched up, the situation will get completely out of hand.

It is hardly necessary to repeat at this stage that the dispute between the French and the Syrians and Lebanese is not a matter of their concern alone. The whole Middle East is involved now that the Arab League is in being. The Council of the League is to meet at once to consider the struggle, and the Egyptian Government has lodged a severe protest with the British, the Americans, the French and the Russian Governments. The Western Great Powers are equally involved, by their long-term strategic interests, by their unequivocal recognition of Syrian and Lebanese independence, and by their immediate need of speedy communications with the Far Eastern zone of war. Great Britain is involved in an especial and extremely delicate sense. Its treaties with Iraq and Egypt exasperate the French, who see no reason why France should not be conceded similar arrangements. The presence of British troops in Syria has, coupled with the intemperate attitude of certain past British officials, encouraged the Syrians and Lebanese to expect active British support in opposing the French. And this attitude, combined with the neighbouring problem of Palestine, induces many French people to denounce British "hypocrisy" and to regard all efforts at mediation as underhand methods of squeezing the French out. It is difficult to imagine a more tortuous and highly charged political situation or one with which the ordinary resources of diplomacy seem so inadequate to deal.

Nevertheless, the British Government has been inevitably and rightly obliged to intervene. Last week, when the crisis became menacing, it took the somewhat unusual step of issuing a Foreign Office pronouncement on this quarrel between two of its friends. This was followed—on Tuesday—by a statement in the House of Commons by the Foreign Secretary. Both announcements have virtues. Though the first, with its reproof to the French for mistiming their troop movements, and to the Syrians for breaking off negotiations at the sight of 500 extra soldiers, sounded a trifle sententious, it was impartial and calming. Further, the combined effect is not wholly negative. Both statements announced that the British and American Governments were in consultation. All this is a continuation of past policy. Everyone knows that the British Government has, since 1941, and particularly early this year when Mr Churchill and President Roosevelt were in the Middle East, done its utmost to bring together two negotiators whose differences it has not hitherto thought irreconcilable. Even after the fighting began, Mr Eden assured the House of Commons that the Government was continuing its efforts to restore calm and would work in the closest possible contact with the American Government.

But as things stand, it is now most questionable whether this attitude is enough: whether the British Government has said all that, in its own interests, it should now say. The Franco-Syrian quarrel has already passed the stage at which interested third parties can do their best work from the touchline. It has become one of those difficult disputes in which both parties have struck attitudes too uncompromising to abandon in face of threatened shooting. It has become a row in which each is too incensed to take the elementary diplomatic step of putting forward proposals sufficiently moderate to place the other in the wrong.

Once matters have reached such a pass, mere exhortation is not enough. Some outsider must take a plunge and proffer a solution sufficiently new to throw the old deadlock out of perspective. Great Britain is the most interested outsider, not only as neighbour to France and friendly sponsor to the Arab League, but also because the affairs of

the Middle East are of consequence to the whole Commonwealth. Not only the United Kingdom, but India and the three Dominions of Australia, New Zealand and South Africa are affected.

While it is easy to see the need for a fresh initiative, over and above the consistent effort to calm both sides, it is much more difficult, precisely because of the involvement of issues, to work out the kind of offer which would be new enough and attractive enough to create a new start. Some lines of approach are, however, obvious. First of all, any proposals should, if it is humanly possible, be made jointly in the name both of Britain and America. On the French side, this would have the effect of quieting the uncontrolled resentment which Britain's position in the Middle East seems to excite in some Frenchmen. On the Arab side, it would bring into the picture an outside Power whose prestige is high in the Levant and would also lessen the fears of Western rivalries splitting the Middle East into rival spheres.

Secondly, the proposals must take into account the extreme sensitiveness of French opinion and the somewhat unbalanced approach of France's leader. If any offer, gesture or phrase can be made to help French prestige and to provide a dignified and reasonable retreat from an impossible position, it should not be neglected. For example, one of the constant French criticisms in recent months has been the overlooking and brushing aside of the French desire to contribute to the fighting in the Far East. If that contribution were now to be recognised and stressed by the Chiefs of Staff and all proposals for a settlement in the Levant linked to the common need for peaceful lines of communication through the Mediterranean to the Far East, it would clearly be easier for the French to retreat from their present extremity.

Yet the proposals must meet the Syrian and Lebanese demand for the withdrawal of the French reinforcements as a preliminary to negotiation. It is useless for the French to point to Iraq and Egypt and plead that they have a right to the same military privilege. The truth is that the Iraqi and Egyptian treaties are probably out of date and the British, like the French, are under the obligation of discovering new formulae. This does not mean that the Arabs can dispense with outside military support. Their lands are rich, accessible and desirable, but at the same time too weak in modern weapons or industries to defend their assets. A hothead crowd in Cairo or Damascus may shout for an army, but every Arab statesman knows that self-defence is, and will for years be, impossible, and that some other means of protection against aggressors must be found.

Thus their reaction is not a simple slogan of "Away with the West!" They know that they need outside help. They need it militarily, and they need it in order to secure the political and social education that will raise them out of the morass of poverty, ignorance and ill-health of which they are now aware, and which they are beginning to want to cure. They are ready to see treaties which are mutual bargains, bringing strategic advantage to the one side and enlightenment to the other. But they are determined that, in future, such treaties shall carry no taint of tutelage. Their fundamental objection to France's present proposals is that these are couched in "the old-fashioned language of a colonial power." For the future, any bargain that is not to prove a recurrent source of resentment and disturbance must bring patent two-way advantage and must be struck between free and equal partners. Each side—east and west—needs the other; each has assets to offer.

If all these factors are taken together—American participation, common strategic needs of the Great Powers, the very real advantages they and the Arabs can exchange—it should not be impossible to devise new proposals. Britain would serve its own interests as well as other

people's if it were to put them forward. They will become harder to formulate if the Syrian sore is allowed to fester or if it were to spread to Palestine. Now is a moment at which to speak out.

The essence of the proposals would be a joint Anglo-American-French approach to the Arab League as a whole. The three Powers would jointly offer to lease from the Arab League the bases and commercial airfields that they need for their Middle Eastern purposes. Joint Anglo-American-French undertakings are not unknown in the Middle East—for instance, there is the Iraq Petroleum Company. But the new proposals should go further than the bare money payment for port or airfield. For instance, it would be more acceptable if the bases leased were so far as possible placed out of sight—that is out of mind of xenophobe feast day crowds. Modern forces are so mobile that it should be possible to take the necessary military precautions from stations such as Tobruk or Rutbah, Palmyra or Akaba. Going a stage further the proposal could be made not only acceptable but actively desirable to the Arabs if Britain and its colleagues were to accompany it not simply with the stale appurtenances of foreign policy—goodwill messages, foreign schoolbooks, laymen's prattle—but with samples of the progressive social policy which represents their true face and nature over the past fifty years. A Beveridge report is a British best seller, while a TVA book does duty for America. The French have the record of the

NOTES OF THE WEEK

No Policy for Coal

It was singularly appropriate that the first business of the House of Commons after the change of Government should have been a debate on coal, for there is no other issue about which party feelings run so high. Although the expected onslaught on Major Lloyd George from Labour and Liberal benches did not develop, there were plenty of sharp exchanges in Tuesday's debate, and it is quite clear that, however theoretically desirable it might be to keep coal out of politics, the future of the mining industry will in practice be one of the main issues at the election.

Major Lloyd George, rather in the position of a pebble left high and dry by the outgoing tide, announced that the policy of the Conservative Government, if returned to power, would be to leave the "working, treatment and disposal" of coal to private enterprise, "provided these were planned in accordance with the national need and conducted with the maximum efficiency." This generally agreed platitude sounds as if the Government accepted Mr Foot's plan, which extolled the virtues of free enterprise and whose two cardinal principles were the organisation of the industry on the basis of national service and the attainment of maximum productive efficiency. There is this difference, however, between the Foot and the Lloyd George proposals, that instead of leaving the industry to reorganise itself, the Government would appoint a central authority, subject to the general direction of the Minister of Fuel, with the object of promoting efficiency and with powers to enforce amalgamations, though the main reliance would be on voluntary amalgamations.

Major Lloyd George should know better than anyone else, after his experience of both sides of the industry, that his plan simply will not do. It does not represent any advance on the Coal Mines Act of 1938, and it relies mainly on the voluntary methods which failed so signally in the past. It is indeed difficult to see the need for a new authority if it is only to do what the Coal Commission was supposed to do. Indeed, these proposals are a deliberate attempt to perpetuate the worst feature of wartime control. It is not a workable system for any industry to have one set of people actually sitting in the driver's seat and another set sitting behind "controlling" them. Having discovered how lamentably bad this system is, the Government now propose to perpetuate it, thus showing how fully they take their place in the fine traditions of public intervention in the industry.

Whatever else is done, this dual control must come to an end. Either the industry must be handed back to the mine-owners to be run in accordance with each owner's conception

Resistance and their post-war plans for economic and social reform.

Finally, the offer should be underpinned by solid offers of economic assistance in the building of a strong unified Middle Eastern Economy and a statement on the priorities the Arab States can hope to obtain in the post-war period of shortage. Incidentally, a joint approach of this type would not jeopardise the special cultural interests of each Power in the area. French schools and colleges and institutions do not need exclusive military control, any more than the American university at Beirut has had to rely on American men of war.

No one would pretend that such a solution is easy to achieve. Yet it is difficult to see where else Mr Eden can look for a new formula on which to base fresh negotiations. The British Government will naturally remain in the closest contact with the Americans and with the parties to the dispute. It is to be hoped that its efforts will lead to constructive proposals on these lines. Naturally the way ahead is not all plain sailing. The British for instance have the Palestine dilemma to resolve before they can look at the Middle East without a mote in their eye. America may not be sufficiently involved to wish for military commitments so far afield. Some Frenchmen will find it hard to discard their old individualistic role. But the attempt is well worth making. Without it, murder and mistrust are likely to continue and to spread, and the Arabs will in time turn towards less supine defenders of their worldly goods.

of his rights and duties, or else it must be handed over to someone else who will have the responsibility of running it in accordance with some other clearly defined principle, and who will also have the freedom of action to do so. Since the former alternative is not practical politics—as the Minister, with all his talk of private enterprise, knows perfectly well—some variant of the second alternative is necessary. To lay down private enterprise as a fetish is fully as foolish as to think that nationalisation, by itself, will make any difference—indeed, in this industry it is more foolish.

No proposals for the coal industry should be entertained for a moment unless they clearly state how it is proposed to reconcile a decent standard of living for the miners with the urgently necessary reduction in the price of coal. This is essentially a technical problem, and schemes of ownership or control are not worth looking at unless they can be proved to be likely to assist in solving the technical problem and in solving it quickly.

Major Lloyd George is simply wasting time. Even if the Tory Party wins every seat in the House of Commons, a real coal policy will have to be produced before long.

Unfinished Business

Only two weeks remain to the Long Parliament before the Dissolution scheduled for June 15th. This limited time to wind up the unfinished business of the Coalition Government is, wisely, to be extended by the inclusion of Monday afternoons in the Parliamentary week. Even with this, and with the drastic weeding out of unessential or too-controversial business, the remaining sessions will not be able to escape an underlying sense of urgency.

First on the list of business to be included in the fortnight's timetable are those measures which are needed to preserve the continuity of the financial structure of government. Mr Churchill announced on Tuesday that an abbreviated version of the Finance Bill will, with the consent of the House, be introduced to provide for taxation, on the lines of the Budget proposals, in the interim period. In the same category are the motions for supply and supplementary votes of credit which will also have to be fitted in. Secondly, there are those measures so nearly completed that only a short time is needed to finish them. Among these, the Requisitioned Land and War Works Bill went through its last stages on Wednesday; the Law Reform Bill on contributory negligence should also be completed this week; and a six months' extension of the Emergency Powers (Defence) Acts should be approved. Pushed into this cate-

gory, like the truncated feet of Cinderella's ugly sisters, is the Distribution of Industry Bill. Clause 9, which would restrict industrial development in congested areas, is to be deleted to by-pass Conservative opposition, leaving the Bill—deserving its name less than ever—merely a Special Areas measure.

As a footnote to the Caretakers' timetable, the inclusion of the Government of Burma Bill, as yet untouched, which is to be discussed on Friday, seems very curious. There is no urgency about it, since the extension of the Governor's powers is not necessary until they become invalid next December. The time might well have been given to more pressing matters. The Labour Party expressed great indignation over the intention to drop Mr Morrison's Supplies and Services (Transitional Powers) Bill, seeing in the decision the "first victory for Big Business." But it would probably be wrong to take this interpretation too seriously, as the Bill would be difficult to pass in haste and some legislation on the subject will clearly be needed in the new Parliament.

On the fate of the remaining business outstanding, Mr Eden has promised a further statement on Thursday. But it seems unlikely, at present, that Bills for Scottish Education, for Industrial Injuries Insurance, or even the Family Allowances Bill, will be fitted in. Certainly they have no hope if the election mood—in which independence of the double harness was hilariously celebrated on Tuesday by time-wasting Parliamentary back-chat—is not to some extent restrained.

The Electorate

The admittedly imperfect new register, which was drawn up from the addresses registered on identity cards on a certain day last January, will be even more imperfect by July 5th when the majority of evacuees will have returned home. This disfranchisement will affect many of the new constituencies created by the House of Commons (Redistribution of Seats) Act, for most of the "abnormally large constituencies," which have now been divided up, were in London and the adjoining areas.

The report of the Boundary Commission for England, which has just been published (HMSO 15s.), gives a full list of the constituencies affected. The operations of the Commission have so far been concerned with "the temporary provision for the division of abnormally large constituencies . . ." and not with "the permanent provision for the redistribution of seats." Thus, the parliamentary map of England is still illogical and anomalous, and some of the Commission's recommendations were affected by the consideration that there will eventually be a general redistribution of seats. Of the 25 new constituencies made under its recommendations (making a House of 640, 19 are in the London area. The biggest changes take place in Middlesex. Baling parliamentary borough and the Harrow, Hendon, Twickenham and Uxbridge divisions of the county are redrawn to provide 12 constituencies. In Essex, Ilford is divided into two constituencies, and the Epping, Romford and South-Eastern divisions into eight. A discretion was conferred upon the Commission, in any case where a county borough or county district overlapped the boundary between an abnormal and an adjoining constituency, to include the latter in the area to be divided. The Commission availed itself of this opportunity so far as possible to bring a local government area wholly within one or other of the constituencies.

In the House of Commons this week, Mr Churchill announced that the final recommendation of the Speaker's Conference on Electoral Reform and Redistribution of Seats, with regard to the conduct and cost of elections, could not be adopted for the coming election as legislation could not be passed in time. Another difficulty is the disfranchisement of certain industrial districts because of mass holidays. July 5 will fall in the middle of the Wakes week for many Lancashire towns and will be a holiday in a number of Scottish constituencies. It now seems likely that a short Bill will be introduced to permit the postponement of polling day in "holiday" divisions.

"Wild Men of Blackpool"

Mr Richard Law was more picturesque than accurate in describing the delegates to the Labour Party conference

as "the wild men of Blackpool," and more than somewhat wrong in implying that the leaders are out of step with their following. In fact, it appears to have been the most orderly and united conference that Labour has held for some years. Miss Wilkinson, in the chair, was able skilfully to canalise a number of rather amorphous resolutions into votes of confidence for the Executive, without being accused of steam-rolling. Votes were taken on two occasions only—on the motion to discuss "progressive unity," where the Executive won a narrow victory, and on the proposal (which obviously had not been very carefully thought out) to introduce flat-rate gratuities for Servicemen, irrespective of rank or sex, where the Executive was heavily defeated.

The imminence of polling day had a sobering and unifying effect. Opposition was not pressed on controversial issues, such as conscription, nor on the shortcomings of the party's election document. The Citrine incident at San Francisco, which was expected to flare up into a major issue between the industrial and political sections, was tacitly allowed to drop. There was a general determination to bury hatchets and let sleeping dogs lie, in order to concentrate on the immediate business of the election.

Labour was perhaps fortunate in having caught the public eye and the public ear for its policy, when the annual conferences of other political parties had been largely forgotten. The Blackpool Conference was, above all, an electioneering conference. Mr Morrison gave good advice to candidates about how to run their campaigns, and the candidates reciprocated by rehearsing their election speeches. Mr Shinwell and Mr Aneurin Bevan injected vitriol into their speeches, such as would only be heard on the eve of a poll.

The conference has demonstrated conclusively that the Labour movement would not tolerate any of its leaders who sought to follow in the footsteps of Ramsay MacDonald. This feeling, indeed, was so strong that Mr Laski was obliged, on behalf of the Executive, to give an assurance that under no circumstances would Labour re-enter a coalition with the Tories, whatever the result of the election. The prospect of post-election agreement with other parties, however, has not been ruled out. It may yet be that Britain will have, belatedly, its *Front Populaire* Government, with the Labour Party inviting other minority parties to co-operate on a common and agreed short-term programme. That, however, must depend on the strength of the parties after the election. In the meantime, the Labour Party is seeking to win a clear majority.

UNCIO: The Last Phase?

Agreement on the major points of a new international charter seems to be in sight at San Francisco. The controversy over trusteeship is subsiding in a series of compromises, the Russians agreeing to a modification of their proposal that independence shall be the goal for peoples under trusteeship, the British agreeing that "strategic areas" shall be placed under the oversight of the Security Council, the Americans that where strategic areas are also populated they may, by a decision of the Security Council, be transferred to the supervision of the Trusteeship Commission.

The remaining differences centre on the crucial question of the Great Power veto. Russia has attempted to adhere throughout to the most strict interpretation of the Yalta voting agreement—that on all matters except procedure the Great Powers should be able to exercise a veto. The Americans and even more obviously the British showed a certain readiness to reconsider the formula and to go some way to meet the strong criticism of most of the "Middle Powers," energetically led by Australia.

The critics demanded that the Great Power veto should be limited to the final decision—the decision to use force. There is a general recognition of the validity of Mr Stettinius' point that the Great Powers alone can carry the physical burden of making and preventing war, and that if they fail to agree, the system to be set up at San Francisco cannot work. But many of the smaller Powers feel that the new League will be robbed unduly of moral authority if the Big Five are to be able to veto any recommendations not involving the use of force which may be made on a dispute by the Security Council. In the last few days, the Big Five have gone a certain distance to meet the criticism of the other Powers. The simple discussion of an issue will apparently not be liable to the veto. It has also been agreed that parties to a dispute may not veto actual recommendations (not involving force), but must abstain from voting. The critics demand, however, that no Power—a party or

otherwise—should have a right of veto at this stage; in other words, that everything—inquiry, discussion, recommendation—save the final decision on force should be passed by a simple majority.

It is unlikely that the Great Powers will make further concessions. Nor is it expected that their critics will press for a general Conference vote to force the issue. They realise that ultimately Great Power agreement is the final safeguard of the new League.

Great Power Agreement

The week has shed little light on the central question whether Great Power agreement is still possible for the settlement of Europe's outstanding problems. Strenuous efforts are being made to arrest the dangerous drift of recent weeks. President Truman has sent Mr Hopkins to Moscow and Mr Davies to London as his precursors, and it is hoped that a meeting of the Big Three may take place before many weeks have passed. Meanwhile, the solution of the two outstanding problems—the Polish Government and the administration of Germany—can only grow more difficult as time solidifies and sanctions policies which may well have started as temporary expedients.

Mr Hopkins's chief task must be to try to convince the Russians that their policies are creating alarm and suspicion in the West. It will not be an easy one. From all they write and say, the Russians appear to be as wedded as ever to the ideal of collaboration with the West. The San Francisco Conference has been given very great publicity in Russia as the best instrument of peace and co-operation after the war. At the same time, the various Provisional Governments set up in Poland and elsewhere are described and apparently thought of as expressions of democratic choice from which only Fascist elements have been excluded. Thus the Russian Government, in its own view anxious to collaborate with the West and doing nothing in its own zone to violate Western principles, faces the criticism of the outside world with apparent bewilderment and attributes it to lingering pockets of "Fascism," notably in any organ of the press in Britain or America which may happen to have voiced dissent. The unoffending *Yorkshire Post* was even taken very severely to task for venturing to suggest that Russia failed to understand the Western approach.

Yet this is precisely the crux of the difficulty. For the West, democracy cannot mean the complete unanimity of policy and expression now covering all Eastern Europe. It cannot condone arbitrary arrests such as were practised on the Polish leaders. Above all, it is at a loss to deal with a situation in which all non-Russian observers and reporters—except for especially "safe" and privileged people, such as the Dean of Canterbury or Mr Stefan Litauer—are excluded from the Russian zone of occupation. If there is nothing to hide, let the defences down. As long as the ban is absolute, suspicion must be bred. Unhappily, these differences of approach are so deeply rooted in the fundamental structure of East and West that only a superhuman effort can overcome them. The Big Three are the only men in a position even to contemplate such an effort. For this reason alone they should meet at once.

Policies for Germany

There is still little reliable news from Germany, but what there is suggests that the division between the Anglo-American and the Russian approach is still great. The first proclamation from Field Marshal Montgomery, as Chief British Controller, does indeed offer the Germans the prospect of food, transport and homes, and promises the demobilisation of soldiers for vital work. But the only guidance for the German people is willing and efficient work. There is little "guidance" from official sources, and the only evidence of reviving political activity was a stern reminder from Hamburg radio that all political assemblies are strictly forbidden. Yet this policy of banning all political action, although it is designed to stamp out Nazism, may end in its survival in the political vacuum which political inactivity creates.

From Berlin, Dresden and Stettin the reports are scanty but uniform. In each case a municipal authority is in office. Shops are being opened, transport restarted. Rations ("bigger than the Nazis'") are available, and the peasants are encouraged to set up free markets in the towns (this appears to be a punishable offence in the western zones). Much of this activity is probably the intention rather than

the actual practice of the Soviet authorities, but the tone in which the people of Germany are addressed is in itself a political factor of some importance. Even if rations are short, it is not altogether discouraging to be told that

they (the Red Army) no longer regard those who have surrendered as enemies . . . by shattering Hitler's regime, the Red Army has saved . . . the German people whom they are trying to lead back now to normal and peaceful life. The Red Army's magnanimity . . . is not an empty gesture, nor does it represent a passing gesture.

It is possible, however, that the divergence in approach between East and West is less absolute than it appears. The most important announcement of the week is probably the statement from Moscow that Marshal Zhukov has been appointed Russian representative on the Allied Control Commission, which will shortly meet. The decision to speed up the trials of war criminals is not only politically desirable. It can also be made an occasion of greater Allied solidarity. In Germany itself, Russian policy is not entirely wedded to sweetness and light. In several broadcasts and articles the necessity of Germany paying "in kind and in German labour" for the ravages done by the Wehrmacht has been stressed. The activity of the Reparations Commission in Moscow (on which Sir Walter Monckton is to sit) may possibly offer opportunities for co-ordinating the Allies' attitude. Finally, it should be obvious that in certain respects the Russian approach to the Germans is saner and more constructive than that of the supposedly more liberal West. Carefully chosen "fraternisation" with decent and co-operative Germans should begin. It is reported that the Allies have now chosen a mayor for Hamburg and a commissioner for the Rhineland, both from the pre-Hitler democratic parties. It looks as though a start is being made on the right lines.

Control of Engagements

The last action of the outgoing Minister of Labour, Mr Bevin, was to draft a new Control of Engagements Order, in accordance with the principles he had outlined to the House of Commons before the Whitsun recess. The

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purpose of this Order, as he then said, is to avoid "what I had when I first came into office—a shortage of labour, a flood of advertisements and overdoses of people in some industries and none in others," and to build up a balanced labour force.

The effect of the Order is that from now on an employer can engage a worker between certain age groups (18-50 for men and 18-40 for women) only through an employment exchange or approved employment agency. There are a few specified exceptions to whom the Order does not apply. They include women who are living with their own children under the age of 14; ex-Servicemen or women exercising their reinstatement rights or during their period of paid leave after being released from the Forces; part-time workers; agricultural workers in England and Wales; and fishermen. Managerial and professional appointments are also excluded, apart from certain "scarcity" categories, such as qualified engineers, chemists, nurses and midwives.

The new Order represents a considerable relaxation of the tight manpower controls which were necessary during the wartime period of acute labour shortage. The powers of direction, under Regulation 58A, will be largely kept in the background and the Ministry of Labour will rely mainly on powers of persuasion to secure the allocation of labour between competing claims, though the Essential Work Orders will be continued over a range of key industries. A broad schedule of priorities has already been drawn up—first, the Japanese war; secondly, housing; and, thirdly, civilian industries both for home and exports.

It is clear that so long as there is an overall shortage of labour, and so long as there are priorities in production, the Ministry of Labour must keep a firm grip on the manpower situation. It will be some time before the full effects of returning Servicemen can be felt in industry, and it is interesting to note that the TUC has asked the new Minister of Labour to advance the release date for demobilisation. Mr R. A. Butler, the new Minister, is too wise a politician to seek to curry popular favour for his party between now and the election, by casting aside the elaborate mechanism of labour control, without which the country would be plunged into industrial turmoil.

Demobilisation of Doctors

For some time serving doctors have been writing anxious letters to the medical press raising the question of their demobilisation. They were prompted by fears that they would not be released with their age-and-service groups—some have now had these fears officially confirmed—and by envy of the many, often younger, doctors who have not been called up.

The Central Medical War Committee has attempted to reassure them in a letter sent to all serving doctors. It points out that the Far Eastern war will require a higher proportion of doctors to men than the European war, which means that for releases to take place in accordance with age and service a disproportionately large number of new recruits will have to be found. The Committee claims that very few newly qualified practitioners avoid being called

up, and that this pool will continue to be the main source of supply. But when releases from the services begin to take place, it will then recruit from doctors in all forms of medical work whose deferment will no longer be necessary on their colleagues' return. It has recommended to the Government that the age limit for the continued recruitment of doctors should be between 35 and 40 instead of the limit of 30 for general recruitment.

It is a mollifying letter, and if it is accompanied by action some grievances may be eliminated. But the serving doctor's main grievances are really directed, not at the Central Medical War Committee, nor at their civilian colleagues, but at the medical authorities of the three services. They do not think that civilian doctors have an easy life; on the contrary, they envy them their hard work. With some exceptions, the ordinary medical officer in the forces is grossly underworked. This is largely due to the wasteful organisation of the medical services, under which each unit has to have its own medical officer, even though the armed forces contain the fittest section of the population and in the case of air-crews the fittest of the fit. It is well known for an RAF doctor on a bomber or fighter station in this country to have, perhaps, two hours' work a day. If he complains, he runs the risk of being victimised. The Central Medical War Committee is powerless to act in this respect; the new service Ministers, and the old, should make it one of their first jobs to prod their Directors-General of Medical Services. It is ridiculous for the civilian medical services to remain gravely depleted when there is such a waste of man-power in the forces.

Councils or Cabals?

The National Association of Local Government Officers has produced a valuable and constructive report on relations between local government and the community. Public apathy over local government has shown itself not only in the small number of ratepayers voting at elections, but in the lack of popular interest in council activities and proceedings. Some of the blame, as the report freely admits, must be laid upon the local authorities themselves. Local administration affects the welfare of the citizen at almost every point of his life, and there are a myriad of ways in which its significance can be brought home to him. But public interest is naturally hard to arouse when, as the NALGO report points out, many authorities "make local government almost an esoteric rite, to be performed in secret and by the initiated only." The report accordingly calls for a vigorous policy of publicity which would make full use of the local press, teaching in schools, public meetings, and films and exhibitions of all types. It is even suggested that mathematics could be taught in terms of housing, and chemistry in terms of sewage disposal.

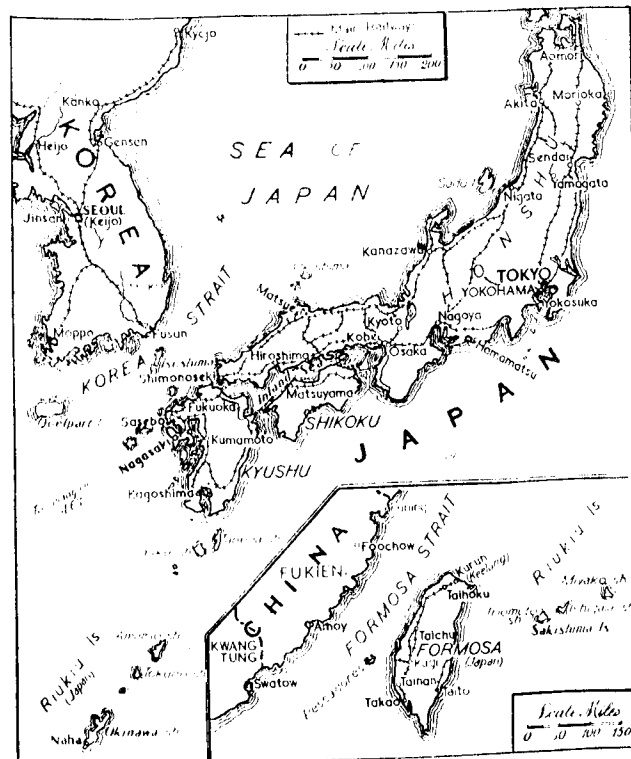
To undertake this programme, public relations committees would be elected by all authorities, full-time officers would be appointed by the larger ones, and (inevitably) a central committee would co-ordinate activities at the national level.

At present, far from advertising their activities, many councils do their best to conceal them. Some councils exclude the press from their full meetings by going into committee on any pretext; others fail to issue proper reports of committee meetings or delay their publication until the next full council meeting. Such practices make intelligent public discussion and comment next to impossible. That NALGO should need to press for their immediate abolition, if necessary by law, is greatly and alarmingly to the discredit of some of the elected representatives of the people. Merely to secure full disclosure of council debates is more vital than any active publicity, besides costing nothing.

Black Week for Japan

The news from the Far Eastern war is encouraging. After weeks of gruelling fighting, the Americans are almost in possession of Naha, capital of the stubbornly defended island of Okinawa. Tokyo has been laid in ruins by exceptionally heavy Super-Fortress raids and Yokohama is still burning after a fire-bomb raid. In China, the Chinese armies which liberated Foochow on the coast are clearing the coastal areas round the town and, although the victory may not be permanent, the Chinese are reported to have recaptured Nanning and freed an area in which the Japanese last year captured a number of American airfields.

The reasons for these sudden Chinese successes are variously reported. Some observers ascribe them to the arrival of American-trained Chinese units. Others suggest that the Japanese are pulling out of South China in order to concentrate their troops for the defence of the mainland. Such a policy would not be inconsistent with leaving very considerable forces of Japanese troops cut off from their main bases to resist the Allied advance in the Dutch East Indies and Malaya. In Indo-China, the local Japanese forces



appear to have broken French resistance in the Upper Mekong valley and they are resisting strongly wherever, in the fringe of their Co-Prosperity sphere, they are in contact with Allied forces.

The smashing of the capital and the gradual closing of the net of defeat have not so far had any striking political consequences. The field of diplomatic manoeuvre in which to secure a modification of the formula of unconditional surrender is severely limited by Japanese ignorance of Russia's intentions. The Soviet Union is, for the time being, the decisive factor in the Far East—decisive and entirely inscrutable.

New Blood for French Cabinet?

Beset as General de Gaulle is with domestic criticism, it is surprising that he has not yet made any move to reflect in his Cabinet the radical mood of the recent municipal elections. As things stand, his problems range from coal strikes in the Pas de Calais and a general strike in Lyons to almost daily demonstrations in Paris against his food minister, and even to raids by ex-prisoners on Paris clothes stores. He would be better able to stand the salvos if his government were broader—if it were to include more representation of the left wing voter and less of the *Mouvement Républicain Populaire* that succeeded so poorly at the polls. (Portfolios held by the latter party include M. Teitgen, who is a good Minister of Information, M. Bidault, who is at least hard-working, and M. de Menthon.)

Delay in shifting the balance of his Ministry would be less remarkable if there were not so many new and good men ready and willing to serve him. M. Herriot, back at the head of the Radical Party, has stated his willingness to take office and is, at the moment, probably the most esteemed political figure in the country. M. Blum, in a frank and dignified speech on Sunday last to the Conference of Socialist Party secretaries, stood out head and shoulders above the rank and file now in office. He, too, has expressed his readiness to serve. More unexpectedly, M. Thorez, speaking at Lille on the latest Communist Manifesto, has stated his party's readiness "to shoulder a larger share of the responsibilities of office within the Provisional Government of General de Gaulle."

If, as the General stated in his victory speech to the Assembly, the end of hostilities is but the beginning of the Fourth Republic, these offers, surely, are the ingredients with which to begin.

Franco in Situ

Interallied discussions on the future of Tangier, coupled with a resolution by the Foreign Affairs Committee of the French National Consultative Assembly calling for an Allied appeal to General Franco to resign, have raised a fresh crop of speculations about the stability of the Spanish regime. But all solid evidence suggests that hopes of change are wishful thinking.

Now that Himmler is dead and Quisling in the dock, General Franco is, *hors concours*, the most unpopular ruler in Europe. Everyone (except his privileged *Falange*) would be glad to see him fall, yet no Spaniard is strong enough, and no foreign government feels strongly enough, to give him a push of the size and style that would tumble him over. Like one of those wooden dolls fashioned with a round and weighted base, he wobbles, but comes back to the vertical.

Inside Spain he is hated for the graft and injustice, the suspicion and stultification of initiative, that he and his *Falange* have injected into every phase of Spanish life. Food cards buy no food; travel permits—essential even for short journeys—are available only to the wealthy or to *Falangists*; secret police of several brands are authorised to eavesdrop and pounce; there are houses to be had for the rich but none for the poor. Of twenty-six million Spaniards, some twenty-five would rejoice to see him go, yet no one internal issue is sufficiently compelling to call for effort from a civil war-weary people whose ruler holds nearly all the tommy-guns.

Thus any impulse strong enough to overthrow him would have to come from outside Spain. It is not, at present, forthcoming. The Republicans in France and Mexico still bicker in factions round their café tables. The Monarchist appeal for resignation, made by the Infante Don Juan from

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Switzerland in April, fell flat because it offered no progressive policy. The French resolution of May 25th is equally likely to prove abortive. It came from a committee that wields no power. It has already rallied Spanish pride on an issue that is held to be none of France's business. Lastly, most Frenchmen think the country too busy with reconstruction and the Rhine, Syria and the Italian frontier to have any wish to follow it up. Altogether it was a surprisingly futile gesture from a body that is usually better informed than to make recommendations that it cannot follow through.

For intervention in Spain's internal affairs is an unlikely move to expect from either the British or the American Governments. Both have their hands full elsewhere, both are by instinct non-interveners, and both—the British primarily in order to buy and the Americans primarily in order to sell—have begun to re-establish trade relations with the Franco Government. The British Ministry of Food is buying dried fruit and the Americans have secured a concession for a large commercial aerodrome outside Madrid and are said to be negotiating deals for renewing Spanish rolling stock and Spanish taxis.

General Franco, therefore, sits pretty. In order to conform, at least outwardly, to the standards of the post-war world, he has abolished the press censorship, offered "benevolent treatment" to any "Reds" who care to return, and instituted the drafting of a Magna Carta called the *Fuero*. He is even talking of disbanding the *Falange*. But, in fact, special tribunals are still competent to try "Freemasons and Communists." These terms will no doubt remain elastic.

The Future of Tangier

General Franco's position is quite other when the future of Tangier comes into question. Here is one of the points at which he most blatantly took advantage of his Axis affiliation. In June, 1940, he threw over his obligations under the port's international statute and began a military occupation, "for purposes of preserving neutrality," when France was falling and Britain at her lowest ebb. In the following November the officer commanding the Spanish troops in the zone took over full control with the title of Governor. At the time, General Franco no doubt felt that he could afford to snap his fingers at the British Government's protests and at its reservation of the right to bring up the subject later. Tangier became a useful centre for Axis agents. To-day the boot is on the other foot. When the moment comes for Allied pressure, the General must give in or go. It is safe to predict that he will give in.

At present, preliminary discussions on Tangier's future are taking place between the British, French and American Governments. They are interesting not only as a well-merited reversal of the scales of justice, but also because the United States—not hitherto a signatory of the Tangier Statute—seems likely to become one when it is revised. There seems no doubt that the port will remain international. Because no one power could afford to see it pass to any one other, it became so *de facto* during the chaos which reigned in Morocco in the last century. It was so consolidated *de jure* in 1923 by the three Mediterranean powers chiefly interested—Britain, Spain and France. The Statute then signed was revised in 1928 when they opened their ranks to admit Italy.

In practice, the pre-war Statute worked out to the advantage of France, in her rôle as protector of the biggest and best zone of Morocco. General de Gaulle's Government is therefore unlikely to press for any revision other than the re-exclusion of Italy. The Americans would no doubt prefer changes sufficiently extensive to include them among the authorities responsible for the port and to further their new interest in commerce and communications throughout north and west Africa.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so immediately upon receipt of a renewal notice. If they fail to do so, their subscriptions will be automatically cancelled on the date of expiry, and this may mean a gap of many months before the despatch of copies can be resumed.

Lord Wavell's Mission

In spite of the dominating influence of domestic subjects at election time, there is at least one matter of foreign policy which cannot well be kept beyond discussion. Mr Bevin last week added to the existing pledges of the Labour Party towards India by promising to close the India Office and transfer its functions to the Dominions Office. It was a gesture of good will—the kind of gesture from British hands that Indians might appreciate the more for their rarity in the past. The practical results of such a move, however, would not be, as Indians know, so great. The transfer of Indian matters to an Indian section of the Dominions Office cannot alter the fact that the policy pursued—so long as the United Kingdom Government has any responsibilities in India—must necessarily differ from the relations maintained with other Dominions.

Meanwhile, Lord Wavell's visit to London is nearing its end. He has been here two months, and nothing has so far publicly emerged from his discussions. On the eve of an election, some forward-looking step to steal the thunder of the Labour guns might easily have been expected. If nothing does emerge, Mr. Churchill's party cannot avoid some embarrassment at the polls, and the Indian situation cannot but deteriorate. As it is, nationalist opinion in India is hoping to make the best out of the election, and, failing that, might well be prepared to follow extremist advocates of more forceful methods. In that case, the more moderate and constructive proposals from either side will be passed over. The most recent of these has come from Mr Rajagopalachariar, the former Congress Premier of Madras. He has suggested three alternative proposals, based on the federal principle, to provide an interim government at the centre until a more permanent Constitution could be worked out.

The O'Neill Inquiry

The conviction of Reginald Gough of the manslaughter of Dennis O'Neill left all who followed the case anxiously wondering how it was possible for children to be boarded out with such foster parents and how it was that they were allowed to remain in their care for six months without being adequately supervised.

Sir Walter Monckton's report published this week tells the story in full. In view of the tragic end to the case it is a horrifying story—not because there was any gross neglect on the part of either local authority, though the Home Office rules for the medical examination and visiting of the children were not complied with, but because of a whole series of misunderstandings, delays, deferments, unanswered letters and misplaced documents, most of them the typical acts of official carelessness which normally merely cause exasperation, or amusement, but which can obviously add up to a very serious result.

But above all there was a complete lack of any sense of urgency on the part of either the Newport or the Shropshire authorities and a complete lack of any sense of personal responsibility for the children. Sir Walter Monckton points out that the relation between the "fit person" to whose care a child is committed and the child is a personal one. "The duty must neither be evaded nor scamped." Yet the local authorities in this case dealt with the children by infrequent letters and through subordinate staff who had not the qualifications or the experience for dealing with such a matter.

Sir Walter Monckton places the primary responsibility for failure to discharge the obligation they had undertaken on the Newport authority. But he also places some blame on the Shropshire authority, which among other things declined to accept the supervision of the children, after they had been at Bank Farm for five months, because Newport was paying a higher rate of allowance than the Shropshire rate. As he points out, it would have been better to carry out the supervision first and settle the administrative difficulty later. But the story has a wider moral. One justification for the red tape procedure of central and local authorities is that it is necessary to enable the machinery to go on running in the event of the absence of any particular official. The O'Neill case shows that not only is the procedure not infallible for that sort of contingency but that it may be a positive hindrance to action. Many of the difficulties in the case could have been settled, and Dennis O'Neill might still be alive, if a responsible official had picked up the telephone. Instead, the matter was left to be settled by letters and reports. Surely the right procedure is to act first and document afterwards.

AMERICAN SURVEY

The Trade Agreements Bill

The passage by the House of Representatives of the Doughton Bill is the most concrete sign yet visible of Congressional support for the Administration's foreign economic programme. The Bill provides for the extension and broadening of the programme of reciprocal trade treaties to permit the executive to make reciprocal trade treaties under which tariffs on particular commodities might be reduced by as much as 50 per cent below the present levels. The Bill now goes to the Senate, where it will meet with even sturdier opposition, although at least two Republican Senators, Mr Tobey of New Hampshire and Mr Aiken of Vermont, have pledged President Truman their support.

An analysis of the final vote of 239 to 143 in the House is considered significant, in that 33 Republicans crossed the floor and voted with the Democrats; while 12 Democrats joined the opposition. Supporters of the Bill repelled every Republican attempt to modify it and defeated by 212 to 181 a Republican motion to send it back to Committee, which would have meant certain death to the Bill in its present form. In this vote seven Republicans voted with the Administration, while thirteen Democrats voted against it. The House of Representatives contains 242 Democrats and 190 Republicans. The strongest opposition centred on the provision for cutting rates to 50 per cent below current levels, but other amendments ranged from one limiting the programme to two years, to a piece of special pleading that would have prohibited duty reductions on pottery and glassware. Mr Truman's letter to the House, read by Speaker Rayburn, in which the President frankly said he considered the measure of the first importance for the success of his administration, is believed to have played a large part in securing the majority.

The Administration has been further heartened by the approval of the Bretton Woods Bill by the Banking Committee of the House of Representatives. The Bill was sent to the floor of the House with a vote of 23 to 3. Fourteen Democrats, eight Republicans and one Progressive voted for and one Democrat and two Republicans against. Amendments to the Bill were made chiefly to meet criticism of the powers of the international bank and the stabilisation fund. Thus, as it goes to the House floor, the Bill provides for a Bank with authority to make long-term stabilisation loans, while the Fund is limited to short-term loans. The US member of the Board of Governors of the International Bank of Reconstruction is also to represent the country on the board of the International Monetary and Stabilisation Fund.

Mr Hoover Enters the White House

Mr Truman's Cabinet changes, which met with general approval, were overshadowed by his invitation to ex-President Hoover to talk over Europe's food problems and the announcement of the missions to London and Moscow of Mr Joseph E. Davies and Mr Harry Hopkins. Mr Hoover has not set foot in the White House since Mr Roosevelt replaced him at his inauguration in 1933, and it was assumed that only very strong necessity would have induced the new President to make so conspicuous and highly controversial a move. A variety of big assignments was immediately predicted for Mr Hoover, but the most liberal commentators were frankly worried at the shape this first divergence from Mr Roosevelt's policies had taken.

They pointed to the undeniable fact that Mr Hoover and his policies have been thoroughly rebuffed by the American public, not just in the 1932 elections, but in every election since, and they feared the effect of this much-publicised visit on the resistance movements of Europe and on the Soviet Union. They recalled the bitter criticism of Mr Hoover's alleged use of food as a reactionary political weapon in his position as head of the inter-Allied Food Council after the last war.

No matter how well founded these fears are, or how well based the lack of trust in Mr Hoover, certainly the missions of Mr Davies and Mr Hopkins, which by-pass the State Department, are more significant public expressions of the

new President's vigorous attempt to build upon a stronger base the constantly fluctuating relations between America, Britain and the Soviet Union. The selection of Mr Davies might almost have been the President's method of assuring Marshal Stalin that the suspected joint Anglo-American policy toward the Soviet Union at least did not have his support. Mr Hopkins, on the other hand, knows and understands Mr Roosevelt's understanding of the Yalta agreements better than any living person.

Viewed in this context the Hoover talks tend to fall into a different political position, particularly since later invitations were issued to the Republican candidates of 1936 and 1944, Mr Landon and Mr Dewey. Mr Truman may well be willing to pay the price of listening to anything that Mr Hoover has to say on the subject of feeding Europe, if in return he can use the talks as an almost brutally blunt way of approaching the problem of winning support for his foreign policy from the Republicans in Congress. It is quite possible, for example, that Mr Truman's ear has been well filled by his Congressional friends on the hazards that will face the San Francisco charter when it comes before the Senate.

An Idle Gargantua

Unquestionably the most gargantuan piece of surplus property in the United States is Willow Run. By August the last Liberator will have rolled off its lines and its approximately five million square feet of space will be vacant. Mr Henry Ford, who operates the plant, has expressed total unconcern about its future. Thus far, the most persistent and interesting rumour concerning the



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future of the giant plant is that the Congress of Industrial Organizations has been looking at it with a calculating eye. Mr R. J. Thomas, President of the CIO Automobile Workers of America, is said to have had conversations with men interested in using Willow Run to build automobiles that will travel 40 miles on one gallon of petrol. Willow Run would be a very brave first venture in management for the CIO.

There has been so great an exodus of workers from the plant that Detroit already has been reclassified from a critical to a shortage labour area. Running at capacity, Willow Run has had 21,000 workers on its pay-roll, with 9,000 in other Ford operations making components. Throughout the country 100,000 workers have turned out parts for the giant plant, at least 70,000 of them in Detroit alone.

Thus Congress, still in search of a decisive policy on the disposal of \$15 billion worth of surplus war plants, has reason to consider with special interest and sympathy a plan put before it by the former Attorney-General, Mr Biddle. The selling price of a plant would be fixed on the basis of post-war "use," to be determined over a three-to-five year period during which the plant would be leased. The one important requirement would be that the lessee must guarantee to keep a predetermined number of workers employed. Default would mean returning the plant to the government. The yardstick, then, would be not cash paid, but jobs created.

The capacity of the country to produce goods is estimated to have increased by one-third during the war years, and sponsors of small business consider it all-important that this great new plant should not be ceded to monopoly interests on their own terms, to scrap if unprofitable, regardless of the public interest. Four-fifths of the government war plants are concentrated in the hands of 150 corporations. In steel, for example, three-fourths of the government's facilities are operated by five big corporations, 40 per cent of them by the United States Steel Corporation.

Mr Biddle's plan is almost identical with one presented to the Small Business Committee earlier in the year by Mr Henry Kaiser. Here the lease of property with job guarantees was proposed, with sale when the job guarantees have been made good.

The Battle of Freight Rates

A recent ruling of the Interstate Commerce Commission that railroad freight classifications were "unreasonable and unduly prejudicial" brings to a climax an investigation that has been pending for over five years. For the southern, south-western and western states, which have alleged that discriminatory freight rates have hampered industrial development in these regions, this is a great victory. The ruling gives the railways 90 days to submit proposals for a uniform method of freight classification as a preliminary to establishing a new scale of rates.

It is believed that the ICC action was finally precipitated by a previous decision of the United States Supreme Court to open its tribunal to a case filed by Governor Arnall of Georgia, for his state against the railroads operating within its borders. The suit charges that twelve rail lines in the eastern territory and eight lines in the southern territory have manipulated freight rates to the disadvantage of the southern states through a complex bureaucracy of rate bureaus, committees and rate-fixing agencies.

The battle over discriminatory rates began in earnest in 1937 when the Southern Governors' Conference was organised chiefly to fight for lower freight rates. The Board of Investigation and Research, established by Congress in 1940 to survey the nation's transportation facilities, joined with the Tennessee Valley Authority to recommend relief to southern states. President Roosevelt stated that "freight rate barriers . . . help keep the south on a raw material production economy."

But the ICC has hesitated, perhaps over-anxious to display that it was immune to pressures, turning a deaf ear to Congressmen from affected regions, whose passionate speeches calling for lower freight rates liberally sprinkle the *Congressional Record* of the past seven years. The industrial east, allied with the railroads, has proved to be a powerful opponent. Governor Dewey of New York has been in the forefront of those who apparently are not convinced that industrialisation of new regions will open new markets to eastern manufacturers.

* * *

Another Election for the US

The American public is uninhibitedly participating in, and apparently enjoying, the British elections, with none of the scrupulous reserve displayed by the British press last November. At first the headlines, "Churchill Resigns," spelled disaster, for the average American is unfamiliar with British government procedure. In America, presidents just do not resign. They are decently elected and re-elected, on schedule, the first Tuesday after the first Monday in November, every four years. But after the public had learned its lesson in British political science from press and radio, it settled down to watch the election of a country from three to six thousand miles away with more interest than it had ever shown in any election other than its own.

There has been a note of incredulity in American speculations about the possibility of Mr Churchill's defeat—comparable to the feeling of British commentators last November who, while recognising the danger of a Roosevelt defeat, still felt in their bones that he would be part of the Big Three again. Mr Churchill, who has been most often criticised by the isolationist press for luring America to war, has now one of his most impassioned supporters in the *New York Daily News*, which says that he should be given a dukedom in his own name and that, if he is not re-elected, "there is no gratitude in England." The *Journal American*, a Hearst paper with decidedly Anglophobe tendencies, now pays Britain the compliment of telling its readers that whoever wins, the government will be in the hands of trustworthy and able men. Admiration for Mr Churchill is not, of course, confined to the isolationist press. Conservative papers, which are overwhelmingly in the majority in America, see in him the bearer of the banner against world Socialism. There is fear that if Labour wins and Britain takes steps towards Socialism, America will be isolated from the other two-thirds of the Big Three. The Left Wing and Liberal papers, though admirers of Mr Churchill as a war leader, have been voluble critics of his foreign policy and would like to see a Labour victory.

It would be very foolish of anyone on this side of the Atlantic to take the slightest offence at all this. It will not affect the outcome and presents a golden opportunity for demonstrating that, whatever other people may be, the British are not touchy. Indeed, there is some real value in it, for such intense, though vicarious, interest in other people's affairs is hardly a sign of isolationism.

Letters to the Editor

Electrical Engineering

SIR,—You bring up, *inter alia*, on page 603 of your issue of May 5th the question of the relative prices of electric lamps in this country and the US. This seems to be a special point of grievance, and it seems worth while to make two points which I have not seen brought forward before.

The first is that up to the war one could buy a 60-watt pearl electric lamp for 6d., which is more or less the equivalent of 10 cents (the US price often quoted). Even to-day the same lamps are available at 10d., including purchase tax, so that it is still unnecessary to pay ring prices. Admittedly these lamps do not embody the very latest improvements covered by ring patents, but the layman has only advertising statements to indicate whether they are so very materially deficient as a consequence. Certainly, I personally have never paid more than 10d. for a 60-watt lamp for about 15 years, and have not noticed (a) an increase in the electricity bill or (b) any reduction in the life of the lamps. Before the war one could obtain these low-priced lamps to suit voltages between 100 and 230, so that one at least of your points does not appear to be completely valid.

The second point is that some American authorities supplying power used to supply lamps and replace them free as part of the service. That this practice was not necessarily to the advantage of the consumer was recognised by the Illinois Commerce Commission when they ordered the Commonwealth Edison Company in 1932 to reduce their rates by 0.15 per cent per kilowatt-hour in cases where consumers preferred to buy their own lamps. (This works out at 9 cents per 60-watt lamp assuming the usual average life of 1,000 hours.) While I do not know to what extent this form of free replacement service is now operative in America, it is clear that it would tend to reduce lamp prices there.

These two points do not, of course, affect your general thesis, with which a good many people—including myself—will cordially agree.—Yours faithfully,
Bolton P. C. SMETHURST

The Prospects for Exports

SIR,—Your article in your issue of May 19th is not encouraging in respect of textiles and clothing. There is another section, however—export of raw wool—in which this country played an important part before the war. The country is now the possessor of many million bales of wool more than it can possibly use on its own machinery during the next two or three years. There are a number of well-organised firms in Bradford and London whose pre-war business was the export of wool from this country or from the Dominions to various European destinations. The greatest desire of these firms is to return to full activity on pre-war lines. What has their experience been during the past few months in which a resumption of shipping has occurred to France, Belgium, Spain, Portugal and Turkey, with prospects of shipments to Greece, Yugoslavia, Holland and elsewhere? Such shipments as have occurred have been arranged between the Governments concerned, and the private exporting firms have been allowed a small commission, in some cases for acting as forwarding agent as far as the British port.

Pre-war exporters need no plea from you to become more active. At present they seem to be prevented from doing so by the facts that:

(a) Our Government owns the wool and prefers to sell direct.

(b) Importing countries prefer to buy as Governments.

(c) Receiving Governments have no arrangement whereby a quantity of wool could be allowed to each mill and the mill select its own private supplies in Bradford, as it used to do before the war.

(d) The Governments appear to prefer to trade rather than erect the necessary financial communications and leave the trading to the traders.—Yours faithfully,

BRADFORD EXPORTER

THE WORLD OVERSEAS

Nazi Legacy in Norway

ON the Norwegian people the Nazis imposed an artificial economy which lasted for five years and a month. Germany's war economy could only use Norway's natural and industrial resources if at least some of the food and raw materials previously imported from overseas were supplied from the continent. Even had that been possible, the Nazis would have needed the co-operation of the Norwegian people for making a success of their plan of turning Norway into an industrial supply base. But the Norwegian people never co-operated with the Nazis or the Quisling government; and the economic position of Norway under occupation disappointed the Nazis from the very beginning.

The relatively high standard of living of the Norwegian people declined gradually as soon as Norway had been cut off from its overseas supplies. It is interesting to note that the Germans were not able, even at the height of their military conquests, to supply adequate quantities of foodstuffs and raw materials for a population numbering only three million. Thus, agricultural self-sufficiency was imposed on Norway, a country where natural conditions are unfavourable for an adequate production of foodstuffs. The experiment of expanding the cultivation of cereals, root crops and even oilseeds demanded a disproportionately high outlay in capital and labour. The area under cultivation was expanded at times by more than 20 per cent, but there was nothing like the same increase in the production of food. Of all the European countries under German occupation, it was Norway which experienced the biggest reduction in livestock, in spite of the manufacture of large quantities of

cellulose for feeding cattle. The fishing industry, on the other hand, which could have supplied valuable food, was forced to work for export to Germany. The small imports of cereals from Germany made no difference to the general situation, and the Norwegian population had to put up with very small bread, meat and fat rations.

Germany's military and economic needs were opposed in Norway. A large army of occupation had to be maintained. For most of the five years, roughly 400,000 German soldiers, civilians and prisoners of war lived in the country. The construction of roads, fortifications and harbours for U-boats demanded vast quantities of material and a large number of workers. About 100,000 Norwegian workers were in the almost permanent employment of the Germans.

Step by step, the Nazis introduced their own totalitarian compulsion. Compulsory labour was first introduced in 1942, to which labour conscription was added in 1944. This measure brought the economic and political resistance of the Norwegians up to a new pitch. The young workers evaded labour conscription by hiding in the countryside or fled to Sweden and Great Britain.

The German army of occupation was assisted by military and civilian economic commandos. A wages, price and dividend stop was imposed after the German model and for the most part was maintained, although on several occasions prices had to be greatly increased. Black market activities became, naturally, almost a patriotic virtue, but so far as foodstuffs and other necessities were concerned, purchases on the black market were inevitable if undernourishment and privation were to be avoided.

An important fact is the failure of all attempts by the Nazis to form a Norwegian "Naehrstand," that is, the com-

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pulsory organisation of peasants and farmers, or a "Labour Front." The employers, however, were finally organised in "economic groups" after the German model, but this organisation remained more or less formal. The trade unions whose chief leaders were executed were able to maintain a nucleus of their organisation.

The withdrawal of German troops, civilians and prisoners of war will take weeks and perhaps months. In Finnmark, the most northerly Norwegian province, the few towns and villages were destroyed when the German armies withdrew from Finland. All along the long coastline of Norway the Germans have left behind new roads and massive fortifications in concrete and steel. Some of the new roads and the harbour improvements will be useful for peacetime, but most of the material and labour sunk in the fortifications will be wasted.

During the occupation Norway's forests were indiscriminately exploited; and it will take years to restore the ravages. Wood was the most important substitute for raw materials formerly imported from overseas. It was used as fuel, fodder and industrial raw material. Before the war Norway imported on an average 3 to 3½ million tons of coal and coke annually, but the Germans were able to deliver only some 2 million tons of coal and coke for the first years, and during the second half of the occupation these imports gradually decreased. In spite of far-reaching plans for doubling the generation of electricity by new hydro-electric stations, the actual expansion of the capacity remained very small. The shortage of raw materials and labour prevented the planned increase in the production of aluminium and magnesium. The mining industry, especially the mining of pyrites, zinc, lead, nickel, wolfram, molybdenum and cobalt, expanded hardly at all under German occupation. Numerous new firms were founded as subsidiaries of German concerns, but even the famous chemical works of the Norsk Hydro, in which the German IG Farben concern had large capital interests, could not maintain production during the last years of the occupation. The attempt to use a substitute for bauxite, which was formerly imported from overseas, failed and during the whole occupation period aluminium production was less than the pre-war record production of roughly 30,000 tons. It seems that during the last years of

the occupation all development work had to give way to the construction of fortifications.

Norway's economic losses are substantial. Roughly fifty per cent of the merchant fleet has been lost during the war. The fleet of fishing vessels has also been depleted. The merchant fleet was Norway's most important industry and enabled the country to pay for its large import surpluses in peacetime. The costs of occupation have become a large national debt probably amounting to some Kr. 10,000 million. The country's actual financial position at the time of liberation is, however, obscure, for the Nazis stopped the collection and publication of all financial statistics. The reports of the leading banks were kept in general terms, and not even the amount of the note circulation was made public.

Fortunately the productive capacity of Norway remained largely intact, but a disproportionately large number of workers is needed at the moment to maintain agricultural production. Industry and indeed all the towns are at present badly in need of imported food, raw materials and machinery. Rehabilitation will depend on normal imports which will enable the available manpower to be redistributed between agriculture, industry and shipping services.

Eire's Finances

[FROM OUR DUBLIN CORRESPONDENT]

ALTHOUGH nothing corresponding to the Budget White Paper exists in Eire, the Budget speech is becoming, as in other countries, a review of the whole economic position of the country rather than a mere exposition of the state of the public finances. The Budget speech this year contained a survey of the effects of five years of war. Between 1938-39 and 1943-44 the gross output of agriculture rose in value by 79 per cent, while the value of the net output increased considerably more—by 103 per cent—because of the scarcity of raw materials. Agricultural prices nearly doubled during the period. The gross volume of agricultural output declined by 11 per cent. Between 1938 and 1943 the value of the net output of industry increased by 16 per cent, but the volume declined by 24 per cent. The volume of building declined by two-thirds. The value of imports declined by 32 per cent and the volume by 70 per cent. The value of exports increased by 22 per cent, but the volume declined by 44 per cent. Visible imports exceeded visible exports during the war by £16 million. It was the large credit balance on invisible account that caused the accumulation of sterling assets. For the first time official estimates of the national income are available. The figures for the years 1938-44 are:—

Year	£. million
1938	153
1939	163
1940	178
1941	194
1942	215
1943	240
1944	250

When allowance is made for the increase in the cost of living, which rose by 70 per cent, it appears that the real income of the country in terms of goods and services declined. The consumption of food, drink and tobacco has been well maintained, but consumption of many other goods and services, for example fuel and transport, has been drastically curtailed.

For the financial year ended March 30, 1945, revenue amounted to £46,175,495 and expenditure to £43,779,732. The revenue was £395,000 in excess of the Budget estimate and £2,395,000 in excess of the yield of the previous year. This result was caused by the buoyancy of income tax and corporation profits tax. The Minister for Finance admitted that these taxes are unduly high and expressed the hope that they could soon be reduced. Among indirect taxes, tobacco yielded £9,500,000. The deficit of £1,749,000 compared favourably with the estimated deficit of £3,375,000. It was, however, greater than in the previous year in spite of the increased yields of many taxes. The principal factor causing the deficit was the large expenditure on the Army and other defence services, which amounted to £8,147,000, compared with £1,766,000 in the last pre-war year. The cessation of the European war will enable large numbers to be demobilised. The consequent savings under the Army vote will be more than offset by issues in respect of demobilisation gratuities, deferred pay and the cost of resettlement and unemployment insurance. It is, however, comforting to the taxpayer to know that the expenditure on defence services has passed its peak and will henceforth continue to decline.

The deficit was financed by ways and means advances, the sale of savings certificates and the reduction of the balance in the Exchequer.

Growth in Expenditure

Based on the rates of taxation at present in force, revenue in the financial year 1945-46 is estimated at £47,995,000, an increase of £1,820,000 over last year's actual revenue. Unfortunately expenditure will increase even more. The estimate for central fund and supply services is £52,367,000, of which supply services amount to £47,166,000, a new record. The main constituents of increased expenditure are an increase of £1,224,000 for subsidies for food and fuel, of £682,000 for children's allowances and of £620,000 for an additional bonus to public servants. The cost of the civil service continues to mount. With the growth of state activity the number of officials necessarily expands. At the beginning of this year the number of civil servants was 30,333, which seems excessive for such a small country. Expenditure on social services in the current year will amount to £9,686,000, compared with £9,273,000 in 1944-45 and £7,494,000 in 1943-44. The provision in Eire of the Beveridge proposals would involve an annual expenditure of £38 million, of which the state contribution would be £23,500,000. The more modest Treasury White Paper proposals would involve expenditure of £36 million, of which £20,200,000 would be contributed by the state. Conditions in Great Britain and Eire are so different that the extension of British social services is not in every case desirable. In any event, these estimates show that Eire could not possibly afford services on the scale proposed in Great Britain. When adjustments are made for slight alterations in taxation and for expenditure of a capital or non-recurrent nature, the final estimates of revenue and expenditure are £47,942,000 and £51,649,000 respectively. The deficit of £3,707,000 will be met by borrowing.

The capital liabilities of the state continue to grow, though, compared with countries that have not enjoyed the benefits of neutrality, the rate of growth is relatively moderate. At the end of the last financial year liabilities amounted to £83,730,668, an increase in the year of £919,000, and assets amounted to £36,500,926, a decrease of £512,000. The estimated capital value of the state's liability in respect of housing amounted to £9,351,000. The net debt of local authorities amounted to £25 million. The state was liable to depositors in the Post Office Savings Bank and in Trustee Savings Banks to the amount of £31,199,000. There were also many contingent public liabilities amounting to about £60 million. A rough estimate of the capital value of the state's present liability in respect of civil service pensions is £21 million and in respect of national teachers about £15 million. Estimates for Army and Police pensions are being prepared. It is evident from these figures that the public debt of Eire is assuming substantial proportions. It must be remembered, however, that the whole debt is internal and that interest rates are low, as befits a strong creditor country. It must also be remembered that Eire suffered very little damage to real capital during the war and will not be faced with the disheartening task of rebuilding. As far as capital is concerned, every future construction will represent an addition to the existing stock and not a mere replacement of something that has been destroyed.

Palestine's Imports

[FROM OUR JERUSALEM CORRESPONDENT]

FOR a long time it has been maintained by local opinion that for political reasons—in order to placate Middle Eastern land-owners—Palestine has had to import superfluous quantities of grain from adjacent countries at exorbitant prices, and recent information indicates that there may be some truth in this allegation. In spite of an increase in the domestic production of crops, which has been more or less equivalent to the increase in population, and in spite of the fact that Palestine's standard flour now contains thirty per cent of barley and wheat and is milled to a ninety per cent extraction, imports of grain and flour have risen from some 100,000 tons in pre-war years to some 150,000 tons in 1943 and to about 220,000 tons in 1944; the greater part of this is barley and wheat bought in the Middle East at prices ranging in most cases from £P40 to £P50 per ton. It is also strange that the number of recipients of standard flour rations is now stated to be in excess of two millions, whereas the total population of the country is officially estimated at 1½ million persons. And it has been calculated that by a better import policy the

Government would virtually do without the standard flour subsidy, which in 1944-45 amounted to some £P25 million.

On the other hand, there are acute shortages of many raw materials and industrial equipment. The total quota of cotton yarn allocated to Palestine for 1945 by the Middle Eastern Supply Centre amounts to about 1,800 tons, whereas the quantity required is at least 3,800 tons. Iron and steel materials required are about 10,000 tons, while the quota allocated is only about 5,000 tons. The quota of tinplate is 500 tons, against a demand of over 2,000 tons. Dyestuffs are in such short supply that leather production has already been reduced and a breakdown in local textile production is imminent—although aniline exported from England to other Middle Eastern countries is being re-sold to Palestine in the black market. Woollen yarn, paper and cardboard, and many chemicals may be quoted as other examples. The local metal-working equipment, which for years has been working at heavy pressure on military needs without replacement, is so completely worn out that even with those units which the MESC has allocated for Palestine in 1945 the Government scheme for consumer-goods production cannot be properly carried out. Urgent replacements are needed in other industries as well, and orders may run into several million pounds. Civil transport requirements have been estimated at some 2,000 omnibuses and lorries and a number of smaller vehicles; railways are badly in need of new rolling stock. And there is, of course, a large accumulated demand for building materials and all kinds of consumer goods.

Britain's Chance

In 1943, the volume of Palestine imports was only 41 per cent of 1939, but its c.i.f. value was almost £P20 million (exclusive of petroleum products), against a total of £P17.9 million in the peak year 1935. In 1944, there was a substantial increase, both in terms of goods and of money, and there is every likelihood that post-war imports will be maintained at a level even higher than this. Of the pre-war imports, however, only twenty per cent (in 1938) were from the United Kingdom and Empire countries, and nineteen per cent came from Germany, Italy and Japan. In the case of many goods which could have been supplied by Empire sources, the share of the Axis countries was much larger; for example, it was fifty per cent or more in the following articles: industrial machinery and parts; aluminium sheets and foil; rubber thread and yarn; door and window fittings; steel pipes; cutlery; and cotton and piece goods. The removal of this competition may therefore open up good prospects for a British export drive, which will certainly meet with a friendly response. For these possibilities to be realised, however, Britain must be able to deliver the goods required in due time and at reasonable terms. This point needs stressing, first, because of the stringency of Middle Eastern controls, which sometimes ban imports of goods not actually in short supply; and, secondly, because American firms also have a lively interest in exports to the Middle East, and Palestine can afford to pay for American goods with the dollars it gets from its diamond exports (in 1944 some \$14 million) and from the income of Zionist funds (last year some \$8 million). In fact, the latter have already been set at the disposal of the Jewish Agency.

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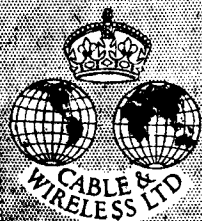
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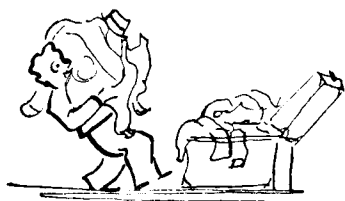
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THE BUSINESS WORLD

The Future of Bank Advances

WHAT part will the banks be called upon to play in the post-war financing of industry? More particularly, how far will their contribution be made in the traditional form of loans and advances? These have been questions for animated discussion in bank boardrooms for many months past, but, so far as can be gathered, the bankers themselves are still without settled conclusions upon them. It is, perhaps, hardly necessary to point out that the rôle of the banks in the transition phase is not a matter that lies, to any significant extent, within the sphere of bank policy. In the absence of far-reaching changes in the traditional character of bank lending, and a sweeping movement towards "industrial banking," the extent and manner of bank assistance to industry must be very largely determined by forces outside the banks' control. The uncertainties and differences of view in banking circles to-day reflect, not any wavering on what bank policy should be, but simply the sheer difficulty of estimating the strength and nature of these external forces.

The whole problem divides itself naturally into three parts. First, there is the uncertainty about future Government policy. Government organisation for war has been such that a physical output far surpassing what might have been foreseen in the early days of the war has required a volume of direct bank advances only three-quarters as large as in 1939—despite the intervening rise in prices. In what directions, if any, will the techniques and policies that have made for economy in bank advances be perpetuated after the war, and how long, otherwise, will it be before they are discontinued? Secondly, how liquid is industry, both in the limited book-keeping sense and in relation to its prospective needs? Here, too, important questions of Government policy arise—notably, on the termination conditions of EPT. Thirdly, there is the question of the long-term secular trend of bank advances. Will the tendency, noticeable in the inter-war years, for industry to become increasingly "self-financing" become steadily more pronounced in future?

These are difficult questions, and it would be rash, at this stage, to attempt to suggest what the final answers may be. But it is certainly possible to indicate the salient factors in each equation. Clearing bank advances at the outbreak of war stood at £985 million and, after a moderate rise while the mechanism for prompt Government payments was being evolved, fell almost uninterruptedly until November, 1943. Despite two spasmodic upward movements since then, they are now back to a level only £15 million above the low point and £245 million below the pre-war figure. The causes of this decline are now well known, though their relative quantitative significance remains uncertain. First, perhaps, in importance was the closing of the principal commodity markets, the supersession of the merchanting organisations, and the concentration of import trade in Government hands. A closely related operation was the Government acquisition of privately owned stocks of many vital materials. Secondly, even in the early months of the war, the abrupt cessation of certain inessential activities, and the injunction to the banks to lend only for purposes essential to the war effort, produced a steady reduction in advances to the building trades, in those for "financial" advances and hire-purchase business, and in finance for property deals—three categories of particular pre-war importance. Thirdly, as the war progressed and produced really marked contraction of civilian industry, especially after the Limitation of Supplies Order and the launching of the concentration schemes, there were very heavy repayments of miscellaneous industrial and trade advances as stocks in the hands of manufacturers, wholesalers and retailers ran down. Finally, the war brought relative prosperity to various producers, notably the farmers and small manufacturing businesses, and liquidated many overdrafts that seemed "doubtful," if not actually "bad," before; and there was also a steady repayment of local authority indebtedness.

On the other hand, the rapidly expanding sector of the war economy did not make equivalent offsetting demands

on the banks. The main factor here has been the increasingly efficient and very liberal, system of progress payments on Government contracts and, *via* the main contractors, on subcontracts too. Some contractors, indeed, are known to have secured payments exceeding their outlays and, because of delays in costing and final settlement of contracts, were able temporarily to employ the excess receipts as a contribution towards the financing of fixed capital extensions; a substantial proportion of these was, in any case, provided for under Government "capital assistance" schemes. A further factor, the significance of which may only become fully apparent as the Government production machine slows down and outstanding contract and tax questions are settled, has been the use, especially by the smaller firms, of accumulating tax liabilities as a means of relieving cash stringencies.

It would be unreasonable to expect these wartime influences to be suddenly reversed, and some of them may well outlast the transition phase. In import organisation, much evidently depends upon the outcome of the election. But while a substantial restoration of private trade and merchanting seems probable in any case, the system of bulk purchases of certain foodstuffs and vital materials is likely, even under a Conservative government, to be continued for a considerable time. Government solicitude for home agriculture may also perpetuate methods of organisation that minimise demands for bank finance. Nor is it probable that the banks will play any large part in the finance of the building programme. Building in the inter-war years was heavily financed by bank loans. But in the ensuing decade an overwhelming proportion of it will surely be directly organised by local authorities, or even by the central Government; and although the bulk of the work may be let on contract to private firms, it seems certain that the sheer urgency of the problem will lead these authorities to provide financial facilities of the progress payments type. If this happens, the task of financing the local authorities will not fall to the banks, for under the new Act their borrowings must be canalised through the Public Works Loans Board—a change which will in any case deprive the banks of a significant category of pre-war business. In addition, there will probably be central purchases of many items of equipment, which will reduce the credit needs of the ancillary trades. Finally, even with some relaxation of the internal financial controls and a resumption, perhaps, of the Stock Exchange carry-over, it seems certain that measures will be taken to keep speculative activities within bounds. For this reason, among others, the purely "financial" lending activities of the banks are likely to remain constricted.

On the second main division of the whole problem, however, the question of business liquidity, it is particularly difficult to reach firm conclusions. There is no doubt that industrial holdings of liquid assets, in cash and securities, have been enormously expanded during the war. The net liquid position of industry as a whole, in the limited book-keeping sense, is abnormally strong—despite the known illiquidity of many smaller concerns, especially in the engineering trades, that have expanded very greatly during the war. Of the £2,284 million growth since mid-1940 in what the Government statisticians are pleased to call "net" bank deposits (i.e., after deducting advances), less than one-quarter has accumulated on personal accounts; a large part of the remainder must represent business holdings. But if industry is highly liquid now, it seems equally clear that its accumulated resources will not suffice to meet its prospective requirements for working capital and arrears of plant maintenance—quite apart from special transitional outlays and modernisation of plant. Government control of contract prices and 100 per cent EPT have between them prevented any abnormal accumulation of undistributed profits, so that the accumulated liquid reserves, after allowing for heavy outstanding tax liabilities, cannot be much greater than the monetary amount of the run-down of plant and of privately financed stocks and work-in-progress. But if

the post-war price-level is assumed to be 50 per cent above pre-war, this means that present liquid resources will not meet much more than two-thirds of the eventual requirements for these purposes alone. Transitional expenses will in some cases be met by EPT repayment claims (though to what extent cannot yet be guessed) and the E.P.T. deferred credits will provide some relief; but it seems certain that these sources, even with other forms of Government assistance, will not suffice to fill the prospective gap.

This rough analysis suggests that there is no reason yet to suppose that the large-scale wartime creations of liquid assets will have made industry, in the long run, independent of outside finance, though they may have reduced the degree of dependence. But sheer shortage of physical resources will make the re-building of industrial capital a protracted process, and for some considerable time the available liquid resources of industry considered as a whole will certainly exceed the amount of plant maintenance and stock replenishment that will be physically possible.

Obviously the concerns with the largest liquid resources now are not necessarily those that have the largest prospective outlays—an important feature of the re-creation of civilian industry, for example, will be the reopening of concerns closed down during the war. In many cases, too, the change-over of firms active during the war will make

immediate demands for outside finance, because of the withdrawal of Government finance now provided by progress payments. For these reasons, the banks—despite their doubts about the longer-term trend—are expecting appreciable demands for advances in the immediate future. Many inquiries have already been received, and overdraft limits have been arranged which have yet to reflect themselves in the published figures—in some cases, indeed, they have been granted to concerns now carrying large credit balances. Few are disposed to guess the probable extent of this movement—at a rough shot, perhaps it might be put at £150 to £200 million over the next two years; but nobody is yet envisaging any such demands as would carry the advances total to, say, £1,500 million, which would be the pre-war level adjusted for a 50 per cent rise in prices.

What the banks have perhaps not yet fully digested is the counterpart of these assumptions—namely that industry's relative independence of bank advances in the next few years will be achieved only because industrial concerns will be sellers of securities. Will the banks, with Government securities already an overwhelming proportion of their assets, be willing to add still further to their investments if the public's intake of securities does not suffice to absorb these sales? Maintenance of cheap money certainly requires that they should do so.

Fats and Vegetable Oils

THE need to fill the empty larder of Europe is likely to put a severe strain on the supplies of fats and vegetable oils at the disposal of the United Nations. The market in these products is one of the most complex, and one of the most difficult to describe within the compass of a short article. By way of a preface, its main features may be briefly noted.

Broadly, there are three sources of supply: vegetable oils, animal fats and fish oils. The recorded world production of these before the war was about 19 million tons a year. The proportion in which they contributed to total supplies was then as follows:—

Vegetable oils	59.4	Tallow	4.2
Butter	21.2	Whale oil	2.9
Lard	10.6	Fish oil	1.7

Vegetable oils, in turn, are derived from a multitude of plants and countries; some of them, like cotton seed, are joint products, while others, such as the soya bean, are grown for their own sake. The characteristics and relative importance of nine vegetable oils—comprising together some four-fifths of recorded world production before the war—are set out in the accompanying table. Again, vegetable oils, animal oils and fish oils are for many—but by no means all—purposes interchangeable.

Fats and oils serve a multitude of uses, as foods and in industry. In industrialised countries, such as Britain, the United States and Germany, approximately a third of the amounts used is consumed by industry. In peacetime, the largest industrial user of fats and oils is the soap industry,

followed by the paint, varnish and laquer trades, the manufacture of lubricants, candles, textiles, linoleum, oil-cloth, leather goods, tinplate, and so on. Butter and lard, of course, are used mainly as edible fats; whale oil is a material favoured in the manufacture of margarine. Among vegetable oils, the soya bean has become an important source of edible oil; in other vegetable oils the proportions used for edible and industrial purposes vary from product to product and from country to country.

Before the war Europe as a whole, as well as North America, were substantial net importers of fats and oils. In 1937, for example, the United States met from imports 73 per cent of its consumption of fats and oils of 4,350,000 tons. The United Kingdom imported the equivalent of 1,463,000 tons in 1938; in the same year the combined net imports of Belgium, France, Holland and Norway were 750,000 tons, and those of Germany 936,000 tons.

Hitherto the United Nations have been able to draw on an adequate volume of supplies, in spite of the loss of Far-Eastern vegetable oils. They are cut off from the main source of soya beans—in 1938 Manchukuo exported no less than 2,000,000 tons of soya beans—from the supplies of copra and palm kernels produced in the Malay States, the Philippines, the Dutch East Indies and the islands of the South Seas, and from Chinese tung oil, the chief drying agent in the manufacture of varnishes and lacquers. Moreover, whaling, which yielded an average of 500,000 tons of oil a year before the war, has come practically to a standstill.

A number of factors contributed to the comparatively easy supply position of the United Nations. First, the

overall loss of Far-Eastern supplies was offset, in a large measure, by the cessation of imports into Continental countries occupied by Germany. Secondly, the United States achieved an astonishing increase in the production of oils and fats, recorded below:—

INDICES OF PRODUCTION OF FATS & OILS IN THE UNITED STATES.
(1938=100).

	1939	1943	1944
Butter	98	113	(b)
Lard	122	263	(b)
Margarine	78	160	154
Linseed	244	645	292
Soya beans	159	341	323
Groundnuts	83	179	166
Cottonseed (a)	151	161	160

(a) Amounts crushed for oil. (b) Not yet available.

Thirdly, the reduction in the supplies of some kinds of oils, such as Chinese tungoil, was made good, for specific purposes, by the use of others which could be obtained in increased quantities from existing sources of supply, such as the United States and Latin America. In other words, the high degree of interchangeability prevented serious shortages for specific purposes. There have been changes in the use of raw materials in the manufacture of soap, paint, and generally speaking, in the industrial use of fats and oils. In soap-making, animal fats and coconut oil had to be replaced by cottonseed and soya oil. In the manufacture of paints and varnishes additional drying agents had to be found. For a time fish oil was used in Great Britain; later, castor oil was used in addition to linseed oil as a drying agent. In the manufacture of varnishes and lacquers natural oils have been eliminated in many cases by developments in synthetic varnishes and lacquers on the basis of nitro-cellulose. Technologically much progress has been made in the utilisation of oilseeds and fish oils. At the same time, the large synthetic rubber industry in the United States made a special call on high-grade soap. Glycerine, the important by-product of soap-making, has found new uses in the production of synthetic resins, which in the United States developed into the largest single user of glycerine. On the Continent, new methods have been used in the recovery of fats from dish water and from residues of fats used in industrial manufacture. In the United States, new crushing mill capacity has been constructed, whereas the large crushing industry in Holland and in France has been rendered idle. Many of these technological changes may outlive the war.

Such difficulties as did arise (apart from those of substitution) were often due, not to the overall shortage of

supplies in producing countries accessible to the United Nations, but to the shipping shortage, which particularly affected this country. For example, Argentina's exports of linseed declined from 1,315,000 tons in 1938 to 299,000 tons in 1944; for some time that country has converted each month about 100,000 tons of linseed into fuel.

Present difficulties, reflected in the decision to reduce consumption in the United Kingdom, the United States and Canada, arise, of course, from the need to supplement the reduced supplies of the Continent. Owing to the depletion of the Continental livestock—in France the cattle population has been reduced by a third—and the short-commons and consequent low yield of existing dairy herds, the production of animal fats may be expected to fall well below the pre-war average this year. It may be some years, indeed, before production can be fully restored. The Continental output of oil-seeds, too, is likely to be appreciably smaller than before the war; moreover, Western Europe will probably not be able to draw much from Roumania, Hungary and other Eastern European countries.

The satisfaction of Europe's minimum needs will thus require substantial imports. The recent cuts in consumption in Britain and elsewhere should meet part of the immediate deficiency, though perhaps not as big a proportion as might be expected, for the size of Europe's shortage is not only appreciable, but the output of butter and, especially, of lard in the United States will be lower this year than last. This means that available sources of supplies of vegetable oils in Latin America, Africa and India will have to be drawn upon; it is reported that the United States is negotiating with Argentina the exchange this year of 250,000 tons of mineral oil for 500,000 tons of linseed. The extent to which these sources of vegetable seed supplies can be drawn upon, however, must be conditioned by the shipping tonnage that can be spared for this purpose. And, with the offensive against Japan in full swing, shipping will remain the limiting factor.

While the provisioning of Continental Europe is imperative, if wholesale starvation and disease are to be avoided, the supplies that can be provided this year, unfortunately, will be limited. Next year, too, many imports will be needed for the reconstitution of the Continental livestock population will take time. When the war with Japan is brought to a conclusion, two of the chief limits of supplies—shipping and the absence of Far-Eastern vegetable oils—will again be removed. Of the two, shipping is the more important, and also the one in which relief could be expected most quickly.

Business Notes

Capital Issues Relaxations

The statement by the Chancellor of the Exchequer on Thursday afternoon, and the policy outlined in a White Paper, put new issues of capital on a much more liberal footing than at any time during the war. The news came too late for detailed comment. Broadly, the Capital Issues Committee retains absolute discretion as to what issues may be made, but it is instructed to give favourable consideration to issues for the production of exports, for use in development areas, for housing, land development and in raw material production, also for transport in the United Kingdom, and for essential capital goods. Issues are, however, to be related to ability to use the money in the near future. The limit of £10,000 on issues to be made without Treasury consent is raised to £50,000, and the purposes for which banks may lend are extended, but not to speculative operations.

As for the method of issue, all wartime limitations are withdrawn. The issue may be made in any way suitable, subject only to permission to deal by the Stock Exchange Council, and this provision frees past issues and, in fact, makes the Council master in its own house once more. There remain two conditions which are imposed by the Treasury: optional conversions of stocks carrying interest of 4 per cent or less are still not permitted, and the Bank of England will have charge of the timing of market issues of £100,000 and over and must sanction the terms of all trustee and quasi-trustee issues.

A Partial Rally

In short-term market fluctuations it is very frequently the unexpected that happens. No one was surprised when last Monday brought a slight recovery from the heavy falls of the previous week, but that the rally should continue with growing momentum for the better part of a week with scarcely a pause is rather surprising. By mid-week, the index of industrial equities, compiled by *The Financial News*, had recovered about one-fifth of the fall from the peak, so that the net decline from that point is now only a trifle over 5 per cent. The recovery is very general, and in the past day or so has included fixed interest securities and some foreign securities, notably French sterling bonds. It has, however, been most marked in British industrial ordinary shares, including home railway stocks. Further, while it has been strongest in those shares which fell most, there is beginning to emerge a modicum of selectivity—in particular, store and tobacco shares, with some of the lighter electrical equipment favourites, are among those which have shown the greatest strength. There is also emerging a tendency to select firms with a large export business.

All this looks like an attempt to pick winners in the reconstruction boom, a process which one would suppose had been completed long enough ago. This fact, coupled with the very modest volume of business on which the rise is based, suggests that present recovery may be short-lived. The fact of the recovery does, however, show that the pressure of money is a factor even when the outlook is very

CHIEF RAW MATERIALS FOR VEGETABLE OILS

Raw Material	Chief Sources of Supply	Chief Uses	Substitute for (among others)	Recorded World Production in 1,000 tons. 1936/37	Recorded Production (in terms of oil) in % of all Oil Seeds	Per cent of Production entering World Trade	Oil Content of Seed
Linseed	Argentina, India, U.S.A.	Manufacture of paints and varnishes.	Can be used as edible oil.	3,641	10	55	30
Groundnuts	India, China, West Africa, U.S.A.	Edible: in cooking fats and margarine.	For olive oil	5,550(a)	17	27	36
Cotton-seed	U.S.A., India, China	Edible and industrial: cooking fat and margarine. Lubricant in industry.	Exchangeable with groundnut oil in cooking fats and palm oil in soap-making.	14,330	20	5	18
Soya Beans	Manchukuo, U.S.A.	Edible and industrial: cooking fats, margarine and soap.	Exchangeable with groundnut, cotton-seed and palm oil.	6,197(a)	8	18	12 to 22
Castor Beans	India and Brazil	Industrial and medicinal: lubricant; in varnishes and lacquers.	Substitute for Chinese wood oil.	331	1	50 to 70	42
Rape Seed	India, Roumania	Edible: consumed as oil and in manufacture of margarine and cooking fat.	Exchangeable with groundnut, cotton-seed, soya-bean.	1,415(a)	4	(d)	35 to 40
Olive	Spain, Italy, Greece, French North Africa	Edible: canning of fish. Inferior grades in soap manufacture.	...	740(b)	9	20	50
Copra	Dutch East Indies, Philippines, Ceylon	Edible and industrial: manufacture of soap, cooking fats, margarine.	...	1,633(c)	9	(d)	63
Palm Kernels	British and French West Africa, Belgian Congo, Dutch East Indies, Malay	Edible and industrial: in cooking fats, margarine, soap manufacture & candles.	Exchangeable with palm oil.	846(c)	7	(d)	45

(a) China not included.

(b) Oil content.

(c) Exports.

(d) No estimate possible.

uncertain. Enquiries suggest that, while many investors expect to receive reasonable compensation in the event of the state taking over their properties, many are afraid either of extreme measures of Government control without assumption of ownership or of rigid control of retainable profits. Either of these would be fatal, not only to the rise in values which would otherwise accompany a return to production for peace, but also to all initiative and to the accumulation of the funds necessary to finance expansion and re-equipment.

Greek Currency Troubles

The menace of inflation has reared its head again in Greece in recent weeks. Despite the announcement of price control measures as long ago as last January, it appears that control at present extends only to vital supplies distributed by Unrra, and prices of uncontrolled goods are again rising very steeply. Under pressure of hoarding and speculative demands, there has been a sensational appreciation, too, of foreign currencies and gold coin. When the new drachma was launched last November in a valiant attempt to clear away the chaos left by the galloping inflation of the closing phase of German occupation, the sterling rate was fixed at 600 dr. and the rate for the gold pound at 2,400 dr., representing a premium of roughly 100 per cent over the new exchange parity. A few weeks later the Greek authorities raised their dealing prices to 2,750-2,850 to the gold pound. This quotation still obtains, but is nominal, as the authorities have recently virtually discontinued their sales of gold. In the outside market, however, sovereigns have been changing hands at prices around 27,500 dr.—equivalent to roughly £46—while reports from Cairo have mentioned prices as high as £150.

This situation reveals plainly the great difficulty, if not impossibility, of re-creating a collapsed currency in conditions of acute shortages of every-day commodities. The public, fresh from the grim realities of last year, is naturally more concerned with the fact that its new paper money will not buy the food and clothing that it so vitally needs than with its 100 per cent gold cover. In such conditions, opinion is an easy prey to rumours that fresh uncontrolled issues are impending. The only remedy for this situation is an increase in the supply of goods, combined with strong administrative measures to ensure equitable distribution and effective price control. Admiral Voulgaris has stated this week that the shipping bottleneck has been widened, and that large quantities of food, clothing, medical supplies and materials will arrive in the next two months. It remains for the Government to devise an effective administrative machine in the meantime.

Gold Speculation in Middle East

The latest currency difficulties in Greece seem to have been one of the subsidiary causes of a new wave of speculation in gold in Middle East centres. The open market price for gold in Alexandria slumped violently when Germany collapsed, and there was a similar, though less steep, fall in the Bombay market. This decline, which carried the Egyptian price down from 184 piastres per dirhem at end-April to 162 piastres on May 10th, seems to have been due to the mistaken view that the end of the war in Europe would permit a substantial correction of the abnormal combination of money plethora and scarcity of goods that has ruled in the Middle East area for so long. This optimism naturally proved short-lived, and the rebound in the gold market carried the price to a new peak of 186 piastres, equivalent to roughly £19 per ounce. In the past week there has been a moderate recession, although official releases of gold seem to have temporarily ceased. But despite the easing of the gold bullion market, the Egyptian gold pound has risen sharply, touching 620 piastres—approximately £6 5s.—a few days ago. This suggests a smuggling demand for coin in order to reap the high profits obtainable from re-sale in Greece and possibly also Syria, where the civil disturbances are likely to whet public appetite for gold.

It would be wrong to attach much importance to these gold operations. They are spectacular rather than large, and, as in Greece, are the inevitable counterpart of the shortage of goods. The premia quoted on gold compared with the exchange parities are certainly not true indices of the values of the Middle Eastern currencies concerned. But it would

be equally wrong to accept the argument so frequently voiced from these areas—a fresh instance of it occurred in an article in the *Palestine Post* this week—that the wartime accumulation of sterling balances is a guarantee that existing parities can be maintained indefinitely. When price-levels have been multiplied anything from three to six times, even complete restoration of the normal flow of goods could not remove the need for eventual devaluation. But it is at least unlikely that it will need to be as drastic as present gold parities seem to suggest.

Savings Drive Postponed

It has been disclosed during the week that the annual Savings Drive, originally planned to start at the customary time, but later delayed to await VE day, has been postponed again in consequence of the election. The decision is no doubt inevitable. It is understood to be due mainly to organisational difficulties, and certainly not to any assumption that an election atmosphere is inimical to saving as such. During the local "weeks" the organisers have always counted upon a large amount of voluntary help from people outside the normal Savings organisation, and many of these helpers are expected to be fully engaged in the next few weeks in electioneering. There was also the certainty that it would be difficult to secure accommodation for local Savings meetings, and in any case competition for public attendance at Savings functions instead of political ones would have been obviously undesirable.

The arguments for postponement were evidently conclusive. But it is unfortunate from two points of view. Many have been disposed to doubt whether the savings "weeks" ever added much, in the long run, to the real total of public subscriptions. They have argued that, if the public were not expected to make bumper contributions in a particular week in the cause of local patriotism, they would subscribe more week by week. But there surely never was a time when this argument would have had less force than in the period immediately after V-day, when there really did seem to be a chance that vigorous capitalisation of the "Thanksgiving" theme might have induced the public substantially to increase its real savings, as distinct from merely turning idle cash into securities. The organisers of the movement will find it hard to recapture this opportunity in the autumn, when, apparently, the postponed drive is to be launched. Moreover, the absence of a drive this summer may tend to create the impression that now, after VE-day, saving is of minor importance. Between now and the autumn, every effort will need to be made to sharpen the appeal of general savings publicity.

In the meantime, there must be increasing reliance upon floating debt, unless the reduction in the budget deficit proceeds a good deal faster than at present seems likely. During May the deficit was again smaller than in the corresponding period of 1944, but the reduction—by £44 million—was actually £19 million less than in April. As the month's total savings were nearly £140 million less than in 1944, the total floating debt expanded by £96 million. The prospective growth should be an opportunity for the authorities further to correct the present disparity between the volume of bills and TDR's available to the banks.

Coal Statistics 1944

The Ministry of Fuel and Power has collated the periodical figures for the coal industry and issued a Statistical Digest for the whole of 1944. It has added a certain amount of fresh information about mining and about the gas and electricity industries, thereby justifying its title to be a Ministry of Power as well as of Fuel.

The 1944 figures, as might be expected, reflect the continued decline in production. As a table on page 752 indicating the long-term trend shows, output was lower in 1944—apart from the two strike years of 1921 and 1926—than at any time since the 1880s. From the long-term point of view, however, the downward trend of manpower is one of the most significant features of the table. In 1923, when production was 276 million tons, 1,160,000 men were employed in the industry. In 1944, with a production of 193 million tons (including opencast production), there were only 710,000 men employed.

The annual output per wage-earner declined steadily during the war years. It was 301.9 tons in 1939 and only 259.2 tons in 1944, while the corresponding figures of

output per manshift were 3 tons and 2.70 tons (in the first quarter of this year, it was 2.68 tons). This decrease is disappointing, because it seems that genuine efforts to introduce more machinery have been made. The proportion of coal cut by machinery increased from 61 per cent in 1939 to 72 per cent in 1944, while the proportion of coal conveyed by machinery rose from 58 per cent to 69 per cent. In both cases, however, the actual quantity of coal handled mechanically was smaller than it was before the war.

Interesting statistics are given about the composition of the labour force. Of the 649,300 effective wage earners on September 23, 1944, 16.5 per cent or nearly one fifth were over 55 years of age. The proportion of the normal labour force over 55 would obviously be higher, but for the abnormal recruitment of Bevin boys and optants, who may be expected to leave as soon as controls are lifted. Major Lloyd George's announcement that 12,000 underground miners will be returned from the Forces by September should help to provide a better balanced and more productive labour force. It is interesting also to note that 284,600 wage earners were employed at the face, 269,000 were engaged on other duties below ground and 157,500 at the surface, the latter figure having remained fairly constant since 1939. In other words, only about a third of the mining labour force are actually "productive" workers which makes it all the more important to mechanise underground haulage processes.

The top-sided age composition of the industry may be regarded as partly responsible for the high absenteeism figures. The rate of 16.1 per cent in the first quarter of 1945 is the highest yet, though only 6.3 per cent is classified as voluntary. It is clear that the involuntary rate due to such causes as sickness and accidents is likely to be higher among the older workers, while at the other end of the scale, the voluntary rate is highest among the young men, and most particularly the Bevin boys.

In contrast to the declining productivity reflected in these figures, costs of production have increased startlingly. Wages per ton rose from 10s 10d in 1939 to 23s 8d in 1944, and average weekly earnings increased from £2 15s 9d to £5 9s 4d (excluding allowances) during the same period.

More Gas

The wartime record of the gas industry, set out in the Statistical Digest, is one of steady expansion. The following table shows the trend of the volume of gas sold by authorised undertakings since 1938, the distribution of consumption in 1943, and the total revenue of the industry:—

GAS SOLD BY AUTHORISED UNDERTAKINGS

	1938	1941	1942	1943	1944
<i>Gas sold (million cubic feet):</i>					
Public lighting	15,052	1,521	1,669	1,265	(a)
Mainly domestic use:					
Propayment				138,470	
Credit				69,806	
Industrial				103,160	
Govt. depts. and services				6,824	
Local authorities				6,999	
Other premises				36,104	
Total	322,086	328,758	358,419	362,628	379,106
" (million therms)	1,530	1,529	1,667	1,690	1,767
<i>Revenue (£ million):</i>					
Local authorities	23.3	30.2	32.1	(a)	(a)
Companies	45.8	58.1	65.7	(a)	(a)
Total	69.1	88.3	97.8	(a)	(a)

(a) Not yet available.

Although precise details have not hitherto been available, it was known that the consumption of gas has increased since 1938, mainly for industrial purposes. The increase between 1938 and 1944 was 17.7 per cent in terms of cubic feet, and 15.5 per cent in terms of therms. The most interesting statistics now released are those relating to the distribution of consumption, recorded for the first time in 1943. They show that, in that year some 28 per cent of the volume of gas sold was used in industry.

Even More Electricity

The expansion in the consumption of electricity since 1938 has been at a faster rate than that of gas; between 1938-39 and 1943-44, the volume of electricity sold to consumers by authorised undertakings rose by 53 per cent.

The most remarkable feature disclosed by the accompanying table is the expansion in the use of electric power; this has almost doubled since 1938. Moreover, 66 per cent of the total volume of electricity sold was used in the form of power; electricity has thus a much bigger stake in industry than gas. In part the increased sales of electricity to industry reflect a change-over from private to public supply rather than an increase; but much the biggest part of the higher sales represents an addition to total con-

ELECTRICITY SOLD BY AUTHORISED UNDERTAKINGS

	1938-1939	1941-1942	1942-1943	1943-1944
<i>Electricity sold to consumers (million units):</i>				
Lighting, heating and cooking	8,340	9,875	9,353	9,721
Power	10,841	16,754	19,517	20,951
Public lighting	376	20	21	20
Traction	1,236	1,166	1,170	1,140
Total	20,793	27,815	30,061	31,832
<i>Revenue from sale of electricity to consumers (£ thousand):</i>				
Public authorities (including Central Electricity Board for traction purposes only)	55,664	72,059	73,764	78,402
Companies	34,468	47,931	52,751	56,003
Total	90,132	119,990	126,515	134,405

sumption. It is not possible to estimate how far the rise in total consumption is due to the expansion in industrial activity and how far it is a reflection of an increased consumption per worker and, therefore, of a higher degree of mechanisation. There is no doubt, however, that the modernisation of British industry—at any rate, the munitions sector of industry—has been given a fillip during the war.

Edmundsons Wartime Expansion

The publication of accounts and statistics for the four years of the statistical black-out by Edmundsons Electricity

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Corporation makes a very important contribution to the story of the war-time development of electric supply. The parent company owns or controls 16 concerns, whose areas are mainly rural. The report provides statistical data for the whole group for the seven years 1938-44, and consolidated accounts for the last six of those years. Further, it contains the accounts of the parent for the year ended March 31, 1945. The whole story is summarised in the following table:—

	1939	1944	Increase	%
Units sold to consumers (millions).....	957	2,305	1,348	141
Consumers connected ('000).....	443	504	99	14
Average units per consumer.....	554	1,000	494	81
Cost of coal per ton.....	21/10	37/-	15/2	70
Price of units, all purposes.....	1.21d.	1.08d.	*0.13d.	*11
„ domestic and commercial.....	2.58d.	1.94d.	*0.63d.	*25
Capital employed (£ mill.).....	32.8	46.5	13.7	41
Rev. from current (£ mill.).....	4.97	11.36	6.39	129
Provision for taxation (£ thousands).....	95	1,077	981	1,033
Net profit (£ thousands).....	583	535	*48	*8

* Decrease.

The total sale of units rose by 168 per cent over the period, while the group's own production increased from 974 to 2,554 million units, or 162 per cent. These figures compare with ones of 62 to 107 per cent, quoted on page 664 of *The Economist* of May 19th for concerns operating in mainly industrial areas of the north and midlands, and of 10 to 50 per cent for London concerns. For the whole country, for a slightly earlier period, the increase was 41.2 per cent. They demonstrate clearly that the numerous developments to meet wartime emergencies have led to a very rapid development of the countryside. Among these, some—such as the dispersion of industry and the increased demands of farmers—are likely to be permanent; others, such as aerodromes and special wartime depots, will have to be replaced by a further use of electricity for domestic and farm requirements, if the expansion is to be maintained. That, however, does not detract from the achievement.

A study of the consolidated profits shows that, so far at least, the shareholders in the parent company have not done very well out of the expansion in demand and the resultant fall in the cost to the consumer. Profits available for distribution have been virtually unchanged over the five years at around £720,000, and the ordinary dividend unaltered at 6 per cent. But that is not the whole story. There is little to be deduced from the balance-sheet of the parent, but the consolidated figures of the operating concerns show that of the rise of £13,664,000 in total assets, some £8,600,000 has been financed by increases in provisions for depreciation, taxation and contingencies, and £1,065,000 by increases in reserves proper, while less than £1,200,000 has been added to debentures and loans. Meanwhile net liquid assets increased from £909,000 to £4,125,000. Total provisions rose from just over £1,000,000 for 1939 to £1,378,078 for 1944, and there have been yearly increases in the amounts retained by the subsidiaries. Plans in an early stage suggest an outlay of £16 million odd over the next five years, of which about £10 million will be financed from the resources of the group.

Workmen's Compensation in America

There is no disposition on the part of private insurers in the United States to accept with resignation any transfer of their business to state funds. A pamphlet issued by the Association of Casualty and Surety Executives entitled "Workmen's Compensation—Monopoly or Free Competition?" presents very forcibly the case for retention of the right to work in this field. The Association is able to make numerous comparisons between the working of private enterprise and state funds because of the present rather mixed arrangements in the United States; in 29 states private insurers alone operate, in 11 states private insurers compete with state funds, and in a further seven states state funds have a monopoly.

Considering first the question of employer preference, the Association shows that in each of the 11 states where the two methods of protection are available the volume of business transacted by private insurers has in recent years increased at a very much faster rate than that written

by state funds. In 1942—notwithstanding that state funds enjoy various privileges including relief from certain taxes—private insurers had 78.9 per cent of the total business in these 11 states. As regards the seven monopolistic state funds, it is pointed out that these were all created in the early days of workmen's compensation and that no state has established such a fund in the last 25 years.

Besides enjoying employer preference, private enterprise also, it is contended, gives more satisfaction to employees. For one thing, they receive their compensation more promptly. Private insurers generally consider 18 days as the maximum period which in an uncontested case should elapse between the date of the accident and the date the first payment is received by the worker; many companies require a personal letter of explanation from their representative if this period is exceeded in any individual claim. On the other hand, in Ohio—one of the seven monopolistic fund states—60 per cent of all claims notified in April, 1944, were more than a month in process of filing, after which at least another 18 days was required before the payment was made to the employee. Figures are also quoted to show that in Ohio many more cases are taken to appeal than in states where private companies operate. The Association ascribes the relative inefficiency of the state funds to red tape, understaffing and the payment of salaries insufficient to attract competent employees.

Further arguments adduced are that private insurers are generous in the provision of medical care and rehabilitation services and spend large sums on accident prevention—in 1943 nearly \$20 million. In consequence of this work the industrial employee of today has a better than 2½ to 1 chance in comparison with 1913 of not losing his life, and the severity rate of accidents (measured in terms of days lost) has fallen from 1.72 to 1.20. By contrast the safety work performed in Ohio is stated to be extremely limited, with the result that during the ten-year period 1933-42 over two million claims were filed—more than the number of persons gainfully employed in the state.

Competition or Monopoly

The case made out by the Association is clearly strongest where based on widely-drawn statistics and weakest where dependent on comparison between individual states. It is evident, however, that the apparent economical working of the state funds may be entirely misleading if account is not taken of differences in services rendered both to employee and employer. The contention of the Association is that monopoly—and particularly Government monopoly—tends to develop arbitrary, mechanical and autocratic attitudes and procedures; the tendency is away from research, experimentation and progress. Money spent on safety work justifies itself many times over. Accidents upset production schedules and time and money must be spent to train new workers. The total economic loss alone is estimated at four times the actual money outlay on compensation and medical payments. In sum, only the best is good enough—and that is secured by free competition. It would be misleading, however, to argue the British case in the American context. Perhaps one conclusion is that neither state nor private business can claim a monopoly in enterprise.

Building Repairs

The new scheme of unlicensed and licensed building repairs comes into operation on August 1st, and is to last at least until January 31, 1946. The whole country will be regulated uniformly. The chief points of the scheme are as follows: Work costing up to £10 may be undertaken without licence—and it now applies to separate dwellings and offices, instead of, as formerly, to separate buildings; work costing up to £2 may also be undertaken in each calendar month. Local authorities are empowered to issue licences for work costing between £10 and £100. Work costing more than £100 will be licensed by the Ministry of Works on a local authority certificate declaring it essential. As at present, work of an emergency nature will not need a licence.

In some parts of the country—particularly London and the south—the new scheme will be a slight relaxation of

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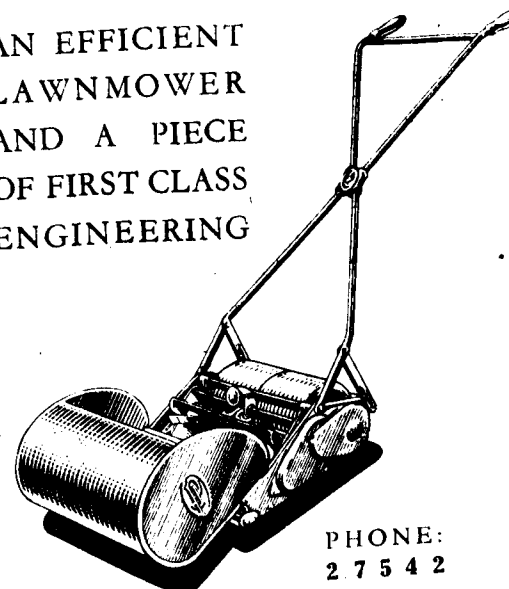
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the existing regulations. In those in which the £10 limit has not hitherto applied, it will represent a tightening up. The main reason for the regulations is, of course, the shortage of labour, which, according to the Minister of Works, will dominate the position for the next 18 months or two years. In view of this it is just and equitable that workers should be so spread that the ordinary repairs and decorations are within the reach of all, and so that where more extensive work needs to be done, allocations are made on the basis of need.

A great deal of bomb damage remains to be made good. The housing shortage, particularly in London, grows daily more acute. Houses which have been damaged or unoccupied could relieve the pressure if work were done on them. The Government is hoping to vacate some blocks of flats which it has been using as offices. Conversion of the many three-, four- and five-storey London houses into flats, too, would do something to assist the unfortunate house-hunters, who are now discouraged even from entering the offices of estate agents by notices on their doors saying "No unfurnished flats or houses to let."

* * *

Dunlop Outlook

The preliminary statement of the Dunlop Rubber Company showed a fall in profits due to a rise in costs without compensating increases in selling prices. The full report suggests that there was an increase in turnover to meet the peak demands of the services, but that the increased use of synthetic rubber was a material item in raising costs as was untrained labour. The former finds a reflection in inventories which have risen for the whole group from £11,310,246 to £12,827,422, the increase having been financed to the extent of over £500,000 by the sale of Government securities. The main outlines of the accounts will be found on page 747. They show, *inter alia*, a further but moderate rise in net liquid assets and a fall in net inter company items. This is due to a writing down of holdings in the important French subsidiary whose damaged factories are now being reconstructed. The written down value is considered reasonable.

Of the overseas companies, those in India and South Africa continued to show excellent results, while turnover and profits in America were again satisfactory, but the Irish subsidiary suffered a modest reverse. The export trade remains severely restricted owing to shortage of materials. Altogether, concentration on Government work meant a lack of men and materials in those sections working for the public and the shortage, apparently, continues. The shortage was particularly felt in the garment section.

Apart from the brief re-stocking period, Sir George Beharrel, chairman of the company, expects a permanent increase in demand for the output of the group and the new shadow factory at Speke is intended for footwear, golf and tennis balls and some other goods. For the time being, however, it is to be used, at the request of the Government, to help to overcome the tyre shortage. Confidence is expressed that it will be possible to improve on pre-war qualities as well as quantities, but there is an inference that this must in many cases await supplies of plantation rubber.

*

Included in the profits of the year are a number of items which result in a net credit of £74,114 which arise either from previous years or are of a capital nature. It appears that the writing down of the French associate comes under this item. The net liquid assets of the group exceed £16½ million, the bulk of which is in inventories. (During the year the parent has withdrawn some £640,000 from subsidiaries to finance expenditure on plant and inventories.) Total provision for EPT up to the end of 1944 for the group was £8,927,674 of which 20 per cent, less tax at the rate then prevailing, will eventually become available. It is a pity that there is no word of reconstruction plans, but it is evident that the company has enough money to finance a substantial programme, if the inventories can be reduced to a normal proportion of total assets. They were in 1944 some 33 per cent against 11.8 per cent two years earlier.

* * *

Two Oil Results

According to the preliminary statement, the profits of Burmah Oil for last year available for dividends and free reserves recovered, the figure being £2,625,513 against

£2,155,462 for 1943 and £2,550,178 for 1942. This figure is reached after making a slightly increased provision for provident fund. The dividend is unchanged at 12½ per cent, but the reserve receives £600,000 against £100,000. Owing to the fact that the rate of Dominion income tax relief is not disclosed, the amount earned for ordinary cannot be grossed up accurately. Before grossing up it is 16.9 per cent, against 13.5 last year and 16.5 for 1942. Both the profit earned for dividends and the percentage are the highest since 1941, but the rise on the year is due solely to the vagaries of taxation and its treatment in the accounts of the company. The statement makes it clear that gross profits were below those of 1944. The shareholders should shortly have some information as to the condition of their properties in Burmah.

In comparison with this result Venezuelan Oil Concessions record a substantial increase in earnings without any explanation. This is all the more regrettable as the profits appear to be presented on a new basis, so that it will be necessary to await the accounts before a full comparison is possible. The profit disclosed is £688,329, after providing £250,000 for exploration and general reserve, compared with £492,262 after placing £400,000 to reserve for deferred maintenance. This suggests a rise of some £50,000 in earnings. Both interim and final dividends have been raised, and the total distribution is 18½ per cent against 16½ per cent for each of the six preceding years. This is payable on both preference and ordinary capital. Both are in shares of 13s. 4d., quoted at 50s. 7½d., to yield some £5, per cent. The full accounts should be much more informative than in the past, and it is reasonable to suppose that they will show a comparatively favourable position.

* * *

Scottish Steel

Speeches made recently by the chairmen of Scottish iron and steel concerns sound a note of optimism about the prospects of the steel industry, mixed with doubts and alarm about the future of coal-mining. Sir John Craig, chairman of Colvilles, points out that his company's transition from war to peace production is not difficult, that it has received good export orders, and that it will be helped rather than hindered by the wartime capital schemes, costing £5,000,000, which are paid for by the Government. It is clear that the iron and steel industry must undertake a large capital outlay in the near future, and, as is well known, all schemes of extension and expansion are being vetted by a committee inside the industry.

It is to be hoped that the committee will have, as Sir John claims, "the national needs as the great objective." But it is not altogether encouraging to find that Colvilles prefers to improve its present method of producing steel sheets rather than to construct a modern continuous sheet mill, which is admitted to be a great improvement on the present system. The crucial point is whether, with three such mills in existence or planned, a market can be found for the produce of a fourth. Colvilles have decided that they dare not run the risk that it will not be found, and so continue with plant which is excellent for small runs, but costly for large ones.

The difficulties inside the coal industry affect iron and steel producers such as Colvilles, and Bairds and Scottish Steel, in two ways. In the first place, it raises the price of their most important raw material, and, secondly, it affects severely their own colliery holdings. In the privileged position of the iron and steel industry, the second factor may be the more harmful to the companies in question, although hardly to the national interests. Mr McCosh, chairman of Bairds and Scottish Steel, roundly blames the miners for the present situation. He goes so far as to say that their lack of discipline is costing the nation 40 million tons of coal a year. There may be some truth in this accusation, but it will convince no one to claim that, since the owners and management have not been changed during wartime, they cannot be blamed for the fall in output. A very important reason for this wartime fall, and for the miners' discontent, lies in what the owners failed to do before the war, when they had ample opportunity and official encouragement for improving efficiency.

The Wool Conference

The conference of officials and wool experts from the United Kingdom, Australia, New Zealand and South Africa has now concluded its discussions in London. The British

(Continued on page 751)

COMPANY MEETINGS

ATLAS ASSURANCE COMPANY, LIMITED

FURTHER PROGRESS

MR G. F. HOTBLACK'S REVIEW

LIFE DEPARTMENT

The annual general Court of the Atlas Assurance Company Limited, was held on the 25th ultimo at 92, Cheapside, London, E.C.

Mr. G. F. HOTBLACK (the chairman), in the course of his speech, said:

FIRE ACCOUNT

Our fire department premium income at £2,268,364 is higher by £124,207 than the corresponding figure in 1943. The underwriting profit of £140,788, or 6.2 per cent., is, however, less than half what it was in the previous year, the profit then being £283,629, or 13.2 per cent. Although this shrinkage is partly accounted for by an increase in reserve, amounting to £49,683, which follows automatically upon the increase in income, what is mainly responsible is the fact that losses in 1944 were markedly higher than in 1943. The year 1943 was, however—and I think I should emphasise this—an unusually fortunate year for us from the point of view of loss experience.

Although this heavier loss ratio was to some extent due to the bush fires in Australia, and the severe explosion in the docks at Bombay which took place in the earlier part of the year, and, later in the year, to a hurricane which swept down the Atlantic Coast of the United States, what has chiefly contributed to our less fortunate experience has been a general increase in, what I might call, everyday loss by fire, both at home and abroad.

ACCIDENT ACCOUNT

In the accident department it is satisfactory to see that the premium income, amounting to £631,949, has also moved forward compared with the corresponding figure in 1943, which was £598,143. The profit secured is £66,352, or 10.5 per cent. of the premium income, against £71,104, or 11.9 per cent., in the previous year. Bearing in mind that the increase in income brings with it the need for an increase of £13,523 in the reserve for unexpired risks, I think that the result achieved is once more worthy of our commendation.

MARINE ACCOUNT

The marine department premium income at £436,782 is lower by £78,134 than the corresponding figure in 1943. We saw a similar state of affairs in the comparison between 1943 and 1942, and once again it is a reduction in war insurance premiums which is responsible. When addressing you last year I said that we looked forward hopefully to the time when war-risk premiums would become but a very minor source of income: to-day we are much closer to the fulfilment of that hope—a circumstance which must give us all good reason for much gratitude.

As to the claims experience, losses paid in respect of the 1944 account amounted to £98,404, the corresponding figure in 1943 being £128,630, and this improvement in our fortunes is also a reflection to some extent of the lessening of war-time perils of the seas. With the outlook so much improved we have had no hesitation in making a transfer to profit and loss of £40,000. After providing £100,000 for United Kingdom taxation the fund now stands at £631,393. This is slightly lower than the corresponding figure at the close of 1943, but, having regard to existing conditions and the fall in premium income, places us in a stronger position than that which we occupied at that time.

I am sure you will share my view that the result of the operations of the marine department is a clear indication that the activities of those responsible for the underwriting have been marked by sound judgment.

The difficulties with which the life department has to contend are by no means over and 1944 was not so good a year as 1943. New business was only £2,742,615, compared with £3,257,642 in 1943 and £2,663,416 in 1942. The consideration for annuities was also smaller than in 1943, being £158,128, compared with £176,782. Death claims were heavier than in 1943, but nevertheless were surprisingly light considering the times through which we have been passing.

During 1944 our life assurance and annuity fund increased by £718,624 and additional amounts were invested in British Government securities, the total sum so held amounting, at the end of the year, to the substantial figure of £5,881,663.

The low yield on this large investment in British Government securities, combined with the high rate of income-tax to which our life business is subject, has naturally prevented us from earning a satisfactory net rate of interest, this having fallen to £3 5s. per cent. by comparison with £3 7s. 9d. per cent. in 1943.

During 1939 and 1940 we wrote £489,105 off the values of our Stock Exchange securities. This sum has been proved by events to be unnecessarily large and we have felt justified in reinstating the amounts written off to the extent of £246,873. At the end of 1944, after this writing back, the Stock Exchange securities included in our life and annuity fund had a market value of rather more than £1,000,000 in excess of the value at which they stood in our books.

Towards the end of 1944 it was felt that we could, in a modest way, recommence bonus distributions and, in respect of the six years 1938 to 1943 inclusive, a bonus was declared at the rate of 14s. per £100 per annum calculated on the sum assured and existing bonuses. Interim bonuses in respect of the current triennium 1944-46 are being paid at the rate of 21s. Since 1938 we have in one way or another strengthened our life and annuity reserves by £1,111,322, and bonuses to policyholders, including interim bonuses, have cost £520,840.

PROFIT AND LOSS ACCOUNT

I will now briefly refer to the profit and loss account. Net interest receipts at £97,056, as against £91,753 in the previous year, again show a welcome improvement. Also to the credit of the account are the underwriting profits, aggregating £247,140. To the debit of the account are taxation charges, expenses not charged elsewhere, and the contribution by the "Essex and Suffolk" to their staff provident fund. The balance remaining, including the carry-forward from last year—namely, £463,492, amounts to £693,096. Of this sum the dividend at 10s. 6d. per share, subject to tax, absorbs £135,711, and £25,000 having been transferred to the staff pensions reserve and £50,000 provided for the purpose of writing down building properties, the balance carried forward is £482,385.

FIELD OF ACTIVITIES EXTENDED

It will be of more than passing interest to you to know that we are already playing our part in the great endeavours which are now actively on foot to assist the peoples and territories which have been liberated from enemy occupation. We are, in fact, operating once more in Belgium, France, and Greece; we are assisting to meet the demands for insurance in free Holland; and as liberation proceeds in various parts of the world we shall further extend these activities.

The report and accounts were unanimously adopted.

COMMERCIAL UNION ASSURANCE

INCREASED NEW LIFE BUSINESS

The annual general meeting of The Commercial Union Assurance was held, on the 29th ultimo, in London.

The following is an extract from the statement of the chairman (Mr John F. G. Gilliat), which was circulated with the report:—Fire Dept.: The premium income of £6,844,510 shows an increase of £546,142. This expansion is largely at home and in the United States, but there has been a general contribution in other places abroad. In spite, however, of our efforts everywhere, and especially in the United Kingdom, to reduce the hazard, there has been little headway; regrettable losses having occurred—losses, the cost of which we as insurers can meet, but which cannot be replaced readily for National use. We take comfort in the thought that but for our efforts, preventable losses would have been greater.

A SIGNIFICANT RESULT

Life Dept.: For 1944 the total new sums assured were £5,292,648, of which, after deducting amounts reassured, £5,124,497 was retained at the company's own risk. It is significant that the 1944 net new business figure, £227,264 in excess of the 1943 total and 86 per cent. of our best pre-war result, has been realised at a time when nobody in the company's service remains in whole or even part-time employment for the primary purpose of securing new life business. The premium income during 1944 was £2,207,972, showing an increase of £60,767 over the previous year, while the Life Fund increased by £807,417 to £32,168,399. This increase in the fund, together with a substantial proportion of the investments maturing or repaid during the year, have been applied to increase the Life Fund holding of United Kingdom war issues to a total of nearly £6,500,000.

As to payments out of the Life Fund, for the first time in the company's history more than £2,000,000 was required to cover death claims and maturing endowment assurances. Subject to reconsideration should unforeseen circumstances arise, the directors have decided to continue the allowance of an interim bonus at the full rate of reversionary bonus declared at 31st December, 1942, to all policies becoming claims by death or by maturity during 1945.

Marine Dept.: The premium income of the department again shows a substantial reduction and amounts to £1,155,283, which is a decrease of £517,907. This decrease is mainly accounted for by the reduction in war risk premiums. A sum of £500,000 has been transferred to profit and loss account and with the Marine Fund at 223.73 per cent. of the premium income, we consider all contingencies are provided for and we confidently look forward to a continuance of successful operations.

ACCIDENT DEPARTMENT

Accident Dept.: The premium income amounted to £8,396,659, an increase of £661,910. So many classes of insurers are underwritten in this department that it is difficult to imagine conditions unfavourable to all the sections at any one period. The war has reduced the income in the motor section and increased the home income in the Workmen's Compensation section, but it now seems that peace will bring the home Workmen's Compensation business to an end as we recover our motor income.

The results in this department have been greatly assisted by our business in the United States of America where our associated office, the "Ocean," and its American subsidiary, the "Columbia Casualty," have built up an extensive organisation.

Our accident business has always been profitable at home and therefore to a large extent the improved results of recent years have been due to the better experience abroad.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

INCREASED PREMIUM INCOME

The sixty-fourth ordinary general meeting of the Employers' Liability Assurance Corporation, Limited, was held on 23rd ultimo, at the head office of the corporation, Hamilton House, Victoria Embankment, E.C.

The following are extracts from the statement by the Chairman, the Right Hon. Lord Courtauld-Thomson, K.B.E., C.B.

My first words on this occasion must be devoted to recording the loss we have suffered in the death on July 14 last of Sir Joseph Brodbank. He had been a director of the corporation for nearly 30 years, was appointed deputy chairman in 1925, and was chairman from 1928 until 1934. We, his colleagues on this board, have lost a friend whom we held in affection and respect, and an adviser on whose judgment and experience we greatly relied.

Our results for 1944 may be briefly summarised as follows. Our total premium income was £7,182,633, an increase of £376,702 over 1943. Our underwriting profit of £316,080 (which is arrived at after charging dominion and foreign taxes) and our gross interest income of £328,852, together amount to £644,932. The aggregate of the taxes, British and dominion and foreign, paid or provided for in the accounts, is £650,413. We are recommending the payment on June 1 of a final dividend of 2s. a share, which, with the interim dividend of 1s. 6d. a share paid on October 27 last, makes a total payment a share for the year of 3s. 6d. We then carry forward £682,155, an increase of £68,557 on the year. This sum of £682,155 is additional to the general reserve of £2,500,000.

DEPARTMENTAL FIGURES

In the fire account I ask you to note that the premiums show a further increase, and produced a profit of £64,294, or 11.9% of the premium income.

The accident and general account contains a premium income of £6,642,845 which represents an increase of £327,222 over 1943. This increase is fairly widespread over most of the areas in which we transact business, but the greater part of it comes from the United States. Our United States business again showed a satisfactory profit, and other contributions to the favourable result in this account, from which we transfer £251,786, or 3.8%, to the credit of profit and loss account, were made by our branches in Canada, Australia, South Africa and India, as well as those at home here.

TRANSITION PROBLEMS

I hope you will consider that the foregoing results are not unsatisfactory having regard to the complexity of the conditions under which our business has to be transacted in war-time; and it would be right, I think, to remind you that the period of transition from war to peace will bring special problems of adjustment, difficult to solve, and to tell you that there are indications in the current experience, both in motor business and in workmen's compensation business, of a trend towards higher loss ratios than we have had in the last few years.

The total of our investments (including freehold and leasehold properties and our associated companies) expanded during the year to £11,807,431, an increase of £825,913. We added substantially during the year to our subscriptions to British Commonwealth War Loans, and those of the United States.

You will be pleased to know that the 1944 reports of our associated companies, the Clerical Medical and General Life Assurance Society and the Merchants' Marine Insurance Company, Limited, record satisfactory results.

The report was unanimously adopted.

BRITISH AVIATION INSURANCE COMPANY, LIMITED

14th ANNUAL REPORT

MR J. DYER SIMPSON'S REVIEW

Mr J. Dyer Simpson, J.P., chairman of the British Aviation Insurance Company, Limited, issued the following statement in connection with the 14th annual general meeting of the British Aviation Insurance Company, Limited, held in London on the 24th ultimo.

Our results for the year 1944 were eminently satisfactory. Net premiums, at £293,374, were higher by £38,410, an increase of more than 15 per cent. over the 1943 figure. After transferring £90,000 to profit and loss account, compared with £50,000 in the preceding year, the fund at the end of 1944 amounted to £437,320 (an increase of £23,553) or over 149 per cent. of the premiums. Profit and loss account has been credited with interest, less income-tax, of £12,649, and a reserve of £91,000 has been made in respect to British taxation.

By reason of the E.P.T. liability, the provisions required for British taxation for the past five years (1940-1944) have amounted to £423,000 and have exceeded the gross underwriting profit transfers for that period by £18,000.

A dividend of 4 per cent., less income-tax, is recommended by the directors and, after providing for this and all other outgoings, the balance of profit and loss account carried forward at £49,896, is increased by £5,032.

TRIBUTE TO STAFF

It speaks well for the work of the management and staff, both in this country, in Canada and elsewhere, that after over five years of war, we are able to show a position of such stability and vitality as is disclosed by the accounts and balance-sheet for 1944.

I would like to pay a special tribute to our underwriter, officials and staff at the head office in London for the splendid and courageous manner in which they continued their work despite the dangers and discomforts of flying bomb attacks.

I make particular mention of the services of Captain A. G. Lamplugh, our principal officer and underwriter since the company was founded in 1931. Captain Lamplugh's wide knowledge and experience of aviation matters dates from the first world war and his enterprise has been untiring ever since. He was responsible for the convening of and conducting the independent Lamplugh Committee of experts who, in 1943 and in 1944, examined the future of civil aviation. Their published reports received an appreciative reception both here and overseas. Under his experienced guidance, the British Aviation Insurance Company will be able to deal with the many complex problems in the immediate years ahead.

CIVIL AVIATION

We have heard much in the past five years about global war. With the accomplishment of triumphant victory in Europe the thoughts of the nations are being directed more urgently to global peace and its effect upon civil aviation. The concentrated pressure of war has brought nearer the realisation of a world of 2,000,000,000 neighbours—though it may be doubted if the meaning of an air-routed globe is yet fully appreciated. We must realise that at cruising speed, the maximum flying distance to any part of the world is now round about 60 hours. "Isolationism" is an anachronism—more especially in a closely-populated area such as Europe. Future air maps of the world will not require to show either the physical details of the land nor the boundaries which States

have drawn upon it, but simply the main centres of population and the direct routes connecting them.

That there will be great development of civil aviation is one of the certainties of post-war days. Its progress must be closely bound up with the provision of efficient insurance protection; for, just as shipping has behind it the strength of a world-wide marine insurance market, so must air transport have its independent market for insurance, and the "British Aviation," with its extensive experience, is fully equipped to meet all the insurance requirements of civil aviation.

THE LICENSES AND GENERAL INSURANCE COMPANY, LIMITED

The ordinary general meeting of this company was held in London on 23rd ultimo.

Mr Stanley Christopherson who presided said: The premium income has advanced in the year under review, and the total assets have gone forward by a further quarter of a million pounds to a figure of £1,837,779 15s. 7d. Throughout each underwriting department, reserves have been increased and adequate provision made for all outstanding claims. Additions have also been made to the contingency and investment reserves. Investments in the Government funds now reach a total of over £700,000.

Viewing the changing scene and the cessation of hostilities in Europe, one is inspired to hope for a gradual return to more normal business practice. Your company emerges from this period of world upheaval unimpaired—and with increased confidence in the future.

The report was adopted and a final dividend of 20 per cent. making 25 per cent. for the year was approved.

EQUITABLE LIFE ASSURANCE SOCIETY

MR D. ABEL SMITH'S STATEMENT

The one hundred and eighty-third annual general meeting of the Equitable Life Assurance Society was held in London on the 30th ultimo.

The following are extracts from the statement by the President, Mr Desmond Abel Smith:—The accounts for 1944 reveal a further substantial growth in the holding of British Government securities, which now amount to £4,000,000 out of total funds of £15,000,000. There was a considerable increase in the margin between the market and book values of our assets, and for Stock Exchange securities alone the figure exceeds £1,000,000. There was little change in the net rate of interest earned on our funds, which in 1944 was £3 9s. 1d. per cent.; there can be no substantial improvement in the interest position without material relief in taxation.

After charging to expenses certain sums reserved to meet exceptional expenses likely to be incurred in resuming normal activities, the ratio of expenses to premium income is only 5.3 per cent.

During 1944 new policies were issued for sums assured of over £1,650,000, representing 80 per cent. of the figure for 1938. Claims by death were substantially lower than in 1943 at £340,819 net. Those under whole life major profit policies have established a remarkable record: every year for more than 100 years over £2,000 has been paid on the average in respect of each £1,000 of original assurance.

The income from investments in the three societies controlled by us has been particularly welcome in difficult times. The Equitable group of societies administers funds exceeding £18,000,000. The accounts represent another satisfactory year's working and provide an answer to those who would have us believe that private enterprise has failed to supply the needs of the community.

The report was adopted.

RAND MINES, LIMITED

(Incorporated in the Union of South Africa)

INDUSTRY'S WAR EFFORT

Mr John Martin, chairman, presided at the annual meeting of Rand Mines, Limited, held in Johannesburg on 18th ultimo and said that the profit earned at £689,964 showed a small increase of £352 over the profit for 1943. Dividends received—the chief source of the company's revenue—had been on a lower scale of reduction compared with the previous year, amounting to £69,389. On the other hand, revenue from interest and exchange at £104,830 had been considerably higher due to the inclusion of arrears of interest of £79,245, of which £76,097 had been in respect of debenture capital of the Anglo-Spanish Construction Company.

MINE OPERATIONS

The gold-mining industry in 1944 had experienced another difficult year. Nevertheless, their predominant reflection must be one of thankfulness and satisfaction that operations were relatively so well maintained and that the gold mines continued to be the mainstay of the National economy at this critical period of our history. Tonnage of ore milled in 1944 by the mines of the Witwatersrand area and its extensions had been 58,504,400 tons, a decrease of 1,448,500 tons compared with the previous year. Gold output had been 11,992,717 ounces fine, a decrease of 467,949 ounces fine. Profits had shown a reduction of practically £5,000,000. Profit decline had been progressive.

Operations of gold mines during the war had throughout been regarded by the Government as an essential part of the war effort of South Africa. The task of the industry had been to carry on as best it could with the object of maintaining the high gold output needed directly and indirectly for purposes of war, and, subject to fulfilment of that condition, to release men for the armed forces and assist in munitions production and associated war activities. All demands made upon the industry had been met. In looking back over the war-time experiences of the industry all those identified with its operations might well feel proud that by hard work and co-operative effort they had been able to cope with the many troubles and difficulties encountered with a very considerable measure of success.

TAXATION POSITION

Taxation last year of gold mines in the Transvaal, including the share of profits paid to the Government by leased mines, had amounted to £18,000,000, of which £7,000,000 had been accounted for by special contribution. The Minister of Finance, in his recent Budget Speech, had made certain announcements concerning taxation, saying that it was recognised that aspects of the system of taxation might be regarded as calling for re-examination in the light of what had taken place since 1935, and that the Government therefore proposed to appoint an Inter-Departmental Committee similar to that of ten years ago, to take into review the system of mining taxation as a whole. The taxation factor as affecting the extension of existing mines into the ultra-deep levels and to the opening up of new ultra-deep level mines would be given detailed examination and consideration by the mining taxation committee.

The working results of producing Witwatersrand gold mines of the group during the first 4 months of the current year had been very much the same as those for the corresponding period in the previous year. Many employees of Rand Mines and the Central Mining-Rand Mines group were absent on active service. Now that the European war had victoriously ended, it was in a spirit of joy and thanksgiving that the company looked forward to their return.

CROWN MINES, LIMITED

(Incorporated in the Union of South Africa)

MR JOHN MARTIN'S ADDRESS

Mr John Martin, chairman, presided at the annual meeting of Crown Mines, Limited, in Johannesburg, on 16th ultimo. After reviewing operations, the chairman said that the total profit had been £2,192,482. Dividends had absorbed £801,603, and provision for taxation had amounted to £1,283,432.

The tonnage milled, while showing a small increase compared with 1943, had been still far below the results achieved in earlier years, mainly due to continued shortages of native labour.

The available ore reserve had been re-estimated at December 31, 1944, to be 12,497,000 tons of an average value of 4.9 dwts. per ton over a stopping width of 44.8 ins. Compared with the position of the year previously, available reserve showed a decrease of 2,312,600 tons, the value being 0.1 dwts. higher and the width greater by 0.2 ins.

The company was one of the pioneers in deep level mining. At present the company's deepest workings were at 8,685 feet below the surface. The company was therefore particularly concerned with the possibility of extending profitable operations to greater depths than had hitherto been found practicable. It was the view of the deep level mining committee under the chairmanship of Sir Robert Kotze that "we are very near the final limit that can be reached in the existing circles," and the question, therefore, became one of seeing whether and how those circles could be changed. Great co-operation and consideration on the part of the State would be necessary if ultra-deep mining was to have a chance of becoming a reality.

The report was adopted.

CITY DEEP, LIMITED

(Incorporated in the Union of South Africa)

MR G. V. R. RICHDALE'S REVIEW

Mr G. V. R. Richdale, chairman, presided at the annual meeting of City Deep, Limited, held in Johannesburg on the 16th ultimo. After reviewing operations for 1944, the chairman said that total profit had been £643,363. Dividends had absorbed £245,250, provision for taxation had amounted to £330,568, net expenditure on capital account had been £8,308, further provision made in respect of miners' phthisis outstanding liability had been £12,680, and there had been a transfer to contingency reserve of £7,300.

The drop in tonnage milled had been again due to acute shortage of native labour which had continued throughout 1944. The scale of development had been increased to some extent during the latter part of the year, and footage accomplished, namely, 28,477 ft., had shown an increase of 8,178 ft. compared with the previous year's total. Main Reef Leader development had continued to show satisfactory results, but a small amount of work done on South Reef had given poor values. Payable ore developed during the year had amounted to 762,900 tons valued at 5.7 dwts. per ton.

Available ore reserve as re-estimated at December 31, 1944, had been 3,522,800 tons of an average value of 5.7 dwts. over a stopping width of 43.9 in. The available reserve showed a decrease of 8,000 tons compared with the previous year's figure, the value being 0.2 dwts. higher and the width 0.4 in. greater.

Since the close of the period under review the Minister of Finance had made a welcome announcement that the whole system of gold mining taxation was to be investigated by a special inter-departmental committee.

The report was adopted.

ASSOCIATED GAS AND WATER UNDERTAKINGS, LIMITED

WAR-TIME DEVELOPMENTS

The twelfth ordinary general meeting of this company was held, on the 29th ultimo, in London.

Mr W. H. Bennett, MInstGasE, the chairman, said that after payment of the full year's dividend on the preference stocks and the interim dividend on the ordinary and deferred stocks, the sum to be carried forward, subject to final dividends, would be £32,500. During the five years ended in September last the annual output of their 29 undertakings supplying gas had increased from 19,218,000 to 27,592,000 therms, whilst the total coke made yearly had risen from 158,700 to 212,500 tons. The total of coal carbonised annually had increased from 248,800 to 330,200 tons, and the gas oil gasified yearly had risen from 405,900 to 1,136,400 gallons. Units bought and generated by their four undertakings supplying electricity had increased by 51 per cent. Expansion had been general throughout the group, the largest rise in gas output of any one undertaking representing an increase of 82 per cent. over its pre-war figure.

FIVE YEARS' EXPANSION

At the outbreak of war there had been 25 undertakings operating under their aegis. That had been increased to 30, their total embarked capital amounting to £4,247,000. Their gas undertakings now supplied 158,400 consumers through 1,565 miles of main.

Assuming reasonably stable social conditions and no violent fluctuation in the supply and price of coal, materials and labour, coupled with the maintenance of the principle of consumer freedom of choice amongst the competitive fuels available, they could look forward with confidence to the continuance of a satisfactory output during the post-war period.

The gas industry was agreed that its future planning should be based upon an increased measure of functional and geographical integration in the manufacture, distribution and utilisation of gas and coke.

The "Report on the Planning of the Gas Industry" of the British Gas Federation had been followed by the appointment by the Ministry of Fuel and Power of a Committee of Enquiry into the Gas Industry, "to review the structure and organisation of the gas industry, to advise what changes have now become necessary in order to develop and cheapen gas supplies to all types of consumers and to make recommendations." Pending the publication of such recommendations there was necessarily hesitation in embarking upon major schemes of reconstruction. Evidence had been submitted to the Committee of Enquiry by the Association of Gas Corporations in the form of a memorandum describing, factually and statistically, the policy, practice and services of its member corporations.

FREE ENTERPRISE JUSTIFIED

The disadvantages to the consumer which would follow the substitution of bureaucratic control for free enterprise and the particular benefits attaching to the development of gas supply by the Association of Gas Undertakings under Gas Corporations, had been fully demonstrated. The question of nationalisation was increasingly ceasing to be one of economic and practical considerations. It was being drawn more and more into the political arena, where the facts were liable to become obscured by political rivalries masquerading under the guise of social principles. A crucial test would be—would nationalisation result in gas being cheaper to the consumer? There was nothing to show that it would.

The report was unanimously adopted.

[illegible]

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. Turkey. Piastres 520. Italy. 71.25 lire. Market Rates.—The following rates remained unchanged between May 23rd and May 30th. Egypt. Piastres (97½) 97½. India. Rupee (18d. per rupee) 17½-18½. China. National 33-3½. Iran. Rl. 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	May 23	May 24	May 25	May 26	May 28	May 29	May 30
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-810	90-880	90-750	90-750	90-750	90-750	90-750
Zurich†	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-85*	24-85*	24-87*	24-87*	24-87*	24-87*	24-87*
Rio de Janeiro	5-25	5-25	5-25	5-25	5-25	5-25	5-25
Lisbon	4-07	4-07	4-07	4-07	4-07	4-07	4-07
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-86	23-86	23-86	23-86	23-86	23-86	23-86

* Official Buying Rate 25-78.

† Free Rate.

§ Basic.

FINANCING EXPENDITURE

The following table summarises the Exchequer returns to May 26th and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

(£ thousands)			
Total ordinary expenditure	748,081	Total ordinary revenue	358,971
New sinking funds	1,287	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net)	11,499
5% Conversion Loan 1944	80	3% Savings Bonds 1965-75	55,572
3% Term. Annuities (net)	3,005	2½% Nat. War Bds. 1952-54	170
Increases in balances	376	1½% Exchequer Bds. 1950	91,143
Miscellaneous issues	3,981	Nat. Sav. Certs. (net)	18,650
		Tax Reserve Certs. (net)	29,056
		" Other Debt " :—	
		Internal (net)	2,629
		External (net)	369
		Floating Debt (net) :—	
		Treasury Bills	Dr. 7,229
		Bank of England Adv.	9,500
		Public Dept. Adv.	Dr. 17,520
		Treasury Deposits	204,000
	£756,810		756,810

INDUSTRY AND TRADE

LONG TERM TREND OF EMPLOYMENT, COAL PRODUCTION AND CONSUMPTION IN THE UNITED KINGDOM

Decennial Period or Year	Number of Persons Employed	Output	Exports	Carbonised at Coke Ovens	Carbonised at Gas Works	Used at Electricity Generating Stations	Other Purposes	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Annual Av. 1853-1862	Not avail.	70	6					64
1863-1872	105	10						95
1873-1882	482	138	20					118
1883-1892	552	170	33					137
1893-1902	713	203	48					155
1903-1912	936	254	76					178
1913-1922	1,068	241	57	17	18	6	143	184
1923-1932	982	233	66	16	18	9	124	167
1933-1942	764	221	39	19	19	15	129	182
1913	1,107	287	94	20	18	5	150	193
1914	1,038	266	78	17	17	5	149	188
1915	935	263	57	18	17	5	156	196
1916	981	256	51	20	17	5	163	205
1917	1,002	248	45	20	19	6	158	203
1918	990	228	47	18	18	6	143	187
1919	1,170	230	47	19	18	6	141	185
1920	1,227	230	39	19	19	7	146	191
1921	1,132	163	38	7	17	6	97	127
1922	1,094	250	82	13	17	7	131	168
1923	1,160	276	98	20	17	7	134	178
1924	1,172	267	79	19	18	8	143	188
1925	1,086	243	67	16	18	8	134	176
1926	*	126	28	7	17	8	66	98
1927	998	251	68	17	18	9	139	183
1928	922	237	67	17	18	9	126	170
1929	932	258	77	20	19	10	132	181
1930	917	244	70	17	18	10	129	174
1931	850	219	57	13	18	10	121	162
1932	803	209	53	13	18	10	115	156
1933	772	207	53	13	17	10	114	154
1934	774	221	53	17	18	11	122	168
1935	759	222	51	17	18	12	124	171
1936	785	228	46	20	19	14	129	182
1937	778	240	52	22	19	15	132	188
1938	782	227	46	20	19	15	128	181
1939	766	231	47	20	19	16	139	197
1940	749	224	27	22	19	18	137	184
1941	698	206	9	21	19	20	137	187
1942	709	205†	7	22	21	22	133	198
1943	708	199†	7	21	21	23	127	192
1944	710	193†	6	20	21	24	122	187

NOTE.—From April 1st, 1923, coal sent to Eire is included as an export.
* National dispute lasting approximately seven months from May 1st.
† Including coal from open-cast mining from 1942.
‡ Including coal shipped for the use of steamers, etc., engaged in the foreign trade, except in the years prior to 1873 when the information was not recorded.

The "Economist" Sensitive Price Index.—There was no change in the index (1935=100) during the week ended May 28th. The crops component was 140.0, raw materials 185.5, and the complete index 161.2.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	May 24, 1944	May 10, 1945	May 23, 1945
Cereals and Meat	93.0	66.9	108.8	108.7	108.6
Other Foods	70.4	61.1	107.3	107.3	107.3
Textiles	74.2	54.3	104.0	103.9	103.9
Minerals	113.2	95.4	139.7	150.2†	150.2
Miscellaneous	87.0	77.6	129.0	129.8	129.8
Complete Index	87.2	70.3	117.6	119.4†	119.3
1913=100	119.9	90.8	161.8	164.3†	164.2

* Highest level reached during 1932-37 recovery. † Revised figures.

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment	Total
January 15, 1945				
Men	53,370	1,022	804	55,196
Boys	9,843	34	—	9,877
Women	22,527	1,470	48	23,845
Girls	9,733	69	—	9,802
Total	95,273	2,595	852	98,720
April 16, 1945				
Men	51,308	429	752	52,489
Boys	9,900	9	—	9,909
Women	19,159	254	62	19,475
Girls	8,602	4	—	8,604
Total	88,969	696	814	90,479

INVESTMENT

Stock Exchange: London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
May 24....	7,138	5,858	110.4	137.3	3.02	3.88
" 25....	6,312	6,142	111.1	137.3	3.03	3.85
" 28....	6,870	6,142	111.1	137.2	3.03	3.85
" 29....	5,788	7,027	111.6	137.2	3.03	3.83
" 30....	5,466	6,248	112.3	137.2	3.03	3.81

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1945: highest, 118.5 (April 30); lowest, 110.4 (May 24). 20 Fixed Int., 1945: highest, 137.9 (April 26); lowest, 136.3 (Jan. 2). (c) Whit Monday.

New York

(WEEKLY INDICES) (1935-39=100)

	1945	May 1945	May 1945	May 1945
	Low Jan. 24	High May 9	1945	1945
354 Industrials	108.6	120.5	120.5	119.6
20 Rails	116.1	135.5a	132.2	133.6
28 Utilities	93.2	101.2†	100.5	100.6
402 Stocks	106.7	118.1	118.1	117.5
Av. yield %†	4.63	4.17	4.17	4.21

† 50 Industrial Com. Stocks, (a) April 25. (b) May 23.

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS (1925=100)

1945	Average	Transactions	1945	Average	Transactions
May 17	143.4	1,370,000	May 21	143.9	1,080,000
" 18	144.5	1,430,000	" 22	143.8	1,050,000
" 19	144.7	730,000*	" 23	142.6	1,310,000

* 1945: High, 145.6 (May 8). Low, 129.2 (June 23). * 2-hour Session.

Capital Issues

Week ending June 2, 1945	Nominal Capital	Conversions	New Money
By Permission to Deal	2,000,000		2,175,000
Particulars of Government issues appear on page 700.			

Year (to date) 1945. 542,544,109 34,177 1,140,453 537,687,555 3,557,250 2,573,934
1944. 889,381,600 330,721 Nil 686,017,781 2,015,289 1,717,380

Destination* Nature of Borrowing

Year† (to date)	U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1945	542,544,109	34,177	1,140,453	537,687,555	3,557,250	2,573,934
1944	889,381,600	330,721	Nil	686,017,781	2,015,289	1,717,380

* Conversion excluded. † Includes Government issues to May 23, 1945 only. Above figures include all new capital in which permission to deal has been granted

GOVERNMENT RETURNS

For the week ended May 26, 1945, total ordinary revenue was £34,256,000, against ordinary expenditure of £84,124,000 and issues to sinking funds of £130,000. Thus, including sinking fund allocations of £1,286,993, the deficit accrued since April 1st is £390,398,000 against £501,288,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1945-46	April 1 to May 27, 1944	April 1 to May 26, 1945	Week ended May 27, 1944	Week ended May 26, 1945
ORDINARY REVENUE					
Income Tax	135,000	108,640	115,153	17,763	10,441
Sur-tax	80,000	5,383	5,660	370	341
Estate, etc.					
Duties	115,000	18,090	16,768	2,087	1,493
Stamps	19,000	1,052	2,015	600	1,090
N.D.C.	3,209	4,601	550	405	
E.P.T.	500,000	63,464	50,954	7,960	6,532
Other Inld. Rev.	1,000	60	25	10	
Total Inld. Rev.	206,500	199,898	195,176	29,340	20,302
Customs	589,000	87,803	77,881	6,706	3,620
Excise	541,000	88,057	76,563	23,757	10,463
Total Customs & Excise	1,130,000	175,860	154,444	30,463	14,083
Motor Duties	30,000	1,948	1,934	Dr.	Dr.
Post Office (Net Receipts)		2,900	3,000	200	200
Wireless Licences	4,850	320	350		
Crown Lands	1,000	210	140	70	
Receipts from Sundry Loans	11,500	815	2,428		
Miscell. Receipts	23,000	8,948	1,498	796	71
Total Ord. Rev.	326,500	390,899	358,971	60,469	34,256
SELF-BALANCING P.O. & Brdcastg.	114,100	16,400	15,800	2,300	2,200
Total	337,900	407,299	374,771	62,769	36,456

Expenditure	Estimate, 1945-46	April 1 to May 27, 1944	April 1 to May 26, 1945	Week ended May 27, 1944	Week ended May 26, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	465,000	63,171	57,513	1,080	3,107
Payments to N. Ireland	11,000	996	1,069	332	356
Other Cons. Fund Services	8,000	339	265	72	
Total	484,000	64,506	58,848	1,485	3,464
Supply Services	508,128	826,501	689,233	112,807	80,660
Total	556,528	891,007	748,081	114,292	84,124
SELF-BALANCING P.O. & Brdcastg.	114,100	16,400	15,800	2,300	2,200
Total	567,938	907,407	763,881	116,592	86,324

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £209,930 to £2,877,077, the other operations for the week (no longer shown separately) increased the gross National Debt by £51,342,957 to £22,793 million.

NET ISSUES (£ thousands)

P.O. and Telegraph	120
Overseas Trade Guarantees	15
Housing (Temporary Accommodation) Act, 1944	1,000
	1,135

MONTH

Close		Close		Close		Close	
May	May	May	May	May	May	May	May
1. Railroads.		3. Commercial and Industrial.					
Atlantic Coast.	65 67	Am. Smelting.	48 49	Int. Paper.	28 29		
Can. Pacific.	13 14	Am. Viscoe.	51 52	Liggett Myers.	90 91		
Gr. Nthn. Pfr.	51 52	Anaconda.	34 35	Nat. Distillers.	41 42		
N.Y. Central.	26 28	Beth. Steel.	77 79	Nat. Steel.	72 72		
Pennsylvania.	38 40	Briggs Mfg.	41 44	Philps Dodge.	27 28		
Southern.	43 46	Celanese of Amer.	48 49	Proct. Gamble.	60 61		
		Chrysler.	112 116	Sears Roebuck.	111 121		
2. Utilities, etc.		Distillers-Seag.	52 53	Shell Union.	27 27		
Amer. Tel.	167 171	Eastman Kodak.	178 180	Std. Oil N.J.	63 63		
Int. Telephone.	29 29	Gen. Electric.	43 44	20th. Cen. Fox.	29 30		
Pacific Light.	51 50	Gen. Motors.	68 67	United Drug.	21 21		
People's Gas.	83 83	Inland Steel.	90 90	U.S. Steel.	66 67		
Sth. Cal. Ed.	30 30	Int. Harvester.	85 87	Westhouse E.	35 36		
W. Union Tel.	48 49	Inter. Nickel.	34 35	Woolworth.	45 47		

THE CHINA BANK OF INDIA

CHINA
(1858)

CAPITAL (PAID UP) £1,000,000
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AMERICAN SURVEY

Fruit in the Future; One Mr Johnson Stands Pat; Mr Baruch has a Plan; Reconversion—Slow but Sure; Everything for the Veterans; Another Enemy; The Formula May Go.

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Churchill and Attlee

IT is so long since there was a General Election in this country that the average elector has forgotten what one is like. But if faulty memory had led him to cherish the delusion that a British general election was a reasonable appeal to reasonable people he would have been undeceived by the Prime Minister's lamentable broadcast on Monday evening. The line that a statesman of Mr Churchill's calibre could have been expected to take in opening an electoral campaign of exceptional gravity would have been one of dignity and of forward-looking, constructive leadership. Instead, Mr Churchill chose to be almost wholly negative and to devote almost the whole of his time to abuse of his opponents. There are the most manifest signs that the country is anxious to know what the Conservative Party proposes to do with the power for which it is asking and what guarantees it can give that it will not make as sorry a mess of the national affairs as it did in the 1930s. On these subjects Mr Churchill had not a word to say. So far from developing his "Four Year Plan" speech of two years ago, he dissolved it into the vaguest generalities; he seemed to be reverting, by instinct, to the days of his youth, when an election was a sporting event in which anything could be said without its being taken seriously. The culmination of this astonishing

performance came when Mr Churchill solemnly assured his listeners that a Socialist policy would require a "sort of Gestapo" for its enforcement and that it would endanger the savings of the people.

These two charges are, of course, complete nonsense. They are pernicious nonsense and if their author were anyone less respected than the Prime Minister still stronger language would be appropriate. As for the savings of the people, nothing proposed by the Labour Party is likely to do one-tenth the damage that would certainly be inflicted by a hasty removal of controls. And as for a Gestapo, there are few groups of men less capable of moving in that direction than the leaders of the Labour party, who have never been able to impose their wishes even on their own followers.

What is surprising is that Mr Churchill thought that this sort of fustian was good electioneering. Such a patent appeal to prejudice will obviously have an effect only on the lowest intelligences, and all those whose minds are conditioned to believe it would probably have cast Tory votes in any event. On the other hand, this election, more perhaps than any other, will be decided by the great central mass of the honestly puzzled. And one of the things that puzzle them is whether Mr Churchill, who has proved

himself so great a war leader, will be a good peace leader. He himself has written that the two qualities are rarely, if ever, combined in the same man, and the line that would win him the election would be to devote all his efforts to proving that he is the exception. Instead, he deliberately chooses to give the impression that his Government will be one of blind and stupid partisanship.

In elections, however, you cannot beat somebody with nobody. Mr Attlee's broadcast on Tuesday night was all that Mr Churchill's was not—moderate, sensible, constructive, fair—and Lord Samuel's opening broadcast for the Liberals on Wednesday was also, as might have been expected, reasonable and well argued. If the matter were to be decided on the sincerity and honesty of purpose of the leaders, and the evidence was limited to these three broadcasts, the opposition would win the election hands down. The difficulty lies in imagining Mr Attlee as Prime Minister or his colleagues—with a very few exceptions—providing an able administration. If the Conservative campaign takes its cue from Mr Churchill's broadcast, then many thousands of voters will take the plunge and give Labour the benefit of the doubt. But if Mr Churchill gives them half an excuse to believe that the Tories have, after all, got a policy and some honest intentions, the majority will probably give him their votes. In short, if Mr Churchill tries to win the election on his personality alone, he may get an unpleasant surprise. But if he fights on personality plus policy, he should be safe.

In the matter of policy, the only issue that has yet emerged is that of the removal or maintenance of controls—this year's immediate aspect of the endemic quarrel

between "Socialism" and "private enterprise." A great deal of nonsense is being talked on both sides. The remarks made by Mr Bevin and Mr Morrison in the House of Commons on the Government's decision to drop the Supplies and Services (Transitional Powers) Bill, which they criticised as a surrender to wicked vested interests, will hardly bear rational analysis, and in much of the Labour propaganda about the necessity of retaining controls in order to frustrate the profiteer, there is a strong echo of the pernicious doctrine that any form of profit-earning activity is *ipso facto* bad and to be suppressed. But on the whole the greater nonsense about controls is being talked on the Tory side. Lord Beaverbrook's speech at Bradford a fortnight ago set the tone. Lord Beaverbrook's speeches are written in the style of popular journalism; there is always something to catch the eye for the headlines, while the cautious qualifying phrase is tucked away in the small print for use in confounding the critics. It is therefore always difficult to be sure exactly what he did mean. But it is the headlines that leave an impression on the public, and the headlines of this speech said "Away with Controls and Up with Wages"—surely as irresponsible a piece of vote-catching as is anywhere on record.

It is too early yet in the campaign for any comprehensive judgment to be possible on the appeals of the parties. But it is not too soon for impressions to be forming. One impression is that the bankruptcy of the parties is even greater than was apparent before. The other is that such modicum of reasoned and constructive argument as has appeared has been almost entirely on the side of the Opposition.

Drift in the Levant?

THE British decision to intervene in Syria has put an end to bloodshed but it has not resolved the crisis. Indeed, it cannot do so, for the only possible justification for intervention would be that such a step cleared the way for a return to negotiation and the search for an agreed solution. Until the first step of military intervention is followed by the second step of discussion and agreement, the crisis in the Levant, far from being solved, may grow into an ugly international quarrel.

At the moment the situation in Syria is outwardly calm. French troops are being withdrawn from the main centres of population and British troops have taken over the military control of the area. The French have recalled General Roget, who bears a heavy responsibility for the outbreak of disorder. On the other hand, General de Gaulle has refused the Prime Minister's invitation to begin talks in London on the Levantine issue and, in Cairo, the Arab League, meeting for the first time, has demanded the complete withdrawal of the French from the Levant.

There are the makings here of a diplomatic crisis so delicate and tortuous that British statesmanship will need all its skill to unravel the knotted skein. The situation at the moment is that the British are in military control of an area in which they recognise the French to have a special position. The immediate crisis came about, as Mr Churchill explained to the House of Commons on Tuesday, when in May this year the French Government, while sending out, through General Beynet, new proposals for a settlement between France and the Levant, sent reinforcements at the same time. This action apparently convinced the Arabs that the French intended to use force to secure concessions. They broke off negotiations; strikes and demonstrations began and, almost immediately, fighting broke out, the French shelling Damascus and attacking the Syrian gendarmerie wherever they were to be found. At this point, "to prevent further bloodshed," the British Commander, Sir Bernard Paget, intervened. The French were invited to cease fire and return to barracks and the British took over the policing of the area.

This bare recital of the facts make it clear that the

French Government has acted foolishly and precipitately and that French policy has created an impasse from which it will be difficult to devise a dignified retreat. Moreover, General de Gaulle, in his press conference in Paris on June 1st, demonstrated a spirit of such hostility to Britain that it is difficult not to despair of good relations between the two countries so long as French diplomacy is so unrelially and temperamentally conducted. But French mistakes and French bad temper do not make up the whole story. General de Gaulle's statement was not all railing at a friend and ally. It contained a solid charge against British policy, a charge which many Frenchmen, who are far from sharing the General's ungovernable emotions, implicitly believe. At all costs this charge must be met and completely refuted if the Levant is not to prove a permanent obstacle to the Anglo-French entente.

This charge is quite simply that the British have always resented France's presence in the Levant and have used their influence at every point to ensure its exclusion. In particular since 1941, when the British, with some help from the Free French, drove out the collaborationist Vichy administration, the French accuse them of expressly encouraging the Syrians and Lebanese to a precipitate assumption of independence and of supporting them in their unwillingness and final refusal to negotiate with France. The French further accuse the British of maintaining large armies in the Middle East to reinforce their policies while encouraging the Arabs to resent moderate French reinforcements, and of supplying arms to the Arabs, of sending in British agents to stir up unrest and, quite apart from individual acts of hostility to the French administration, of generally weakening French prestige and influence and playing up the obstinacy of the Arabs.

Mr Churchill met a number of these points in his balanced and friendly reply to General de Gaulle. The arms found on Syrian police are British simply because, with the exception of American material, both French troops and local gendarmerie in this area have been armed by Great Britain. Mr Churchill assured the House "no arms were issued by us to the Syrians or Lebanese except by agreement with the French." Mr Churchill

was also able to refute the accusation that official British policy had been designed to exclude the French. If this had been Britain's aim, what could have been easier in 1941 than to have driven out the Vichy French administration and established British military control? The De Gaulle-Lyttelton agreement, in which the British Government expressly recognised France's special position, represented the official policy of this country at a time when no other Power, Great or Small, had any interest in reasserting France's lost position in the Levant and when the Levant states concerned would gladly have seen the French go. Nor has this official attitude changed since. In particular, as Mr Churchill reminded the French, this year saw renewed efforts on the part of himself, Mr Roosevelt and the King of Saudi Arabia, to persuade the Syrians and Lebanese to negotiate. Finally, it must be said—although Mr Churchill refrained from saying it—that General de Gaulle deceives himself and France if he lays the blame for the unpopularity of France in the Levant at Britain's door. The French administration had a bad name before the war. Ever since 1936, when a new treaty was offered to the Levant states by the Popular Front Government and not ratified by its successors, the Syrians and Lebanese have been strongly suspicious of France's intentions of ever granting them independence. That suspicion thus exists quite apart from any action on the part of Britain; and General de Gaulle, by arresting the Lebanese Government and President in November, 1943, and again by sending reinforcements at the most delicate moment of negotiation, has only turned suspicion into certainty.

*

The major charges of bad faith against Great Britain cannot be substantiated. But is this the whole story? It must be remembered that one or two influential people in this country do desire precisely what the French accuse the British Government of desiring—the exclusion of France from the Levant. They have, until recently, held important positions in the Levant and it is no secret that their influence has been used to undermine the French position. Anyone who has heard their statements, official and unofficial, in London must realise that they have used their influence to encourage the Syrians and the Lebanese to work for France's exclusion. It is true that much of the undermining of the French position is done by Arabs themselves coming into Syria from Transjordan and Palestine. The French, noting their provenance, suspect them of receiving British backing. This suspicion is quite ungrounded. What is more solid is French criticism of the policy pursued by a tiny minority of British officials on the spot.

This factor has been reinforced by the attitude of the Arabs themselves. It is true that the British Government has not officially encouraged them to intransigence, but it is also true that the presence of British troops and British

officials in Syria and Lebanon has greatly increased their sense of confidence. One or two British officials have not always shown the discretion of Mr Terence Shone, whose attitude, by common French consent, has been "impeccable." What more natural than that the presence of British administrators hostile to their French colleagues should have encouraged the Arabs to extreme opposition in the confidence that, if the worst came to the worst, the British would intervene—as indeed they finally did. Policy apart, the mere presence of Britain in the Levant aggravates French frustration and Arab confidence. When to this presence is added the hostility of many local British officials to the French, the bitterness felt in France becomes understandable. General de Gaulle has weakened his moral position by wild and unjustified accusations, but there is a sufficient core of truth in French suspicions to make the Levantine crisis far from the conflict of light and darkness which it has been painted in this country.

This oversimplified version of the troubles has led to a certain rather naive acceptance in Great Britain of the rôle of patron, guardian and protector of Arab interests. Headlines have carried the story of British tanks cheered by the Arab peoples of Damascus and the news that the Arab League began its first meeting with a vote of thanks to Britain has been received here in an atmosphere of self-confidence and congratulation. The mood is easy to understand, but it is dangerous. Great Britain is undoubtedly useful to the Arabs as a means of removing the French from the Levant. If they can secure British co-operation for that purpose, they will feel a certain gratitude. But it is probably nothing to the gratitude they would feel if, say, the United States could be persuaded to remove the British. Already the Egyptian Government is preparing to raise the question of the Anglo-Egyptian Treaty. The Palestine volcano is dormant, not extinct. The French may be the first problem on the Arab agenda. The British are the second. To lose France's friendship, which is vital to British life and security, in return for a brief period of Arab gratitude would be folly indeed.

This does not mean that British intervention in Syria was wrong. On the contrary, bloodshed had to cease. But it does mean that intervention can become a costly error if it is not immediately followed by constructive proposals for a settlement. If General de Gaulle cannot see his way to accepting what appeared to him a summons to come to London and open negotiations, then the British, with the assistance of the Americans, should at once seek to find some other means of convening a conference. General de Gaulle has now asked that Russia should be included. If General de Gaulle's aim is—as it appears to be—to play East off against West, little constructive work is likely to result from the widening of the negotiations. On the other hand, the joint interest of the Great Powers in all disputes is a principle of importance, and nothing should be done to

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increase Russian suspicions of Western exclusiveness.

The crux of a successful conference will be—whoever attends—the existence of firm proposals and a worked-out agenda. The responsibility here rests squarely upon the British, for although they command some sympathy and following among the Arabs, they are fundamentally in the same position as France. How can both Powers maintain a military and economic footing in the Middle East—which is vital to their economic interests and imperial communications—while at the same time maintaining cordial relations with the Arab world? The lines on which these aims might be secured have already been discussed in *The Economist*—the leasing of bases jointly from the Arab League, the establishment of a joint economic secretariat to carry on the work of the Middle East Supply Centre,

the provision of credit—in a word, a mutual exchange of advantages to take the place of the old Western hegemony. At present, passion and prejudice and faulty policy blind the two Western Allies to their common interests. The first task of British diplomacy ought to be the restoration of French confidence in British good faith, the recovery of cordial relations and a joint settlement of the Levant crisis. All these things are possible, provided Britain has a constructive policy to offer and offers it with some understanding of the French dilemma. If nothing is offered, if British occupation in Syria continues and no negotiations begin, the effect can only be disastrous. French friendship will be irrevocably lost, and the British will only be saddled with one more Arab commitment from which, like the French, they will ultimately have to find a difficult retreat.

Civil Service Reform

(By a Civil Service Correspondent)

THE detailed arrangements were published this week for recruiting new entrants to the Civil Service during the unsettled "reconstruction" period before the return to the placid and gradual absorption, by good old methods, of normal times. These methods were criticised in *The Economist* when they first appeared, in general outline, in the White Paper (Cmd. 6567) of last November. At the time, most attention was concentrated on the principle of giving a fair chance to ex-Service men, which is unexceptionable, rather than the methods of recruitment outlined in the White Paper, which were tame and traditional. In brief, the White Paper maintained that full opportunity, subject to minimum educational conditions, should be offered to anyone who might have competed but for the war. The entrance age would therefore be raised until normal competition could fairly be restored—in the Administrative grade this would not be until 1949 when entrants could have completed a three-years university course. A large proportion, usually 80 per cent of "reconstruction" vacancies would be reserved for ex-Service people and a smaller proportion for temporary civil servants.

This was a great advance on the wholesale hold-up of young recruits which took place after the last war. But the methods of selection show no such improvement. No recognition is given to the demonstrated benefit to the Service brought by the men and women who, during the war, have entered, ready trained for a particular kind of administration, from other trades and professions. The question immediately arises whether this disinclination to change is to be permanent or whether the absorption during the reconstruction period of a new type of administrator cannot be followed by the introduction of new methods of selection and recruitment. Although the planning of the Civil Service, unlike that of town and country, is not a matter in which reform, to be effective, must be now or never, there is surely no better moment to consider the possibility of change.

What is required? One widely canvassed suggestion is that there should be a separate economic class or branch of the Service, just as there is a Foreign Service distinct from the Home Civil Service. It is almost certain that any such proposal would meet with great resistance within the Service—partly, no doubt, from sheer conservatism, but also from a realisation of the difficulty of defining the province of economic affairs, which is not nearly so clearly demarcated as that of the Foreign Service. The purpose of this article is to suggest that the greater part of the objects intended to be secured by a new economic or other professional class could in fact be gained by a new policy in relation to the administrative class itself. The current theory of the Service is that administration is a profession, which is true, and that it is an undifferentiated profession, which is false. A really good civil servant should, it is thought, be competent to tackle anything, though it may take him a few months to learn

the ropes in a completely new department. This applies *a fortiori* to the allocation of new entrants, who find themselves doing work which has no relation whatsoever to their interests or previous education.

The most striking consequence of this state of affairs is the civil servant's dependence on outside advice. He does not seem in the least embarrassed at confessing that of course he doesn't know anything about . . . and he will have to consult. . . . In matters economic it is usually "the trade," i.e., the trade association; in other technical matters it may often be the Ministry's expert advisers—doctors, architects, agronomists and others, even in some departments, economists. It is not, it must be emphasised, in economic affairs alone that this weakness is found; it exists wherever the Service is called upon to administer the positive functions of the social state. The personnel of the Service is highly intelligent, independent, public-spirited, or it would not achieve so much. But it is ill-informed from a specialist's point of view, and ill-equipped to understand it.

The multiplication of the existing classes of technical advisers is not the solution. An advisory post is in its nature frustrating to a first-rate man. What is more, the technical advice, by his very position, tends to adopt a narrowly professional point of view: his duty is to offer technical advice and comment. The administrative officer mediates, as it were, between the claims of technical and political or administrative requirements, but he is not well equipped to understand the former. In the relevant divisions of the Ministry of Health he is probably neither a doctor, a biologist, nor even any sort of natural scientist; in the Board of Trade he is neither an economist, a geographer nor an engineer. In any case, he has probably not remained for very long in any one division, unless he is one of the plodders who will never rise to the top. He is an administrator pure and simple, not a health administrator or a trade administrator or an administrator of town planning.

It is true that the inadequacies of the Civil Service, as at present organised, have been most notable in the economic branches. This is partly because these branches have had to modify their functions more rapidly than any others, partly because of the inherent difficulty of the problems arising, and partly because they, more than the others, have had to rely upon outside advice. The civil servant rightly distrusts this; he knows it is not disinterested, and that he is not equipped to sift the grain from the chaff. So he hesitates to take sweeping action, and if forced to do so, abdicates completely and asks the outside body to accept responsibility. It is notable that policy has been more adequate in the Treasury, whose officials are more expert and whose outside adviser, the Bank of England, is more disinterested, than elsewhere.

If this analysis is correct, the solution is apparent. It is to regard the administrative posts in the various departments as essentially specialised and to appoint to

them individuals qualified by aptitude or experience to fill them. Doubtless technical advisers will still be needed; but they will be better understood and appreciated, and they should be much more freely transferred into the administrative class if their interests lie in that direction. It may be granted that the new entrant should still be given a period of training in which he or she should work in several divisions of the particular department; but he should then settle down to become really expert in his own line. It may also be granted that the higher positions must become progressively more generalised again, as they do in business; but expertise in one branch does not unfit a man to hold them, even though it is not by itself a sufficient qualification. Junior private secretaryships to the Minister could be used, at intermediate periods, to renew an officer's general acquaintance with the work of the departments and additional similar posts should be created.

A reform of this nature would be far easier to secure than the establishment of a separate economic service—and it might be at least as effective. The administrative class should comprise men equipped to deal with economic matters, health, education and the rest. They would not be first-rate technical experts, but first-rate administrators in their own line. It may be said that the present system trains everybody to become a Permanent Secretary but no one to be a Principal or an

Displaced Persons

FOR a conglomeration of human suffering that has never in all history been paralleled for size, the terse and characterless official symbol is DPs. It is estimated that there are ten to eleven million of these hapless people in Germany alone. On the Western Allies' side of the occupation line approximately 4,500,000, including one-time prisoners of war, have been located and are being registered. They consist of 1,500,000 Russians, 1,200,000 Frenchmen, 600,000 Poles and smaller consignments of Belgians, Netherlands, Yugoslavs, Czechs, Greeks and Scandinavians. As long as General Eisenhower remains in supreme military command, these people are the concern of Shaf through its Civil Affairs branch, G5.

In handling them, Shaf is assisted by Unrra, which is in its turn receiving help from various national voluntary organisations. When the post-military period begins, Shaf will fade out and Unrra alone will become responsible for repatriating or maintaining such DPs as remain.

There have been some doubts whether Unrra is capable of handling a job of these dimensions. Last winter, it was popularly judged to have fallen down over the provision of emergency supplies. Now, it seems to have picked up confidence and momentum. The reason is that, then, it was—by military standards—a Cinderella. Now, a lesson rammed home by last winter's near-revolutions behind the lines is bearing fruit. The Supreme Command ranks civilian contentment as a "major allied objective" and a "direct military responsibility." Otherwise the feat of getting 1,800,000 DPs out of Western Germany and home by the first week in June would not have been possible.

Unrra relief teams, made up of all nationalities, are trained at a huge assembly point at Granville, near Cherbourg. Its personnel division recruits additional staff in each liberated country and forms them into teams after a short training in every form of work from the technique of classification to how to dig an efficient latrine. Two hundred and thirty Unrra teams are already in the field; the target, to be reached in July, is 450.

Each team takes over a camp as and when instructed by the military. These may be anywhere, from an ex-German penal settlement complete with electric fencing to a row of villa residences that is soon labelled "*rue Charles de Gaulle*" at one end and "*Ulitza Stalin*" at the other. Here the complications—human and political—

Assistant Secretary. These proposals might seem to err in the opposite direction. But special steps have been suggested above, and others might doubtless be taken, to equip men to take the higher, less specialised posts. There might be some loss of flexibility in the Service as a whole, but it should be greatly outweighed by the increase in competence.

Just how far this process of specialisation should go would have to be decided very largely in the light of experience. It could go further in those fields in which governmental activity is most continuous and administration most direct; least far in relation to those affairs which only call for occasional intervention. In the nature of the case, public attention must be concentrated now on one facet of a department's work, now on another; and the machine must be sufficiently flexible to meet this requirement. Particularly in industrial and commercial affairs, the administrators will require information as well as representations from outside. But if they are well acquainted with the general group of industries or with the class of problem under discussion, they will know what questions to ask and what degree of attention the answers deserve; above all they will have a general framework of policy into which to fit the particular circumstances of the case. At present they lack the knowledge and self-confidence to frame broad constructive policies.

begin. The Unrra reception chain runs as follows: registration, delousing, medical inspection, first meal, soap, blankets, feeding utensils. Repatriation cannot follow until the DP has been checked and accepted by an Allied Liaison Officer of his own nationality. Each country has a team of these repatriation experts accredited to Shaf for the purpose. There is one to every 5,000 DPs.

It is possible to move too fast. The French, working to a slogan of "*vitesse, ordre, humanité*," have concentrated on the first and passed some prisoners through without all necessary medical tests. They paid for the mistake with a short outbreak of typhus in Paris, and with demands for clothing and food that the Minister responsible, M. Fresnay, has not been able to meet. Hence last week's raids on the *grands magasins*. The incidents are a measure of France's national rehabilitation and re-employment problem for next winter.

Within the camps themselves the Unrra welfare officer has to handle a bewildering variety of complications. His earliest problem is how to restore a sense of privacy and decency among people who have led a wholly public life for years. Clothing complications follow. The heaviest DP always appears, later, in the best of the clothes. Thefts are constant. Once needles are distributed, blankets vanish and several young women appear next day in soft grey woollen dresses. The range of requirements to be catered for runs from provision of religious services and restoration of a moral sense to properties for concert parties. Further, "welfare" amounts to far more than the mere employment of hand and mind. Most officers who visit the rear on scrounging raids report that their powers of judgment are taxed with legal conundrums such as the right to marry, divorce, adopt and prosecute.

For the present, a major trial to them is the anguish, often needless, caused by the lack of communication between camp and camp. DPs who have lost one another make extra work. The central register which would solve this problem has proved impossible to create in the early stages, when about half the camp inmates have been joyful repatriates, in to-day and out to-morrow. It is badly needed for the residue and is now in preparation.

So far, the job to be tackled has been the relatively simple physical one of handling things that the doctor and welfare worker can touch or see. A DDT spray, a piece of soap or a pass for an aeroplane has been sufficient

to turn despair into joy. From now on the problem changes shape as the flood of simple repatriates disappears and the hard core of the homeless—uncertain, bitter or despairing—is left on Unrra's hands. The organisation is bound by its charter not to send anyone back to a country to which he does not wish to go. Only the Russians are sent home without reference to their personal views. What is not yet clear is: For how long is Unrra to maintain people who do not want to go whence they came and what, if not stateless, is to be their nationality?

Technically the Inter-Governmental Committee on Refugees already possesses the machinery for solving such a question. But since the bulk of the new wanderers come from Poland and from lands now incorporated in the USSR, Russia has views on what should happen to them. They leave the human wreck stage only to become so many units in a political problem, and a problem which, since Russia is involved, will doubtless prove insoluble at any level below that of the Big Three.

The Poles present the worst conundrum, both numerically and because the United Nations are not agreed on which Polish Government has a right to speak in their name. Colonel Paravicini, who is the Shaeff officer in charge of DPs, has stated that only about one per cent want to return to Poland. Russian spokesmen and the Lublin authorities reply that this figure is the result of undue influence exercised by the Polish Repatriation Officers attached to Shaeff and by the Polish workers in Unrra, all of whom owe their appointment to the Arciszewski Government in London or to the even more uncompromising and anti-Russian Polish army command. In the opinion of relief workers of unbiased and neutral nationality, the percentage quoted is only temporary and will alter as the DPs gather strength and are given time to see what is to happen inside Poland. But it is clear that anti-Russian propaganda conducted among them by extremists of their own nationality will cause a legitimate

Western Association—II.

Western Defence

THE argument of the preceding article in this series, which appeared last week, was that, if anything is to come of the beneficent idea of a closer association among the nations of Western Europe, the approach must not wait upon sweeping decisions at the loftiest plane of high politics, but must begin more humbly by tackling the practical ways and means. A political document of alliance and unity would be difficult to negotiate and almost impossible to defend against the suspicions of the outer world. But the case for practical co-operation among the Western countries is so overwhelmingly strong that no possible objection could be raised to something in the nature of a joint working party to investigate the possibilities of joint action.

In no sphere of public policy is the case for joint action clearer or stronger than in that of defence policy. Before the war, the nations of Western Europe remained disunited and divided in the face of Germany's growing aggression. Norway and Holland adhered to the neutrality of the earlier war. Belgium, after joining for a time in the very moderate Locarno system of mutual defence, returned to neutrality in 1937 after the German reoccupation of the Rhineland. France and Britain passed through the successive crises of Abyssinia, the Rhineland, Austria and Czechoslovakia without even a general understanding, quite apart from detailed agreements between their General Staffs. When war overtook the western fringe of Europe, it was not a wall but a ragged edge.

The lessons of Hitler's campaigning are so obvious that they hardly need repetition. The first guarantee against renewed aggression is a firm understanding between East and West. The Anglo-Soviet and the Franco-Soviet treaties are the front line of defence, but they in their turn depend upon the solidarity of the strategic and political foundations in Eastern and Western Europe. Even an alliance between Britain, France and Russia, had it existed in 1940,

Russian grievance. This is not worth creating. It is time that the Western Allies face this fact and enable Unrra to employ moderate Poles of the Mikolajczyk school who take a broader view of future relations with Russia. It is understood that M. Mikolajczyk would be ready to co-operate but cannot at present do so because the Arciszewski Government holds the key to passports.

But whatever the percentage of Poles that, ultimately, opt to return to Poland, it is clear that some, from both sides of the Curzon Line, will continue to prefer another home. Mr Churchill's offer of British Empire citizenship so far applies only to those who have fought for us. Conscience must prick the victorious Powers into offering a future to the rest.

Nor are the Poles the only people so placed. The DP camps are full of lesser colonies of other races—Latvians, Estonians, Lithuanians, Jews from Hungary and elsewhere and anti-Tito Yugoslavs. Here again political problems abound. Marshal Tito, for instance, is averse to any maintenance by Unrra of Serbs or Croats who are in his view politically suspect.

The ultimate dimensions of the problem cannot yet be foretold. The first year of peace is always the worst. The numbers wanting a new horizon may shrink as Central and Eastern Europe settles down. But the would-be refugees may top the million mark. The United Nations will then be faced with a moral problem. Shall they bend the residue of the world's homeless and stateless to the will of authoritarians who want them back, or shall they jointly create a new National Home, or shall each liberally offer a fair share of sanctuary? Their experience with fugitives from Hitler is a warning that neither of the two latter projects is an easy international feat. But the charter they devised for their Relief and Rehabilitation Organisation is proof that most of them would find the first of the three choices morally unacceptable.

might not have prevented Hitler from crashing through to the coast, since he had a corridor of weak neutral communities between him and the North Sea. In this age of aircraft and armoured divisions, the whole of Europe west of the German frontier—one might as well say west of the Elbe—is too small to form more than a single strategic area. No single sub-division of the area provides elbow-room for a properly co-ordinated strategic plan. The question confronting all the Western nations is whether they are going to continue to defy this technical fact, so terrifyingly demonstrated to them in 1940, or whether they have learned the lessons of this war sufficiently to reshape their defence policies. It is not simply that their defence policies would be more effective if united, but that none of them, Britain included, can have any effective defence policy at all in isolation. Nor need any time be wasted in answering the inevitable inquiry into the identity of the enemy against whom these policies are directed. Individual nations have defence policies without their existence being taken as a hostile act, and when half-a-dozen nations discover that, owing to developments in the technique of war, the only sensible defence policy open to them is a joint one, that also is surely a natural and reasonable course to pursue.

The first lesson to be learned from the war is the need for the pooling of supplies. The painful steps by which, during a war, allies gradually accept common supplies, common strategy and a common command should be as far as possible anticipated, since modern war leaves an ever narrowing margin of time for improvisation. Ideally, of course, the creation of a single defence force, with the different Western nations serving as separate regiments and divisions under a general staff drawn from all and dominated by none, would be the full answer to the strategic problem. Such a degree of unity is clearly not practicable, at least for the time being. During this war,

the intermixture of foreign units in the British forces has gone far, and among some of them a kind of inter-allied solidarity has certainly grown up. But this type of comradeship is only a faint foreshadowing of some future and genuinely international force. So far, national sovereignty has had its way. Even Empire units within the British services have their separate organisation. Now that the war is over and the Western European Governments are home again, they are bent on re-creating the nuclei of separate armed forces, with especial vigour in France. Nor is it at all probable that the heads of the British Services would be ready to consider the "dilution" of the High Command with foreign Admirals and Generals.

However much a final pooling of resources is maintained as an ultimate objective, immediate post-war policy must be more modest. It is, therefore, all the more important that the joint planning should cover as wide a field as possible, and that the nations' defence policies should be integrated from the first needs of supply to the last decisions on strategy.

The most obvious need in the field of military equipment is the standardisation of all weapons and supplies. But merely to ensure that the various armies use interchangeable equipment does not go very far towards solving the problems of joint supply. It should be possible to set up for the six Western nations—and for any other nations that may subsequently join—an Armaments Commission. Its first task would be to allocate the physical burden of armaments; the fairest basis would probably be a certain percentage of the national income. Closely allied to this would be the problem of allocating orders between the different nations, and of ensuring that full advantage was taken of any special advantages in the matter of supply or technique which they might happen to enjoy. In the immediate post-war period, it is almost certain that Great Britain should bear the heaviest burden in armament production. The economies of the other Western nations have been badly dislocated by the war and are not geared up to high production. At the same time, the needs of their civilian population are far graver. It would put an intolerable strain upon French economy if it were, in the next few years, to attempt both to re-equip the French Army and to restore civilian life. An offer from Britain to devote part of its surplus stores of modern weapons and of its industrial capacity to arming and equipping its neighbours, while they produce primarily for civilian life, would, if tactfully offered, constitute a very genuine pledge of co-operation and a readiness to sacrifice material wealth in the common cause. Once a certain measure of material reconstruction had been achieved in the other countries, a more equitable sharing of the burden would be possible. A final task of an Armaments Commission would be to act as a joint buying agency for outside supplies if the purchase of armaments, for example from the United States, became necessary.

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The same problems of dividing the burden of defence arise in the sphere of man power. It now seems likely that after this war all political parties in this country will agree to the continuance of a measure of national service. This step alone would remove a reproach that has hitherto helped to separate Britain from its continental neighbours. As long as the nations of Western Europe laboured under conscription while the British made no attempt to impose military service, there was always ground for the taunt that the British fought their wars with European armies. It should be possible after this war to convince the peoples of Europe that Britain is ready to bear any burden which common defence may impose. But how big ought the burden to be? And what form should it take? For instance, ought the nations to specialise—the Dutch and the British giving more to the Navy, the French to the Army, and so forth? How could the best use be made of their particular aptitudes and resources? In this war and the last, there has been a certain division of function between France and Britain, the French in the initial stages of both wars providing more soldiers, the British throughout the war keeping the sea lanes open. In a more closely integrated defence policy, this accidental division of labour

would have to be more deliberate and carried further, and it would obviously entail delicate problems of tradition and prestige. The decisions of such problems might be the province of the Armaments Commission, or of a Chiefs-of-Staff Committee, or of some special body; but it is clear that an agreed policy would be far more effective than the very rough and ready balances struck in the past.

It is probably in the training of the sea, land and air forces that the most can be done to draw them into closer unity. The standardisation of equipment should be matched by standardisation of tactics and training. In this war British, French, Polish, Dutch, and Norwegian Commandos all went through the same battle schools, emerging with something of an *esprit de corps*, and a great deal of shared knowledge and experience. At a higher level, it should be possible to set up joint staff colleges to which staff officers from the different national defence forces could come together to receive their training. Institutions of this kind would make it possible to carry on a systematic exchange of officers between the various national armies, and to develop the feeling of a common military tradition. In some fields common training is essential. The smaller nations of Western Europe in particular need far more "living space" than Europe provides if they are adequately to train their air forces. Bomber Command of the RAF could not have any long-distance training—except over the sea—in peacetime. The role of Canada as a training ground in this war has been an example of how an international training system can be worked. Norwegian pilots are going back to their country with memories of the "Little Norway" they left behind in Canada. There is no reason why this type of co-operation should not be carried on. Quite apart from its value for defence, it is needed for pilots in civil aviation. Another essential aspect of joint policy is the pooling of scientific research into new methods of war. All the nations have an overriding interest in discovering the antidote to the rocket and the flying bomb, and will proceed much more quickly if they pool their results.

Somewhere halfway between the sphere of training and the high problems of strategy itself lies the question of bases. If the countries of Western Europe with their colonial dependencies were to co-operate, their territories would girdle the earth, and on every Continent and in every sea they would be in control of air fields and naval bases from which to guard the peace of the world. They would vastly increase the effectiveness of their defence system, if these bases were used collectively, if for instance the French Navy could use not only Toulon and Bizerta but Valletta and Tobruk and Alexandria, with equal ease. Indeed, in the case of France, the obtaining of joint bases in the Middle East is probably the only solution to the deadlock into which the French have brought their Syrian policy. But the possibilities for joint bases are not confined to the Mediterranean. Durban, Colombo, Singapore, Sourabaya, Camranh, Sydney, the anchorages off Tahiti, the British and French West Indies, Dakar, the ports and harbours of the Metropolitan countries could be brought into a world-wide system of pooled defence, and might thereafter be opened on equal terms to any other nation that would offer the same facilities.

Finally, if the strategy of Western Europe is to be fully co-ordinated it is essential that at the very top of the structure of defence there should exist a joint body capable of planning the activities of all the separate forces in the different states. The best instrument would probably be a joint Chiefs-of-Staff Commission, resembling the combined body which has, up to a point, determined Anglo-American strategy in this war. Such a Commission, served by officers who had passed through the same staff colleges, disposing of a world-wide system of joint bases, commanding troops whose equipment and training had been based on the same lines, would stand a chance at least of producing a more coherent defence policy than the hastily constructed and speedily demolished defence plans of 1940. And such a body, even though it would be far from the unified command within a unified service which would be the ideal guarantee of effective defence, would be an advance along the road towards unity sufficient to offer some hope that unity itself would be finally achieved.

NOTES OF THE WEEK

One Germany or Four?

The four generals who met with a flourish in Berlin on Tuesday have dispersed without making much progress towards co-ordination of policy. They signed a Declaration regarding surrender which has obviously been waiting for some time in a drawer at the European Advisory Commission. They also signed two Declarations on the administration of Germany, which give, at first reading, an impression that a considerable advance towards harmony has been made in recent negotiations. They sound mellow enough. Berlin is to be occupied by the four Powers jointly; the frontiers within which the agreement is to be operative are those of Germany on December 31, 1937, which, in theory, brings the whole Oder basin and Russia's Polish colonisation policy within the Commission's purview.

But the ink on the four signatures was scarcely dry before Marshal Zhukov revealed that he could do nothing further until British and American forces had withdrawn from such parts of Thuringia, Saxony, Mecklenburg and Anhalt as they now occupy. Till then he could discuss neither the machinery of control nor the entry of Western Allied troops into Berlin. It even appears that his remarks threw some doubt upon Russian readiness to see Berlin as the final seat of central control. Later, and as if to press his point home beyond all question, Moscow published, without prior consultation, a map of the zone he had described.

This gesture is one of impatience with the West, and undoubtedly the Western Allies should have agreed on and been ready to publish their zones earlier. The delay has been chiefly due to difficulties over the claims of the French, who now occupy Baden and Wurtemberg, but want a Rhineland-Ruhr zone instead.

But impatience, however justified, does not warrant brusque unilateral action with one hand while the other is signing an agreement on joint policy. The Russian technique is bound to cause delay in putting into operation the joint agreements already reached in the European Advisory Commission. The Western Allies, who of course knew that their troops were over the ultimate line of their zone, may, before retiring, want to be sure that Russia is within its agreed limits in Vienna and Styria. Yet, inside Germany, such delay can be ill-afforded. The speedy conclusion of joint arrangements is essential if all four zones are not to be unnecessarily difficult to handle next winter. Co-ordination of food policy, in particular, is as important to the Russians as to the Western Powers. Famine will ensue in all zones unless all parties quickly combine to right the present unbalance between the East, which contains the wheat and rye lands but too few hands to reap them, and the West, which is seriously overcrowded with hungry humanity.

Crux at San Francisco

The San Francisco Conference has reached a stalemate. Discussions proceed on minor points, but behind them looms the fact that there is, for the moment, a total deadlock on the vexed question of the veto. The Conference cannot now end quickly. Four of the Big Five on one side, and one—Russia—on the other, have taken opposite stands. The four, influenced by an accumulation of middle and small power views, would like to see adopted the formula first advanced by Mr Eden on May 10th, then slightly modified by the Big Five to meet Russian points advanced by M. Sobolev and then—as is becoming a routine—referred to Moscow. This formula is that the veto should not apply to simple discussions of a dispute, and that parties to disputes under such discussions may not vote upon them. The Russians' reply was the recall of M. Sobolev and a categorical "No" to San Francisco. This new Russian stand, which tends to narrow further than ever before the subjects free from veto, is a recession even from the relatively extreme view agreed at Yalta.

Are the stands adamant? A personal appeal is being made to Marshal Stalin from London and Washington, but unless Mr Harry Hopkins can work a miracle in Moscow, the outlook is not bright. If the Russians will not budge,

their four partners are faced with a major decision. Either the world must trim its organisation to suit a single one of its members, or else, contrary to their principles and inclination, the Four must flout the smaller powers with whom they agree. The dilemma is perhaps worse for the British than for the rest, since they must choose between Russia and their kin, the Dominions.

This is not an isolated example of Russian unwillingness to bend to the common opinion of her Allies. There is beginning to be a feeling that too many topics and arrangements are hanging on answers from Moscow. That feeling is reflected in the fact that, in recent weeks, the European Coal Commission, the Inland Transport Commission and the European Economic Emergency Commission have all begun work rather than wait indefinitely for a Russian reply. It would be disastrous if the world organisation were to have to go ahead without Russia, but there is a limit to the price at which universality is worth the purchase.

Design for the Secretariat

Another fissure has appeared in the structure of world organisation. There is not general agreement on the recruitment and terms of service for its secretariat—now under discussion in its Membership and General Provisions Committee. The secretary-general is to be appointed for three years (renewable) and so are his deputies, who are to number four or, if the small powers have their way, five.

This short term of office has come in for much criticism. It compares with an initial minimum of eight to ten years at the League of Nations. Its advocates argue that it enables the organisation to curtail bad appointments.

This is true, and the arrangement may pay in a few top-most posts, where frequent changes of nationality, though they make for patchiness, offer in compensation a fine appreciation of trends in a variety of countries.

But the short-term principle is disastrous if applied in the layers below. The secretariat must, if it is to generate loyalty and continuity, contain a hard core of semi-permanent, internationally-minded officials. That such a body of men and women can be recruited from the nations was proved at Geneva, where the staff contained many members on whom delegations came to rely for impartial international opinions. But since, for most of these slightly less senior officials, promotion to the highest posts is out of the question, long tenure as well as high pay must be offered if able employees are to be attracted into the service. A term of office as short as three years would oblige them to work with an eye to a future career in their own countries and to think constantly of standing well with their own Foreign Offices. All told, seven-year contracts (renewable) with a pension on retirement seem to be the workable optimum. They keep the employee up to the mark, but give him time to wean himself from national ties and pressures.

Power of appointment is another debatable matter. Under the League it was in the hands of the secretary-general, subject to Council approval. There is now a proposal that it should rest with the Assembly. This suggestion can only lead to nominations made to suit national interests. Even at the League the secretary-general was—in the later years—often confronted with heavy national pressure. Probably the only way of avoiding undue national lobbying would be the delegation by the Assembly of its powers to a body of Permanent Staff Commissioners—a group of men chosen on a basis of personal standing rather than nationality.

The Trial of War Criminals

The United Nations War Crimes Commission has been meeting in London since May 31st. The war criminals already listed by the Commission number 2,524 Germans, 110 Italians, 2 Albanians, 17 Bulgarians, 2 Hungarians and 2 Roumanians. In addition, there are 561 Germans in key positions listed on a general charge of terrorism, and the unknown number in the hands of Russia, which is not represented on the Commission.

In a recent article in *The Economist* (May 26th, page 689), a plea was made for haste in settling the procedure to be adopted, and in bringing the criminals to trial. The meetings held so far by the Commission have underlined the difficulties in the way. As Lord Wright pointed out, there is a vast body of evidence to be sifted, and the potential witnesses number hundreds of thousands or even millions. The Commission has found a *prima facie* case on which Goering can be tried as a war criminal, but it has still not been decided whether he is to be tried by an international court on a general charge, or by a national court on a charge of robbery or murder. The case of William Joyce has also not been settled. If the question of his nationality is solved, he will presumably be tried under the English treason laws as a traitor.

All this delay, however, does no good to the cause of justice, whether the criminals concerned are mere traitors or offenders against mankind. That a criminal should be given a fair trial is instinctive in the British people. But is any trial of at least the major war criminals likely to be fair? Is it likely that a criminal will be acquitted however flimsy the legal evidence against him—as distinct from the general repute of mankind? It is difficult to see how, in the circumstances, any court can have an unbiased mind. And how will history judge the sincerity of a legal process that leads to wholesale convictions, however formal the trappings of justice? Would it not be better to draw up, as soon as possible, an indictment of the major criminals, and then execute them summarily, instead of running the risk that formal trials become a mockery of justice?

Controls in the Transition

In the House of Commons last week, the Labour Opposition made a great issue out of the Government's decision not to proceed with the Supplies and Services (Transitional Powers) Bill. Mr Herbert Morrison, who had introduced the Bill before the coalition was dissolved, described the decision as a "shameful surrender to the vested interests which control and dictate the policies of the Conservative party..."

To the legal arguments advanced by Sir Stafford Cripps the Government gave an effective answer. Under the Emergency Powers (Defence) Acts, controls can be used "for maintaining supplies and services essential to the life of the community," a phrase which covers priorities and rationing in all its forms. On the question of how long these powers can be used, the Attorney-General claimed that so long as shortages are due to war causes, the use of emergency powers would be within the purview of the Act, and that no one could suggest that within the six months ending February 24, 1946, for which the life of the Emergency Powers Acts is to be extended, any shortages would not be related to "the present emergency."

The procedure to be used after next February is to be discussed in the new Parliament. Where the Opposition was wrong was in apparently thinking that placing the Supplies and Services (Transitional Powers) Bill on the statute-book before the dissolution would make a ha'porth of difference to the Government's policy. However strong the dislike of Mr Churchill and Lord Beaverbrook for controls, it would be suicidal for the Government, if it is returned, to let the controls run off next February, and, presumably, powers to renew them for a longer period will be taken. But if it is the present Government's intention to abandon them as soon as possible, it does not matter what, or how many, Emergency Powers Acts are in force. There is no legal sanction on a Government that acts *infra vires*, but only the sanction of the public's reaction to the ensuing chaos. A Government is judged by its actions, not by its enabling Acts.

Summer Taxation

Sir John Anderson's introduction of the abbreviated Finance Bill to cover taxation in the summer months added little to Mr Churchill's bare announcement six days before. He merely emphasised that the few provisions of the Bill were essential to the "orderly management" of financial affairs during the election period. These few provisions cover income-tax; purchase-tax (including a footnote clause concerned with the marking of utility goods subject to the lower rate); the hops duty; the National Debt Charge; and the EPT relief to small businesses.

There was, therefore—or should have been—little ground for debate. But the leniency of the Speaker allowed fairly

wide comment on the exclusion from the Bill of any mention of the motor taxation changes proposed in the Budget speech. Apparently, no final agreement has been reached with the motor trade. Mr Bevin's criticism was much to the point. He rightly stressed the appalling handicap which the present graded horse-power tax imposes on the expansion of the industry on the export side. The objections to change which, presumably, the large manufacturers are putting forward cannot possibly, on any balanced long-term view, stand against the overriding interest of the national economy as a whole.

The second part of Mr Bevin's speech (as much out of order, on any strict ruling, as the first) concerned the Bretton Woods agreement. On this subject the official Labour Party view has never been carefully defined. The agreement was reached after the general Labour statement on financial policy. Quite apart from the election—in which the subject will probably be elbowed out of public discussion by more straightforward and simple issues—it is interesting to see that Mr Bevin, acting apparently as financial spokesman of his Party, is not altogether in favour of the agreement. As an instrument which might prevent the insulation of the home market against violent fluctuations in the international price-level, he was not persuaded that it provided adequate safeguards. It would be valuable, in the international field as well as the national, if Mr Bevin's remarks could, before long, be more fully developed by the Labour Party.

The Canadian Election

The new Dominion House of Commons is to be elected on Monday. The general report of observers in the last few weeks had been that Mr Machenzie King's stock was rising. This was based in the main, it would appear, on two sets of considerations. In Quebec, the opposition to the Liberals has not been able to organise itself as effectively as at one time seemed likely. An attempt to form a party of Liberal secessionists under Mr Cardin failed, and many of Mr King's opponents are standing as Independents. The Liberal Party's chances of winning a fair proportion of Quebec's 65 seats are brighter than they were. Outside Quebec, the Opposition campaign had not been very effective, and Mr King, it was reported, was benefiting from the same unwillingness to swap horses before the stream is fully crossed that is helping Mr Churchill.

This Liberal optimism has, however, suffered a rude setback from the Ontario provincial election held this week. A year ago, Colonel Drew's Progressive Conservatives, though they were returned as the largest party, had no majority. This year they have very nearly swept the board, rising from 48 seats to 66. The Liberals have fallen from 16 to 11, and the Co-operative Commonwealth Federation, whose advance seemed so irresistible a year ago, has fallen from 34 to 6. It is true that Ontario is traditionally the Conservative province. It is also true that the turnover of popular votes may prove to have been less startling than these results would indicate. It is further true that provincial politics is one thing and Dominion politics another.

But the augury can hardly be ignored. Mr Mackenzie King may not, after all, come back at the head of the largest party (even his own followers hardly hope for an independent majority). A Liberal-Conservative coalition is still, perhaps, the most likely prophecy for the next Government, since both these parties dislike the CCF more than each other. But the leadership is in doubt.

More Changes at Chungking

The appointment of Mr T. V. Soong as Prime Minister at Chungking in the place of General Chiang Kai-shek marks the culmination of a series of political developments largely dictated by the need to preserve and strengthen good relations between Chungking and Washington. The recall of General Stilwell in the summer of 1944 was followed by a sudden spate of criticism of Chinese corruption and autocracy in the hitherto unanimously Sinophile American press. Under this pressure, General Chiang Kai-shek inaugurated a series of changes. He reduced the power of the "reactionary" group centred upon the Kung family, he brought in Mr T. V. Soong as Vice-Premier, he later announced that constituent elections to create democracy in China would be held in the autumn of 1945.

He agreed to receive an American economic mission under Mr Donald Nelson, and accepted their fairly drastic criticisms and suggestions.

All this was apparently insufficient to still criticism in Washington. It was still felt that the Generalissimo was too stiff in his relations with America and too autocratic in his approach to the Chinese. Now, however, Mr. T. V. Soong's appointment may be taken as a signal for a full and complete restoration of confidence between China and the United States. He is *persona grata* in Washington. He has, it appears, successfully negotiated new economic agreements. He is a Liberal and is believed to have a better chance than any other Chinese statesman of mending the breach between Chungking and the Communist headquarters at Yen-an.

This last point is not a matter of internal politics. In recent weeks, the Moscow press has grown more open in its support of Yen-an and its criticism of Chungking. If peace is to be restored, the road now leads through Moscow. Thither Mr Soong intends to go on his return from the United States. His chief asset is American backing; Russia's the strength of its strategic position on the Mongolian and Manchurian frontiers. The basis exists for a bargain, but the negotiations will doubtless be long and hard.

"Liberation" for Persia

The Persian Government has asked the Allies—British, Russian and American—to withdraw their troops from Persia as soon as possible. The Persian note provokes no urgent crisis. The tripartite Treaty of 1942 lays down the date of departure of the troops as six months after the end of hostilities with Germany "and her associates." In unequivocal language, it goes on to define those associates in terms that cover Japan. The United States is not a signatory to the Treaty, but is little affected by the new request since arrangements are complete for the withdrawal of all American troops this summer.

The reply to be sent to Teheran is therefore an Anglo-Russian problem. It is under a discussion between London and Moscow that is described by both Foreign Offices as "sympathetic." It calls for, first, agreement on timing and, second, mutual readiness to quit *pari passu*. The fact that the Americans feel able to withdraw their men is a pointer to the way it should go. Their troops were guarding a stretch of the supply line to Russia and their job is done. Is there other war work for the British and Russians to do?

For the Russians, there is none. Shorter and less switch-back routes to Russia are now open and the USSR is not at war with Japan. The British Government could, no doubt, summon up some reasoned argument that, for the duration of the Japanese war, it needs special security in South Persia for the Anglo-Iranian wells and refineries that are supplying the forces in the Far East. But this argument would not be worth advancing if its purchase price were a Russian counter-claim to remain in North Persia, for instance, to guard its oil concessions, as yet unworked, or still further north to protect the Azerbaijan separatists, some of whom are always at loggerheads with Teheran. In order to guard against a situation which gives new scope to old Anglo-Russian jealousies, the departure had better not be delayed, and should in any case be whole and not piecemeal.

Italy and AMG

Some weeks have passed since the final liberation of Italy, but there is still no central government. Negotiations continue between the National Liberation Committees of North and South, the existing Government and the various political parties. The delay is unsatisfactory, for the best method of building up Italian morale is to set the task and responsibility of government firmly upon Italian shoulders. The most remarkable factor about the liberation of Northern Italy was the self-confidence with which the partisans and their political supporters were ready to take over the administration. The mood was in complete contrast to the apathy and apparent hopelessness of many regions in the South. After liberation, however, AMG took over and is for the time being the sole source of political authority in Northern Italy. On top of this has come the delay in rebuilding the Government in Rome. The general tone is degenerating. Suspicion of the Allies and of political opponents has taken the place of earlier confidence.

The Allies have a responsibility to arrest this drift. In one matter, at least, they have sole responsibility. They could usefully set a term to AMG and make it clear that beyond a certain amount of garrisoning to ensure peaceful communications, they will, at a stated time, bring their administration to an end.

The second point—the need of a new government—is more delicate, for it is a point upon which the Allies must not be thought to intervene, yet they can by encouragement and advice influence the Italians' efforts. The type of government needed is not in doubt. It is a new coalition in which the parties of the Left are relatively strengthened to reflect the return to freedom of the industrial North.

The Italian Liberation Committees

In the lengthy negotiations between the six anti-Fascist parties on the construction of a central government, the part to be played by the various Liberation committees in northern Italy has proved a stumbling-block to agreement. The parties of the Left—Communists, Socialists and Actionists—wished them to be the basis of a new administration, but it looks now as though the dispute will be solved by the gradual supersession of the committees.

On June 1st Colonel Poletti, the American Governor of Lombardy, issued an order making AMG the sole source of authority, but permitting the National Committee of Liberation and the regional committees to continue in an advisory capacity. Dr Sereni, the President of the Lombardy NCL, has broadcast his approval of the new arrangements.

There is no question of any form of duplicate power. . . . The great spirit of understanding shown by the AMG authorities . . . enabled the NCL to continue as an officially recognised representation of Italian interests. . . . The Lombardy NCL is recognised as the only regional organisation entitled to collaborate and represent national interests with AMG.

The political parties, too, appear to have accepted the advisory capacity of the NCLs, and thus to have paved the way to agreement on the formation of a new government. In a statement issued by all six parties, it is laid down that the committees shall advise and assist the prefects until the calling of a constitutional assembly. They will not be called on to exercise authority themselves. Under these conditions, it seems likely that the committees, caught between the political parties on the one hand and the official administration on the other, will lose influence as speedily as they did in France, a gain possibly for the coherence of the administrative structure, but equally possibly a grave loss to the cause of radical national reconstruction.

The Boundary Commission

Parliament's rushed time-table of legislation is running to schedule. Among the assorted Bills passed this week is the one setting up the local government Boundary Commission. The few amendments which have been made to it are not calculated to strengthen the Commission's hand. The Minister of Health is now explicitly instructed, in drawing up his "general directions" to the Commission, to consult all the existing local authorities who are concerned. These consultations, as Mr Willink pointed out, would have taken place anyhow. But the debate showed the tenderness which all parties, Left as well as Right, display towards the susceptibilities of existing authorities. The trouble is that if the Commission is to do any good at all, a number of these authorities will have to go; and attempts to reach agreement in the condemned cell are not the best prelude to execution.

The Minister of Health is now given a free hand to appoint the members of the Commission, and to draw up his general directions to it in consultation with the local authorities. These directions cannot now be approved, and the Commission get fully under way, until the new Parliament meets in the autumn. Since the directions will decide in practice the whole scope and character of the Commission's work, it is a pity that Parliament has been unable to express its opinion on how they should be formulated. To judge by the vague and unsatisfactory suggestions in the White Paper, the Commission will be encouraged to make minor changes and discouraged from attempting major ones. This is just the opposite of what is needed. The number of urban and rural districts, for instance, has already been pruned by at least a third during the 1930's. What is really needed for the efficient administration of major services, let alone for

the replanning of "blitzed" cities and the rehabilitation of rural areas, is a considerable thinning out of the number of counties and county boroughs, and it looks as if the Commission's wide theoretical powers may be rendered nugatory in this respect. Mr Willink's first step toward removing this impression should be to appoint men of wide sympathies and independent status to the Commission.

Agricultural Plans

Mr Hudson has not made a statement this week, as was expected, on the Government's general agricultural policy, but in a speech to the Council of Agriculture, on Wednesday, he gave some interesting information about the target figures for 1946-7. These, in comparison with the targets for 1944 and 1945, are summarised in the following table:—

	1944	1945	1946-7
Cereals ('000 acres)	7,530	*	6,920
Potatoes and sugar beet ('000 acres)	1,400	*	1,280
Vegetables ('000 acres)	480	*	460
Other crops ('000 acres)	2,190	*	2,290
Total tillage ('000 acres)	11,600	11,160	10,950
Temporary grass ('000 acres)	2,970	3,630	3,850
Total arable ('000 acres)	14,570	14,790	14,800
Dairy cows ('000)	2,800	*	2,870
Other cattle and calves ('000)	4,400	*	4,750
Sheep ('000)	12,600	*	15,000
Pigs ('000)	1,630	*	2,500
Poultry ('000)	32,900	*	41,000
Milk for human consumption (million gallons)	1,315	*	1,490
Beef and veal ('000 tons)	352	*	384
Mutton and lamb ('000 tons)	104	*	116
Pig meat ('000 tons)	112	*	200
Eggs ('000 tons)	73	*	100

* Not given.

This changeover from crops (other than feeding stuffs for livestock, which are the main constituent of "other crops") to livestock is undoubtedly in the right direction, and a necessary move in the transition from a war economy, with its emphasis on reducing the bulk of imports, to a peace economy, with its emphasis on encouraging the forms of agriculture which are of greatest value both to the farmer and to the nutrition of the people. It should go even further once Europe's immediate needs are met.

Food and Cheap Food

The rest of Mr Hudson's speech was another of his entertaining attempts to prove that, for a nation of consumers, dear food is really better than cheap food. His first point was that imported food may, after the war, be just as dear as home-produced food. If he himself believed that argument, the Minister would be moving to abolish all protection and assistance for the British farmer. His second point was that men and women are not all readily interchangeable, and that they cannot be "fitted at will into any pattern." That surely is an argument against any further expansion of British agriculture by the artificial recruitment of townsmen; the address against which the Minister's criticisms were directed (which was given by the Editor of *The Economist* on lines that are familiar in these columns) advocated the stabilisation of employment in agriculture at the present figure. Thirdly, Mr Hudson argued that it will be impossible to sell enough exports to pay for the imports. This may turn out to be true, but if so it will be a national disaster. Why precipitate the disaster by assuming its inevitability before it happens?

Fourthly, he complained that agriculture is the only industry for which an economic test is proposed. But this is simply not true; indeed, the reverse of the truth, for while other industries are under increasing public pressure to raise their productivity and avoid the need for a subsidy, public opinion is ready to grant assistance to agriculture, within limits. Fifthly, Mr Hudson said that the cheap food argument "assumes that we in this country are not concerned with the welfare and living conditions of primary producers in foreign countries, or even in our Dominions and Colonies." This also is a perversion; the argument is that the British consumer should not be charged more than the equivalent of the price at which the foreign producer is willing to sell. Sixthly, Mr Hudson complained that the cheap food argument

assumes that however effective British agriculture may become in relation to other agricultural systems, so long as a man

hour in manufacturing industry can purchase more food from abroad than could be produced at home in that man hour, then British agriculture is a loss to the nation. The economists would say that would still be true even if we could produce and sell food here at prices cheaper than we could buy it from abroad. . . . Could you have anything more absurd?

But the hypothesis is a false one. So long as agricultural wages are the equivalent of industrial wages (as Mr Hudson advocates), the case could not arise. The truth does not require these complicated arguments. It is really very simple; so long as imported food is cheaper, it is cheaper, and the British industrial worker's income will buy more of it. That is all.

Mr Hudson's score is thus one half-truth out of six attempts. He is coming on.

Education in Scotland

Scotland differs from England in many respects, not least in religion, education, and local government. This fact explains why many major reforms need two Parliamentary Bills, one for England and Wales, and the other for Scotland. But, as Scottish MPs are always pointing out, Scottish Bills are often in danger of being no more than rough imitations of English ones. The Scottish Nationalists are not alone in thinking that a different tradition and way of life need radically different treatment for their proper nurture and development.

In the case of the Education (Scotland) Bill, passed through the Commons this week, the mere fact that its 92 clauses were rushed through the Scottish Grand Committee in an hour and a-half, and its third reading taken still more quickly, where days were spent on debating the English Education Act, is sufficient indication that Scotland's special problems had to be scamped. In the issue, the contentious part of the Bill, which dealt with local administration, was scrapped. Scottish education committees differ from English ones in that they are obliged to co-opt the representatives of particular organisations. It is felt that this co-optation has gone too far, and that it should be limited to the representatives of the Churches, who have property interests in many schools. A strongly favoured alternative is that the education committees should be elected direct and separately. This would meet the desire of many citizens to have a say in educational matters only, without thereby being committed to the rest of local government drudgery. The Bill had compromised to the extent of suggesting that two-thirds of each committee should be elected in this way. The abandonment of this part of the Bill merely means that the whole educational machinery, which is too weak and creaking to perform its new tasks, will have to be re-examined.

In its purely educational aspects, such as the raising of the school-leaving age, and the creation of junior colleges for part-time further education, the Scottish Bill follows the English model. It does not, however, require the total abolition of fees, so long as local authorities make adequate provision for free secondary education. It should be remembered, however, that Scotland does not have so many independent schools outside the state system as England; and "public" school there means more nearly what it says, and not, as in England, its converse.

Reconstruction in Burma

As the first major territory in South-East Asia to be liberated mainly by British arms and to be administered by British military and, later, civil authorities, Burma is something of a test case. The task of an orderly and speedy reconstruction should not be impossible. True, bridges and railways have been destroyed and towns, of which Rangoon is the most important, laid waste. But in a country mainly agricultural these obstacles are not to be compared with the effects of destruction in the closely integrated economy of European battlefields.

To begin with, the danger of famine in Burma itself is not serious. As a country which normally exports half the 6 million tons of rice produced annually, Burma should find little difficulty in harvesting enough at least to cover the austerity needs calculated by the experts. But it is as a food supply base for parts of South-East Asia yet to be liberated that a quick recovery in Burma is most vitally important. Of the next harvest only half a million tons of rice are expected to be available for export. In the present circumstances no return to normal production is expected before the end of four years. In the meantime, what happens

if Malaya, Borneo and the rest of South-East Asia are quickly freed from the Japanese?

The major obstacles to recovery are too big to be tackled on the small scale of local administration. The first is the shortage of "inducement goods" to persuade Burmese producers that the money paid by the authorities for their rice can readily be spent—for their inclination is not towards saving. The second is the destruction of large rice mills which are necessary for export, though not for home-consumption, paddy. Out of over 600 pre-war mills, perhaps less than half remain—and only 80 small mills are to be sent from this country. For the greatest need of all—transport—the civil authorities who will take over this autumn are to be dependent on the totally unknown number of lorries and, to a lesser extent, of power craft for inland water transport which the military see fit to leave behind.

The solution of these difficulties is, clearly, a matter of interest to every ally concerned in the liberation of Asia. The task, all along, is one of procurement—of suitable inducement goods, of milling machines and spare parts, and above all of transport. It is in the British interest and also in that of the United States, Australia, France, China and the Netherlands to see that these obstacles are cleared.

* * *

Polish Resettlement

Confusion seems to reign along the eastern frontiers of Germany, where a tremendous *Völkerwanderung* is taking place. First it was the precipitate flight of the German settlers east of the Oder. Some Poles claim that 85 per cent of the inhabitants fled. The figure must be treated cautiously in view of the Polish desire to find the western lands empty. It is nevertheless certain that the exodus was vast.

Since that time, two contradictory movements have been taking place, each complicating the administrative task of coping with the other. "Hundreds of thousands of Poles," according to articles in the Polish press, are streaming back from prison camps in Germany. They line the stations, fill the roads, and hang about towns and villages. There is some complaint that they are nobody's responsibility. They get a welcome from "neither the State Repatriation Office nor a single friendly soul." On the other hand, thousands of Poles are being moved from central Poland into the lands formerly German. According to published reports, East Prussia is to accommodate 600,000 people, Silesia and the River Neisse region about 500,000, Western Pomerania 1,000,000, and the towns in the western lands are to accommodate four millions. The trouble is to find the people. For Western Pomerania the Government's estimates only provide for between 500,000 and 750,000 souls. There are only 1,800,000 available for the towns. The enormous deficit is to be made up by "voluntary re-emigration of Poles from abroad," particularly from the United States.

Meanwhile, it is not likely that even the official quotas can be filled. Volunteering will not provide enough, for the Polish peasant has the customary attachment to his own soil. It is certain that mass conscription will be necessary if the millions upon millions are to be uprooted and replanted. In the short run, this policy is already leading to intense misery and dislocation. In the province of Breslau, under 40 per cent of the spring sowing has been done. The long term effects may be even more catastrophic, for the Germans will neither forgive nor forget.

* * *

The Communist Line

The new Communist Party line, which was widely discussed among the membership at the time of its formulation in March, is explained by Mr Harry Pollitt in a pamphlet entitled "Your Questions Answered," designed, presumably, to allay any doubts about the "correctness" of the policy. Communist candidates or Communists speaking for Labour candidates may find it difficult to put this line across at the election, for it would seem to run contrary to the official Labour policy, announced by Mr Laski at Blackpool, that Labour would under no circumstances re-enter a coalition with the Conservatives.

Mr Pollitt's formula is:

We shall fight in the General election to secure the ending of the Tory majority and after that election, the continuation of national unity, but national unity based on a new government, having behind it a majority of Labour and progressive Members of Parliament.

In other words, it is apparently intended that Mr Churchill,

Mr Eden and other "progressive" Conservatives who supported the Crimea decisions, will be invited to follow the example of Mr Ramsay MacDonald, only in reverse, and join a national, Labour-dominated Government. It is not, however, clear whether the line would still apply to Mr Churchill after his virulent broadcast against Socialism.

It is perfectly true, as Mr Pollitt points out, that there is a broad measure of agreement, on political, international and industrial affairs, and that there are issues which cut right across party politics and call for the maximum national co-operation. The Communist line seems to be an attempt to split the Conservative forces into "progressives" and "reactionaries" and to take advantage of the "contradictions of capitalism." It is, however, a far cry from the party's line in its revolutionary, class-struggling days, now regarded by Mr Pollitt as starry-eyed and romantic, and it seems strange electioneering tactics, to say the least, to advocate a post-election coalition with Labour's opponents at the election, however individually "progressive" some of them may be.

Curiously enough, while the British Communists are pressing this new "broad" line, there are signs that Mr Earl Browder and his Communist Political Association in the United States are beginning—under pressure from outside America—to swing away from their extremely "broad" line of co-operation with the capitalists into a more revolutionary conception of Communism. The "correctness" of the American party line is now being re-examined, though until Mr Browder's full statement is available, it is not possible to see exactly what the change will amount to.

* * *

Release and Resettlement

Mr Butler, who has acquired in demobilisation one of the most difficult tasks of the Government, is very chary of estimating the rate of release from the Services. Questioned in the House of Commons last week, he would not go beyond the already published statement that it was hoped to complete the release of Groups 1 to 11, which begins on June 18th, by the middle of August, and that the target of releasing 750,000 men from the Forces by the end of the year still held. He added that it was expected to release age and service groups up to the early twenties from the Army by the end of the year.

The Navy and Air Forces releases have not yet been announced, but in the Navy, Group 1 (that is, men born before 1895) is relatively larger than in the other services, and may take longer to release. For the Navy, too, more than for the other services, the needs of the Japanese war may slow up the progress of demobilisation. In general, the pace of release, as Mr McCordquodale pointed out in a debate on the adjournment, depends largely on the mechanics of transport and reception. Mr Butler is showing good sense in neither accelerating nor slowing down the programme, which has been very carefully thought out, for it would indeed be deplorable if demobilisation were to become a party issue. At the same time, it is important from the point of view of the men in the Navy and the Air Force that they should be given some idea of the programme of release, and from the point of view of industry, that it should know what are the prospects of obtaining key workers under the Class B procedure.

The Resettlement Advice Service has now been launched, with the official opening of a London office by Mr Bevin—a welcome sign that there will be continuity in Ministry of Labour policy. By the end of June there will be some 400 Resettlement Advice Offices, which, if properly operated, can play a valuable part in easing the individual Serviceman's transition from war to peace.

* * *

Labour for the Land

The Government has announced an extensive scheme of agricultural training for ex-members of the armed forces and civil defence, which has been decided in agreement with farmers' and workers' organisations. The Women's Land Army is also included under special arrangements. Men without previous experience will be given a year's training on selected farms, and not at special centres. Three-fifths of their wages during training will be paid by their employers, and two-fifths by the Government. Altogether, the scheme will recruit up to 100,000 new entrants into agriculture in the next few years. In addition, the specialised training of men having previous experience

will be undertaken separately at new centres, modelled on existing farm institutes. Unfortunately only a few of these new centres, which will be set up in almost every county, will be designed for permanent use.

Some training scheme of this sort is needed in order that skilled workers may replace the valiant force of miscellaneous amateurs who have helped out on the land during wartime. But the scheme is larger and wider than normal pre-war recruitment to agriculture would warrant. It envisages in fact, putting into reverse the "drift from the land" and sending townsmen back to the country. Nothing is said, however, about what will happen to the 100,000 recruits after their year's training, beyond the promise that the county agricultural committees will take "all practicable steps" to find them employment. Even if farmers could be persuaded to find work for all of them, this could only be done by lowering agricultural productivity per head. This is clearly not the way to improve the low wages and shocking housing conditions, which constitute the very reason why the more enterprising farm workers were leaving the land before the war. The difficulties of finding accommodation alone are staggering. A much higher target would have to be set, and reached far more quickly, than the 50,000 houses, which is about all that were built for agricultural labourers between the wars. Hostels are being set up for trainees, but they will not do permanently.

In practice, however, most—probably the majority—of ex-servicemen will wish to become not farm workers, but smallholders. This training scheme has been propounded quite independently of any scheme for settling or assisting smallholders; but its political effect may well be to drive the Government of the day into setting up a large number of smallholdings irrespective of their economic desirability.

The Government's real mistake lies in yielding, in an interim way, to the pressure for land settlement before deciding its long-term agricultural policy. That prospective entrants should learn, at the Government's expense, the rigours of land work is very much to the good. But improvisation of this sort begets, instead of following, policy and, when long-term policy is considered there can be little doubt that agriculture will be found to need not so much more labour as more capital. Further than this, the greatest need where labour is concerned is for more and better specialised training and higher education.

AMERICAN SURVEY

Fruit in the Future

(From a Correspondent in Oregon)

THREE major developments of the war decade promise to broaden the post-war market for fruit. This is especially true for the fruit-growing regions in the states of Oregon, Washington and Idaho, and also the Canadian province of British Columbia.

Fruit production is a major industry in each of the three coastal states, and each has its specialities. In California these are citrus fruits and grapes. In Oregon, prunes, pears and cane berries. Washington leads all the states in apple production. All of the commonly known fruits are grown commercially in the far west. Besides citrus fruits and grapes California produces peaches, figs, apricots, avocados, quince, apricots, dates, and even a few bananas. Washington, apart from apples, produces prunes, sweet cherries, pears, and cranberries. Idaho grows prunes, apples, pears, cherries, and in addition cane berries of many kinds, and the humble delectable strawberry. Oregon and Washington had not before the war developed their market so well as had the growers in California. In fact some peaches, prunes, apricots grown in Oregon are still marketed as Californian fruit.

The three developments which promise a widened market in the future are aerial transportation, quick-freezing, and public understanding of the importance of vitamins and minerals to health together with the belief that fresh fruit is the most agreeable source of these substances.

The war was a blow to the fruit industry, especially in the Pacific north-west, where prosperity hinged on exports. The apple and prune growers were the hardest hit, and of these

London's Shortages

That the end of the German war would bring no increase in rations has in recent weeks been brought painfully home to Londoners. Coffee, of which up to the end of last year there has always been a miraculous abundance, has been getting scarcer for some months, although the Ministry of Food claims that allocations to shops are 105 per cent of pre-war allocations. Cigarettes are short again—to the customer at least, however plentiful they may be to the Tobacco Controller. Towards the end of the last rationing period there was an acute shortage of soap, and people who had deferred buying their ration until the last few days may have had their coupons dishonoured. Many points goods are scarce. Fish, to which people were looking forward as compensation for the ration cuts, seems to be as difficult to buy as it ever was. And now there are local shortages of bread.

To a certain extent, London, which is now receiving not only returned evacuees, but an influx of visitors as well, is feeling the pinch just as the reception areas did on other occasions. There is also, in the case of bread, a labour shortage in the bakery trade. But in some respects it is the old, old story. There is a mild, temporary and local shortage. This is magnified, and people begin to buy more than they need where the commodity in question is unrationed. This, in its turn, creates a real shortage, and the classic remedy—to swamp the market with supplies—is out of the question.

In the case of coffee the shortage does not matter, nor—pace the smokers—is it very important in the case of cigarettes. But bread is different. Not only is it essential that a real shortage should be avoided in this country, but as much grain as possible should be spared for the Continent. The bread wasted in this country before the present shortage would have made a not unappreciable difference to the supplies of calories for the worst-fed districts of Europe. At present, to avoid the danger of having no bread at all, people tend to buy when they see it rather than when they need it. The logical remedy is to ration bread, in a large enough quantity to satisfy the biggest bread-eaters, but as this is now administratively impracticable and politically impossible, at least the Ministry of Food should see that there is enough in the shops to stop the run.

the growers of yellow Newton apples were hit hardest of all. Their market had been chiefly to Great Britain. The apple was once the universal fruit in America. But through the years imported pests made it practically impossible for the home orchardist to produce good sound fruit, and the people turned away from wormy, scaly apples to berries and citrus fruits. Growers in the Pacific north-west, whose orchards came into bearing after the national demand began to decline, sought and found markets in Europe, and when war came no market for yellow apples had been developed in the United States. But, fortunately for the industry, the apple crop was short that year and all the growers were able to dispose of their product at home.

Washington now leads all states in apple production because the growers are imaginative and aggressive. They went to the state legislature and got a law requiring every owner of apple trees to spray regularly and properly or grub out his trees. Another law levies a tax of one-half cent on each box of apples sold, the money being used in research and in promoting consumption of apples. Results have been gratifying. A spray has been developed which inhibits the apple tree's tendency to set a heavy crop one year and to rest the next. New ways of using apples have been developed. Cider, which never was really popular, has been filtered and pasteurized, the name changed to apple juice, and is finding a market in competition with other fruit and vegetable juices.

Dried apples are being used. Sulphur dioxide is used to keep them bright and attractive and they are packaged in

cellophane. They are not called "dried," but the more euphonious "dehydrated." Cull apples are processed for their pectin, which is used in making jellies from low-acid fruits, like strawberries. Pectin also has some medicinal use. An unexpected windfall for the apple-growers is the use of pectin under the name "apple honey" as a moistening agent for cigarettes, replacing glycerine, which is scarce in wartime. Apple pumace is used as a carrier for poison bait for slugs, snails and other pests which feed on garden produce. Experiments are under way in processing pumace, the residue from juice, vinegar and pectin making, into feed for livestock.

Another new market for apples, and pears, is in gift packages. This started when lumber mills would place a few boxes of delicious apples in shipments of lumber as gifts to customers in the Middle West and East. Now some growers specialise in preparing attractive gift boxes of fruit and nuts. At first it was a holiday business. Now, thanks to cold storage, shipments are made every month in the year.

In spite of all these innovations, apple growers are looking again to Europe as a market. Some of the less efficient orchardists, especially in Oregon, have given up hope of ever again finding prosperity in apples, because of production costs. It is sometimes necessary to go over an orchard ten times a year, seven times to spray, once to prune, another time to thin in order to get fruit of uniform size, and finally to pick. Then the picked fruit must be double washed, once in mild acid and then in clear cold water to remove spray residue, and finally cold storage is necessary for orderly marketing. With labour scarce, many growers are replacing their apples with pears, which have fewer insect enemies and a growing domestic market.

Less capital and quicker returns are possible in berries, and aerial transportation and quick-freezing open the door to expansion of the berry industry. Owing to the extreme perishability of berries, the market until recently has been limited to the area which could be reached within a day, to canneries, and a limited extent to wineries. Oregon growers are aggressively trying to create a berry wine market, but success is uncertain. Cannery customers have been chiefly public eating places and bakeries. Berries of a sort can be grown almost anywhere in America, and the people grew and canned their own. Canned berries, however, do not taste like fresh. Moreover, the product from certain favoured regions, like the Pacific North-west, is distinctly superior, and American housewives no longer do very much canning (except in wartime), so the growers believe there is a big market if a way can be found to get the fruit to the buyer in a fresh condition. Aerial transport is the way. After the war, berries picked in Oregon one morning may be served for breakfast in Chicago or New York the next morning.

Even greater possibilities are opened by "quick freezing" by which the fruit is placed in a temperature of 25 to 30 degrees below zero Fahrenheit. Frozen quickly in this way, the cells do not break, the fruit can be kept in storage at a temperature around zero indefinitely, and, when thawed it not only resembles but also tastes very much like freshly picked fruit. The present limiting factor in this market is cold transport and cold storage. It is estimated that 10 per cent of retail food stores, measured by volume of business, are now equipped for storage of frozen food. After the war it is predicted that 90 per cent will be so equipped.

Aircraft may solve the problem of transportation, and even, say some optimists, of freezing. Freshly picked fruit may be loaded in a transport plane, which will fly to market through the sub-stratosphere, where the intense cold will automatically quick-freeze the cargo. The use of dry ice (solidified carbon dioxide) in railroad cars and trucks is another possible method of keeping food frozen in transport.

In California, nearly all the citrus fruits are marketed by grower co-operatives. The oldest berry growers' co-operative in the nation was formed near Portland, Oregon, nearly 40 years ago, but generally in the Pacific North-west, marketing is divided approximately evenly between co-operatives and independents. Established orchardists who number their trees in tens of thousands can handle their own marketing. The smaller grower, with a few hundred trees usually must join a co-operative or go out of business.

In any case, when peace is restored, and refrigerated ships are available, the people of Europe, especially of Great Britain, will find the fruit growers of the Pacific North-west knocking at their doors with yellow Newton and big red Delicious apples, prunes and frozen berries, such as raspberries, boysenberries, youngberries, blackberries, loganberries and strawberries—and with fresh pears so large and juicy that they are eaten with a spoon.

A disturbing element is the fact that what the Pacific North-west can do can also be done for exotic fruits from tropical regions. Even before the war canned papaya juice was finding a market in the United States. But growers reflect that advertising is taking fruit out of the luxury class of foods, and thus is opening a potential market big enough for all.

American Notes

One Mr Johnson Stands Pat

The current hearings by the Finance Committee of the Senate on the repeal of the Johnson Act, which prohibits private loans to countries in default on their debts from the last war, reveal in an interesting way the new political and economic orientation of the United States. It was only a short time ago that most American public opinion on Finland, for example, was able to be shaped almost entirely by its high moral status as a country that had always paid its war debts. Now, Senator Edwin Johnson of Colorado, Democratic member of the Committee (and not to be confused with its Republican member, Senator Hiram Johnson of California), created barely a ripple when he suggested not just the repeal of the Johnson Act, but the cancellation of the debts by an Act of Congress.

The Assistant Secretary of State, Mr Clayton, who sees the very real relationship between repeal of the Johnson Act and the Reciprocal Trade Agreements extension, which recently passed the House of Representatives and is now being bitterly contested in the Senate, has been one of the most vigorous champions of the repeal. The United States, he told the Committee, can choose between economic isolation or a policy of interrelated political and economic cooperation with other countries. But America's position must be consistent, which it was not after the last war, when "we lent with our right hand," but by erecting high tariff barriers with the left we said, in effect, "be damned if you can pay."

Important support for repeal has been given by the influential and highly respectable Committee for Economic Development. This organisation goes so far as to recommend cancellation of obligations where that seems the most effective and practical method of settlement to encourage trade and movement of capital, both public and private. The Chairman of the Securities and Exchange Commission, in advocating repeal, recommends that the US Government be provided with adequate data on private capital transactions, which are not now required to be reported. Thus, government officials called upon to make transactions through the Export-Import Bank or the proposed International Bank, could correlate foreign investment and export of capital with the whole general foreign economic programme.

The Committee is expected to send its recommendation for repeal of the Act to the Senate by a large majority. Senator Taft is a certain dissenter, as is Senator Hiram Johnson, who maintains the position he held in 1934 and threatens to carry his fight to the floor of the Senate.

Mr Baruch has a Plan

A plan for Germany and Japan, originally drawn up for Mr Roosevelt by Mr Bernard Baruch, who was President Wilson's adviser on German reparations after the first World War, is now being studied by Mr Truman. It is probably the first reparations plan that bluntly and unashamedly suggests that policy should be governed by the elimination of German and Japanese export trade. The limitation of industrial potential would be enforced not just to keep the aggressor countries impotent to make war, but to keep them out of the world's markets.

This plan, which has been circulated among Government officials, and is reported to have been seen by Allied leaders, divides into three parts: (a) Germany and Japan must be stripped of heavy industry, and thus prevented from re-establishing themselves as aggressor nations; (b) Germany and Japan must not be permitted to re-establish their export position, and thus to depress world commodity and labour prices, through exploitation of sweated labour; (c) by preventing the two countries from re-establishing themselves in world markets, the living standard of the rest of the world will be higher, and will enjoy a certain degree of protection. On reparations, the plan calls for the return

of all stolen and annexed property, material and monetary. Payments would also be made in raw materials and manufactured products, with the provision that goods must not be manufactured in sufficient quantities to permit a revival of export industry.

There are other points. But whatever else the plan contains, its focal point is the destruction of German trade and its peculiarity is its assumption that even after the Nazi system has been destroyed, wages will remain at slave levels. The memorandum calls for the elimination of the "subsidised, sweated competition of 170 to 200 million Germans and Japanese"—to expand the industrial opportunities of the rest of the world.

Mr Baruch issues a warning against the public apathy that is so likely to grip war-weary victors once peace is achieved, but in the published document at least he gives no indication of how long he believes it would take to transform Germany into a country of small land holdings and small industry, and how, after that period, the emergence of an exportable surplus could be prevented.

Businessmen and industrialists in America who might until now have given little thought to plans for the defeated countries, are expected to be anything but apathetic toward a plan that would keep German products off the world market. In any event, the plan is said to have produced such great interest in Washington that Mr Baruch has been invited to address the Senate Military Affairs Committee on June 18th. It has been noted with interest that the memorandum, although just recently released, was dated March 18th, and that the elder statesman's visit to Britain, when he conferred with Mr Churchill, was during the first two weeks in April.

Unfortunately, very few voices have been raised to state the simple fact that Mr Baruch's plan is immoral, uneconomic and unworkable.

Reconversion—Slow but Sure

United States industry, while producing two-thirds again more war material than in 1942, is beginning in all seriousness to prepare for peace. To many businessmen

the symbol is the revocation of Order M-126, which was issued on May 5, 1942, five months after Pearl Harbour, and fulfilled the promise of the chairman of the War Production Board, who said that it would "change the face of American Industry." The order prohibited the use of iron and steel in the manufacture of 1,200 items, ranging from bathtubs to typewriters to roller skates.

According to a report issued by Mr Krug, chairman of the WPB, the United States is better prepared for reconversion in the middle of this war than it was at the end of the last one, when Armistice Day suddenly confronted a country with no detailed methods or procedures developed for settling contracts or financing contracts while awaiting settlements. The report revealed that although the industrial equipment and durable consumer goods industries would require from three to seven months to begin production after cancellation of war contracts, the majority of industries could turn immediately to peacetime production—if materials were available. The 44,600,000 workers in agriculture, steel, retail trade, transportation, mining and other jobs will find themselves when their industries are finally able to produce for peace in much the same jobs, though possibly making new products. It is the 6,600,000 in aircraft, ships, ordnance and signal equipment, war chemicals and federal war agencies who will be most severely affected, who will have to transfer to other industries, who may suffer temporary unemployment, and may have to transfer to other areas if labour shortages occur in any phase of the munitions programme, which, even with cancellations estimated at two billion dollars a month, will still be producing about nine-tenths of the munitions produced in 1944.

War controls will not be removed until it is clear that the primary criterion in an industry is no longer how the use of a material or a facility would best contribute to the prosecution of the war. Then controls will be lifted and dependence placed on what Mr Krug called the natural resilience of the economy, the capacity of the manufacturers, wholesalers and retailers to adapt themselves to changed conditions.

Although businessmen who had hoped for a rapid expansion of reconversion were disappointed, Mr Krug's report served to outline the possibilities of a reconversion period with minimum dislocations.

The Baltimore and Ohio Railroad Company

SUMMARY OF THE 118th REPORT YEAR ENDED DECEMBER 31, 1944

	Year 1944	Compared with 1943
EARNINGS:		
From operations—transporting freight, passengers, mail, express, etc.	\$ 387,193,036	± \$ 29,050,884
From dividends and interest on securities owned, rents, etc.	7,741,295	— 896,674
Total	\$ 394,934,331	± \$ 28,154,210
EXPENSES:		
Payrolls, fuel, material, etc.	\$ 287,068,754	± \$ 36,484,401
Taxes	48,984,845	± 2,227,636
Equipment and Joint Facility Rents	9,823,057	± 890,685
	\$ 345,876,656	± \$ 39,602,722
Other charges—principally rent for leased roads and equipment, interest on debt, etc.	28,143,237	— 1,853,470
Total	\$ 374,019,893	± \$ 37,749,252
Net Earnings	\$ 20,914,438	— \$ 9,595,042

DISPOSITION OF NET EARNINGS:

Additions and betterments to Company property	\$ 4,906,110	— \$ 146,370
Appropriated for sinking and other reserve funds—to retire debt	8,021,881	— 11,097,232
Other appropriations	45,188	± 1,309
Added to the Company's surplus	7,941,259	± 1,647,251
Total	\$ 20,914,438	— \$ 9,595,042

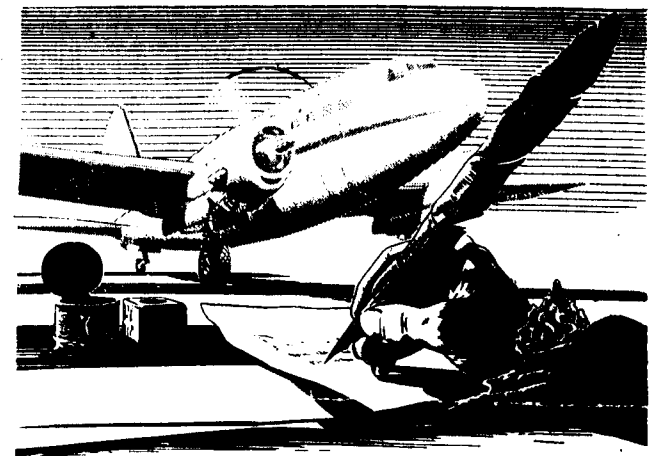
Freight and passenger traffic handled in 1944 exceeded all previous records due largely to the heavy tonnage of war supplies, troop movements and other war travel. Totals were 147,314,981 tons and 14,303,937 passengers. The tremendous task of moving this extremely heavy traffic volume was accomplished through the continued co-operation of the various agencies of the Government, shippers, and the public generally, in the conservation of equipment and man-power and in meeting the unusual war-time conditions. Operating Revenues—\$387,193,036, and Operating Expenses—\$287,068,754—were highest in the Company's history.

The Company's tax bill at \$48,984,845, was larger in 1944 than ever before. During 1944 debt of the Company was reduced by \$34,801,828. Total debt reduction during the last three years was more than \$105,000,000.

The President and Directors acknowledge with grateful appreciation the loyalty and co-operation of stockholders and others interested in the Company's success; the Army, Navy and other agencies of the Government; our patrons, whose patriotic understanding of present day conditions has been most helpful; and, the officers and employees, without whose enthusiastic support we could not have accomplished the tremendous task of 1944.

More than 16,000 employees of the Company have been furloughed for military service and more than 150 of these have given their lives for their country.

R. B. WHITE, President.



"Despatch is the Soul of Business"

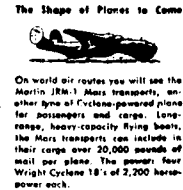
So Lord Chesterfield wrote, two centuries before air mail added real dispatch to business communications. Air mail offers nation-wide delivery overnight, reaches other continents in just a few more hours. It cuts waiting time for answers. It speeds sales orders, contracts, all other business or personal mail.

Yet think of the advantages if all first class

mail moved by air. Not local letters, or from city to suburbs, of course, but all first class material moving more than, say, 150 miles.

Modern planes have the capacity to carry the mail loads which would result. Wright Cyclone engines give them the load-lifting power. At ordinary surface rates, the extra mail revenue would provide increased air transport service with national benefits. And both the business world and the general public would gain from this type of mail service and the increased speed which it would bring.

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Everything for the Veterans

A Congressman who values his political future is tempted to wait dreams before the serviceman and his family—loans with no collateral, a choice of new jobs in his home town, the shiny top layer off the country's economy. Fortunately, in some of the dreams there is substance. If, for example, an ex-serviceman wishes to open a business with less than \$50,000 capital, he will have first choice of such surplus war materials as trucks, office equipment and farm tools. Also, a plan is being discussed by Congressmen which would make temporary war housing available at low rents to returning servicemen and their families. The "GI Bill of Rights" offers opportunities for education and job training and provides weekly cash benefits to veterans until they are able to find jobs.

About loans to ex-servicemen, Mr Wallace, Secretary of Commerce, has had some very practical, although disillusioning, things to say, particularly to the estimated two to three million men who want to go into business on their own. The economy, he warned them, cannot safely absorb more than 500,000 to 700,000 separate and new enterprises, while the same precautions and criteria should be observed in making loans to servicemen as to civilians.

It is not against the plans themselves, however, but against the administration of the plans, that some exceedingly harsh criticism has been directed. This is the responsibility of the Veterans Administration, under the directorship of Brigadier-General Frank Hines. The administration of the veterans' hospitals has been the chief target, with bitter complaints of careless, often incompetent, treatment, inedible food, insanitary conditions. The Journal of the American Medical Association says the VA, with ample funds at its disposal, uses outworn methods and makes no attempt to utilise the best physicians or most modern medical techniques. The handling of loans and insurance has also been severely criticised. At least 150,000 unpaid insurance claims for disabilities or death have accumulated, while families, often badly in need of funds, can do nothing but wait.

President Truman, perhaps with an over-abundance of tact, has said that overhauling the VA to meet new conditions is as necessary as was its creation, but emphasised that he implied no criticism of anyone connected with the VA. If the Senate investigation conducted by Senator Pepper produces the results critics of the VA expect, it is difficult to see how General Hines can help but bear at least a large measure of responsibility. The public, highly sensitive to the debt it owes returning servicemen, is not expected to accept serious staff shortages and lack of facilities for expansion as adequate answers. General Hines has already offered his resignation, but it has not yet been accepted.

Another Enemy

Race hatred has been one of the most virulent enemies of the United States in this war, and against this enemy victories have not always been decisive. Now that the fighting has moved eastward to Japan, the Japanese-Americans who were segregated, by an unprecedented and possibly unconstitutional Army order, in War Relocation Authority camps in the interior of the country, are expected to leave these centres by the end of the year. It cannot be said that a uniformly warm welcome is being prepared for them in the west coast areas from which most of them came.

Incidents have become so frequent, and follow so clearly in the ugly pattern of violence and intimidation, that Mr Ickes, Secretary of the Interior, has publicly denounced the "planned terrorism of hoodlums" determined to employ "Nazi Storm Trooper tactics." Recognising the economic fears behind such attacks, Mr Ickes warned the offenders that "they will not be able to establish an economic beachhead on the property of the evacuees." Thus the whole country has been, in a sense, officially informed of a situation which until now has not been widely

enough realised outside the coastal areas. And in this there is a hope of brighter prospects for the home-comers.

From Portland, Oregon, comes a story of a highly organised attack on the returning evacuees by the "Japanese Exclusion League," whose avowed purpose it is to exclude all Japanese, by "legal and peaceable means," from the west coast and ultimately from the country. In the first of a series of papers to be circulated through the north-west, they issue the warning that the Government plans to "dump" 25,000 evacuees on the west coast this year. It is unfortunate that they could find in the statements of military leaders material for their very different brand of warfare. A quotation from General MacArthur, "The Japanese have proved that they are barbarians," and another from Admiral Halsey, "Japs are not fit to live in a civilised world," must surely convince these military men that they cannot avoid responsibility for the political content of their public statements. In Hood River, Oregon, 500 out of a population of some 11,500 gave their signatures to a full-page advertisement: "So Sorry, Please, Japanese not wanted in Hood River." This was in support of the local American Legion Post, which removed 16 Japanese names from its honour roll.

The constructive work of dozens of sound organisations, lacking the neurotic, lunatic-fringe quality of the Japanese Exclusion League and of The Sons and Daughters of the Golden West, does not receive as wide public notice. Much of the success of these organisations will depend upon a sound programme for full employment and encouragement to small businesses.

In the meantime, 33,000 of the original 110,000 evacuees have been assisted in leaving the relocation centres and have resettled in almost every State in the country, naturally gravitating toward the large cities in the East and Middle West. In Chicago alone, which had a pre-war Japanese population of 300, there are now 7,234 Japanese-Americans working in war plants, opening shops, absorbing themselves into the lives of comparatively friendly, or at least not actively hostile, communities.

The Formula May Go

Pressure for an increase in hourly wage rates is expected soon to snap the elastic wage line the War Labour Board has managed to keep during the war period. Mr Philip Murray, President of the Congress of Industrial Organisations, has recommended to President Truman a 20 per cent increase in prevailing wage rates to "restore pre-war relations between wage rates, prices and productivity per man hour." And a resolution has been introduced into Congress calling on President Truman to permit pay rises up to thirty per cent of the January 1, 1941 rates, 15 per cent over the Little Steel Formula.

The administration's determination to control wages and prices until after the Japanese war does not basically conflict with the CIO recommendation, since Mr Murray merely wants hourly rates to be set at a higher figure to offset at least in part the loss in "take-home pay" that will occur when overtime comes to an end.

Mr William H. Davis was in favour of rises on a limited and controlled scale when he was head of the War Labour Board. In his new position as Director of Economic Stabilisation he must approve increases because of their relation to prices. The new WLB Chairman, Mr George W. Taylor, believes that foundations for peacetime wage rates can be built by collective bargaining methods in those industries that will absorb them without price adjustments.

This will be Labour's first test of the new administration's attitude on a continuation of Mr Roosevelt's Labour policy. The new President inherits what can be construed as a promise for a minimum wage of 65 cents an hour, a guaranteed annual wage law, and basic wages high enough to make a 40-hour postwar week as remunerative for labour as was a 48-hour wartime week. It will be rather a precarious tight-rope walk Mr Truman will have to accomplish to satisfy Labour, which on his record one can assume he will want to do, and to keep the conservative elements in Congress in line at a time when they must not be antagonised.

One of the primary problems will be to subdue those who want to scrap all controls. Senator Taft, leader of this group, has made it clear that he is tired of controls because he believes the result is control of profits and not of prices.

THE WORLD OVERSEAS

Letters from Germany—1

The End of a Dream

(From Our Special Correspondent)

Munich, June 1st

THE picture that greets the visitor to Germany is so indescribably fantastic, confused and contradictory that it would be futile to attempt any definite clear-cut description. The journey across Germany is a journey in a dream. Life here has lost all solid shape and outline—it is completely atomised. Germany's national existence seems to have broken up into millions of individual beings, each with their own individual anxieties and worries; it defies any accepted sociological and political classification because the individual existences have few, if any, social ties to link them together. For a time the collective identity of the German nation has dissolved into nothingness. In this respect the difference between 1918 and 1945 is really striking. After the first world war, the German nation saved not only its territory, its wealth and the fabric of its social life, but also the means for its spiritual and political self-expression. In 1945 the nation is mute. The individual German speaks his mind, sincerely or insincerely, at a somewhat surprising length. But the infinite variety of individual confessions makes the foreign onlooker even more confused than he was before. The confessions fall into no orderly pattern—and the talkativeness of individuals only underlines the muteness of the community.

Yet some features of German life are so universal that a tentative outline may be given to them. The German nation has been rudely awakened from a dream. Some will say that it was nothing but a pleasant dream of world conquest, and what all the Germans most feel is regret and despair at the loss of the *fata morgana*. Others, and the Germans first of all, claim that the dream was a nightmare that oppressed and strangled them, and that their present feeling is one of relief and gratitude. Both views seem an over-simplification, but both are undoubtedly true. The dream of National Socialism was a combination of both elements. It lured all classes of the German nation with a vista of German domination over the world; and even now it is enough to scratch a German industrialist or an intellectual or a worker to realise that all classes (with a few exceptions) succumbed to the temptation at one time or another, though very probably they did so to differing extents. But it is also true that all classes—again to a varying extent—were oppressed by the prodigious terror machine in which the regime had caught them. As long as there was some reality in the promises of German power, Germany gave up all its dignity and self-respect and bowed meekly, though not without a vague reluctance, to the political *lumpen* that had saddled it and ruthlessly spurred it on to war. To-day most of the German people seem to remember only the kicks, the wounds and the insults inflicted upon them by National Socialism.

Accomplice and Victim

In most cases, the sincerity of their present feelings of relief is so striking that it can hardly be questioned. Hitler succeeded in turning—again to a widely varying extent—nearly all classes and groups in Germany into his accomplices as well as his victims. In their present mood of self-pity, the German people most often looks upon itself as the victim of National Socialism and denies its other rôle—that of the accomplice.

This cannot be explained by sheer opportunism alone, though the opportunism and the cowardice of many Nazis and their former sponsors among the German upper and middle classes is staggering. The observer is confronted

with a baffling transformation of mass psychology, a transformation so sweeping as to appear unreal. In the light of total defeat and of the innumerable human tragedies that have beset it, the German people is now venting all its accumulated, long suppressed resentment, and pouring curses on its former gods.

Germany is thus living in an orgy of humiliation, self-humiliation, repentance and *saute-qui-peut*. Who can tell how real is the repentance? Who can probe the souls of the German soldiers crowding the huge prisoners' cages by the sides of Bavarian roads? Who can look into the hearts of the economic experts who worked under the Nazis and now work under the Allied Military Government, earning praise for their efficiency and dutifulness? Who can say what thoughts and feelings are hidden under the surface obedience to the Allied authorities—an obedience which springs perhaps from the old *Kadaver-disciplin*, the most virtuous vice in the German national character?

"Capital of the Movement"

Here, in Bavaria, the *Kadaver-disciplin* quite obviously broke down in the last days or weeks of the war—it had shown some faint cracks even before. Munich was officially called the "Capital of the Movement." In the centre of the city there stands the Mecca of National Socialism, the famous Beer Hall, now guarded by an American sentry, presumably as a grotesque relic of some museum value. Yet, in this "Capital of the Movement," it is almost impossible to find anybody to attack the Nazi record. The citizens timidly tell the foreigner that Munich's half-jocular and unofficial title was "the Capital of the Counter-Movement." Even in the hey-day of Nazism the local intelligentsia took delight in discreetly pin-pricking the Nazis on the stage or in timidly displaying an archaic sentiment for the old Wittelsbach dynasty. For the Bavarian Left, which occasionally attempted some less innocent gestures of opposition, there was the nearby Dachau concentration camp, which never failed to act as a tremendous damper on any anti-Nazi reflexes in the Bavarian mind.

Throughout the years of totalitarian darkness the Catholic Church was a refuge for some faint non-conformism. It was not destroyed by storms and outbreaks of terror. This and a certain pro-Catholic bias in the American Military Government has given political Catholicism in Bavaria a decisive start, and the symptoms of its actual, though not yet formal, rebirth are unmistakable. Cardinal Faulhaber's influence was decisive in shaping the new Bavarian administration that is to work under the supervision of the Allied Military Government. In the *Rathaus* a prominent Right Wing Catholic, Herr Scharnagel, acts as Oberbürgermeister, another Right Wing Catholic and former chairman of the *Bayerische Volkspartei* has been appointed Minister-President for Bavaria. Bavarian Left Wingers who have been lucky to survive the Nazi regime or to return from concentration camps are quick to point, in private, to all the blots on the record of political Catholicism in pre-Nazi days. They point out that the *Bayerische Volkspartei* which ruled the province before the Nazis "has always preferred to sit down with the devil rather than with the Social Democrats." Its attitude *vis-à-vis* Hitler's plots in Bavaria was equivocal, if not condoning. Are the "Blacks," they ask, really the men on whom the Allies ought to rely for restoring some democratic order in the former Capital of the Movement? But the critics admit that political Catholicism has deep roots in

There are many men and women in the Services who would welcome a chance of reading this publication. If you would hand it in, unwrapped, unstamped, and unaddressed at any Post Office, it will go to them.

the conservative countryside; and with some reluctance they agree to participate in the coalition with the "Blacks" that is now being formed with the blessing of the Military Government.

The first shoots of a new political life in post-Nazi Bavaria are, of course, pathetically weak and anæmic. All political matters are concentrated in the officers of the Military Government and in the private homes of a few survivors of the Weimar democracy. The leaders of the new Bavarian administration act as individuals without the backing of any organised bodies of political opinion. The formation of such bodies has been strictly prohibited by the Military Government, which has made it more than sufficiently clear that there must be "no politics in Germany," and that the ban on political activities applies to all anti-Nazi groups without distinction.

Effects of the Ban

The ban on anti-Nazi groups is certainly prolonging the political formlessness which is apparent under the broken crust of the single party system. In the closing days of the war there were some stirrings underneath. Individual survivors of the old parties of the Left—Socialists, Communists, Trade-Unionists—came together and discussed the new position. Soon they were joined by inmates of the concentration camps. Quite independently, completely new, loosely united groups appeared in the turmoil. It is extremely difficult now to trace their origins and background. The Bavarian Freedom Action, which gained some notoriety in Munich itself, was led by complete novices in politics—young merchants, officers and intellectuals. It had no programme, except to stop the fighting, to clear the road-blocks and to open the way for the American forces. It was simply a latent instinct of self-preservation stirring in the Bavarian middle-class. When the Americans occupied Munich, the leaders of the Freedom Action seem to have become for a while the heroes of the day. Their weak improvised organisation was suddenly under the pressure of all sorts of people—genuine anti-Nazis as well as opportunists and probably also former Nazis—who rushed to join its ranks. Besides the Freedom Action, there existed a host of new, loose but fairly widely ramified, socialist organisations, bent on resuming some forms of activity though not necessarily on linking up the threads of the Social-Democratic tradition of the Weimar Republic.

It is almost impossible to measure the weight and the potential *elan* which such rudimentary trends of new political thought in Germany would have acquired, if they had not been for the time being nipped in the bud by the Military Government's ban on politics. The law of action and reaction seems to suggest that the German people, which has so long been starved of independent politics, would pretty soon have found in these organisations new spokesmen and leaders.

The ban has certainly not killed these vague stirrings in the depths of Bavaria's formless existence. But it has prevented them, at least for a time, from becoming anything more than just stirrings. Up to a point the spiritual and political life of the German people is now clay in the hands of the potters of the Military Government. But it is very easy to take an exaggerated view about its malleability. The chance for Allied policy is unique; so are the difficulties, the dangers and the risks. The first question which demands a reply is: Is the present shapelessness of German politics going to be maintained—and for how long? Or will the indubitable popular reaction against Nazism be used as a starting point for the crystallisation of a new political outlook in Germany?

French Canada and the War

[FROM OUR OTTAWA CORRESPONDENT]

CANADIAN political strategy for the past five years, including the timing and some of the issues of the general election campaign which ends on June 11th, has been profoundly affected by French Canadian sentiment about the war. It has been necessary for the Government to keep continuously in mind the political reality that Canada is by composition 50 per cent British in origin, 30 per cent pre-revolution Norman-Breton-Picardy French, and 20 per cent miscellaneous (largely German, Ukrainian and Scandinavian), and that the degree of wholehearted devotion to the overseas prosecution of the war varied widely in different parts of the Dominion. It is not a new phenomenon: it was even

more marked in the war of 1914-18, and at that time drove a wedge between English and French Canada which is not yet repaired. It puzzles and enrages many Canadians in other parts of the country that Quebec resisted universal service from the outset of the war and that her voluntary enlistment rate fell behind that of the rest of the country. If French Canada is maligned and berated elsewhere it is partly her own fault, but there is little evidence either that the position of the French Canadian is fully understood either in the rest of Canada or in other parts of the world; or that much constructive effort has been expended by the rest of Canada to win French Canada over to a more uniform and zealous course of action. Now that the European phase of the war is over and Canada has returned to a voluntary basis for overseas service, the issue has become historical if not academic, but it has played an important part in the current election campaign, and the course of French-British relations in Canada will be affected by the success or failure of Canadians generally to appreciate what lies behind the thorny and now hoary point of contention.

The fundamental fact is that the French Canadian is a North American. He is an essentially self-centred peace-loving person who would fight to the death to preserve his own civil and religious liberties, but, partly through the failure of his own leaders and English Canadian educators, he has, by and large, never seized the fact that both this war and the last were defensive wars fought against a German aggression which threatened not only the liberty of France and Britain but of North America as well.

The theory that the French Canadian is either a coward or a slacker will not hold water. His lukewarm attitude about the war of 1914-18 and his failure to match the impassioned participation of the British Canadian in this war stem from his suspicion that both wars were fought for the salvation of England from an European enemy in what was fundamentally a clash of rival imperialisms. Many French Canadians sincerely believe this. In spite of such convictions they were willing to play a minor part in the war of 1914-18, and a much greater part in the present war, but in both wars were disposed to set prudent limits to their help rather than throw themselves in the struggle to the death.

It should not be necessary to document the assertion that the French Canadian is and has always been courageous and devoted to any cause in which he wholeheartedly believes. The early story of French Canada is one long saga of reckless adventure against the elements and hostile Indians, and of the martyrdom of intrepid priests. French Canadian regiments in the last war as in this fought at times with almost fanatical bravery and many volunteer French Canadians were dropped into France before D-day to assist the Maquis in what must often have been missions of desperation.

Isolationism

When so experienced and eminent a leader as the Hon. P. J. A. Cardin, for many years a member of the Mackenzie King Government, could say, as he did on his resignation (as a protest against immoderate participation), that the English Canadian went to war because of the blood ties with the Mother Country, but that the French Canadian lacked any such incentive to go "all out" to save England from Nazi Germany, it is not surprising that obscure nationalists like Dr Rene Chaloult, of Quebec City, go further, and in anti-British diatribes describe the conflict as a clash of rival empires in which French Canada had no stake. The honest and enlightened Canadian to-day knows that Canada went to war in 1939, not primarily because of any altruistic sentiments toward Britain, but because of our inner awareness that if the United Kingdom were overthrown by the powers of darkness, this continent would have stood alone and defenceless against Nazi tyranny. Had such a conviction seized the French Canadian the participation by that section of the Canadian people would presumably have been on a level with that of the remainder of the country. The French Canadian would defend his hearth and home with stubborn courage, but his lack of imagination concerning world politics deprived him of the sense that the right place to protect those sacred possessions might be half way around the world, before the conflagration approached his own shores.

This lesson was never learned by French Canada, and as a consequence it was necessary to rely upon voluntary enlistment for overseas service until a few months ago, when the basic decision against the enemy had already been won. It is unfortunate on both sides, for in the rest of Canada there exists considerable resentment against French Canada for its apparent willingness to let the sons of other Canadians die in

their defence; while the extreme notes of invective sounded by anti-French agitators in Toronto and other Canadian cities have further aggravated the feelings between the two racial elements, and thus weakened the harmony and unity between the two elements which are so desirable in Canadian affairs.

A minor point of misapprehension concerns the attitude of French Canada towards its own European Mother Country. People ask why the French Canadian was not equally concerned over the fate of France as the British Canadian was about Britain. But the French Canadians, who now number 3½ million, are all descendants of the 60,000 who were here when Wolfe took Quebec. There has been no more recent immigration from France. The France to which the nostalgic French Canadian feels attracted as his ancestral home is the Catholic, monarchist France of pre-Revolution days. The France of to-day, partly rationalist, anti-clerical, Freemason, Communist, is looked upon with considerable misgivings, much as its cultural achievements may be admired. The devout French Canadian *habitant* in his village-parish community, led by an old-fashioned priest, is more likely to feel the ties of Rome than Paris. But essentially the French Canadian is a North American. He is passionately attached to his own province, his own soil, his own native institutions. He is proud to be a Canadian, remembers that it was his own ancestors who founded Canada, and sometimes feels that the others who arrived afterwards are less Canadian, more colonial, than himself. He has no military instincts, never had dreams of territorial conquest, has known no North American enemies since the Indians were pacified, and the Americans were driven off in 1814, shrinks from the hatreds and massacres of Europe, and is very slow to adopt a world consciousness which sees that peace is indivisible, and that it may be necessary to wage defensive war in distant lands.

Despite these qualities, French Canada's actual contribution toward the present war has, of course, been very impressive. It is only by comparison with the military record of other parts of Canada that it requires marginal comment.

Italy's Economic Underground

[FROM AN ITALIAN CORRESPONDENT]

IN the midst of their fight for liberation, right under the nose of the Gestapo and the "Black Brigades," the CNLAI, the Upper Italian Liberation Committee, was able to prepare elaborate plans for the re-organisation of the national economy.

Four general sub-committees were formed to deal with economic matters, and they will continue their functions until the constituent assembly gives Italy its new shape. These sub-committees are concerned with finance, industry and commerce, agriculture and fisheries and transport. In all of these, the representation of all parties has been preserved.

The same is true of all local and individual bodies, for instance, the factory liberation committees, which played a part in the insurrection and in the preservation of industry from destruction or robbery by the Nazis. The all-party composition of these committees is remarkable, as the overwhelming majority of workers are Socialist or Communist, so that it was sometimes difficult to find a true representation for the Liberal party.

Two days before the insurrection actually began, the underground CNLAI had already issued a decree for the convocation of *consigli di gestione* (directive councils) and for the nomination of commissioners in all industries, the councils to be composed equally of owners and workers. These councils have very wide powers, and in most cases the CNLAI accepts their proposals for the nomination of the works commissar and of the purely technical "works chief," who is mostly either the former works manager or, where he was incriminated or unreliable, some leading member of the technical staff.

The CNLAI issued an appeal to owners to collaborate actively with the "directive councils" and to nominate their representatives without delay. Many industrial leaders succeeded in making their works into arsenals for the partisans, in defiance of Nazi or Fascist surveillance. Others, like architect Beltrami, who came from a millionaire industrialist family, became leaders of partisans. Beltrami himself was caught and beheaded.

Some bankers also took an active part in the underground fight. Alfredo Longhi (whose real name is Piccozzi), now Finance Commissar of the CLNAI, disappeared from his office at the *Credito Italiano* immediately after the armistice in order to work exclusively for the finance of liberation. To get financial help from Allied Headquarters he crossed the lines secretly. As it would have been too risky to take back cheques or transfer orders, he relied on his own reputation. His confidence was fully justified. Northern Italian banks paid to patriots on his word the huge sums paid into Roman banks by the Allies. Their accountants had recourse to all manner of tricks in order to hide what was happening from the Nazis.

Thus, while it is only just to admit that workers were in the forefront of the actual fighting and suffered the greatest number of casualties, the Italian insurrection was, in truth, a movement of the whole nation, actively supported by the best elements of all classes. The economic preparation was as efficient as the military and political planning. As a result, a great number of industries are intact and only await raw materials in order to continue full production. But every day which is lost increases the danger of mass unemployment. It would be a pity to miss an opportunity of getting at least one part of Europe quickly on its feet, and of thus speeding up the reconstruction of the whole continent.

Books Received

The International Who's Who, 1944-45. Europa Publications, Ltd. 951 pages. £4 net.

The latest edition of *The International Who's Who* renders a valuable service by providing up-to-date information, now hardly accessible elsewhere, to the investigator interested in personalities of international standing.

The Left Was Never Right. By Quintin Hogg. Faber & Faber. 224 pages. 4s. 6d.

Vote Labour? Why? By Licinius. Gollancz. 77 pages. 2s. 6d.

Can the Tories Win the Peace? By Diplomaticus (K. Zilliacus). Gollancz. 103 pages. 2s. 6d.

The Future of British Farming. By A. W. Menzies-Kitchen. Pilot Press. 80 pages. 5s.

BRITISH EXPORT TRADE RESEARCH ORGANISATION

Application for Appointments.

A number of Executive positions will shortly be available at the B.E.T.R.O. Headquarters. The Organisation has been formed to provide a complete service of overseas marketing research and intelligence for manufacturers in all branches of British industry; it will not engage itself in actual sales work or act as selling or export agents.

The work is of immediate and increasing national importance; the appointments now to be made offer careers of considerable responsibility, and of scope limited only by individual capacity. They will be commensurately paid.

Applications are invited from men (or women) qualified by background or experience to fill senior executive positions in the Organisation.

It will be realised that the whole work of the Organisation is focussed on overseas research and its application to export marketing problems. Certain qualifications (variable only in degree) are therefore basically essential to any of the positions:—

- Experience of modern marketing practice.
- Acquaintance with overseas economic, social and trading conditions, and types of marketing problems likely to be met.
- Knowledge of research principles and practice, interpretation and application to marketing.
- Ability to formulate policy based on the sales and consumer data collected.

Foreign language ability is naturally desirable, but by no means essential.

There will also be vacancies for younger individuals who may be less qualified or experienced, but who must have an adequate educational background to train for junior executive or research positions.

Applications must be made in the first place by letter and will be treated in strict confidence. Applicants should state specifically exact position in view and salary required, give their age and outline clearly their qualifications and experience, adding any relevant details (though not testimonials or other documents) which may assist the Appointments Board in coming to a decision. Applicants are asked not to call at the B.E.T.R.O. Offices.

All applications should be addressed to:—

APPOINTMENTS BOARD,
BRITISH EXPORT TRADE RESEARCH ORGANISATION,
Georgian House,
Bury Street,
St. James's, London, S.W.1.

THE BUSINESS WORLD

Capital for Reconstruction

THE statement of the Chancellor of the Exchequer last week and the accompanying White Paper on Capital Issues Control (Cmd. 6645), bring a very welcome relaxation of the wartime control of the purposes for which new capital may be raised and the methods of raising it. Before a would-be borrower can raise capital in the market, he will still have to get the consent of the Capital Issues Committee to the amount of the issue and of the use to which it is to be put (with exemption for all issues below £50,000). If his issue is for more than £100,000, he will have to follow the instructions of the Bank of England as to the timing. But as for the method of issue—whether by prospectus or by placing, whether to shareholders or to the public—control is restored (except in the case of trustee and quasi-trustee issues) to the Stock Exchange authorities.

In respect of the method of issue, therefore, the relaxation is fairly complete. The Council of the Stock Exchange and the companion bodies in the provinces are restored to their pre-war position, once the Capital Issues Committee has given its sanction to the amount of the issue, and the applicant for capital is free to choose his own means. The Stock Exchange authorities have given their loyal co-operation in carrying out a policy which has always seemed to them illogical and which was often manifestly harmful to the interests both of their members and of the borrower. The decision of the Treasury to restore to the public the

machinery of the new issue market is a triumph for commonsense over a doctrinaire policy imposed with little apparent solicitude for, or even knowledge of, the detailed functioning of an intricate machine. It is now for the Stock Exchange community to see that any imperfections are removed as rapidly as may be.

This relaxation is important and welcome. But the methods by which borrowing may be effected are naturally less important than the purposes for which capital can be raised. Here also, though control is not removed and the CIC is clearly intended to function as an instrument of Government policy, there are substantial relaxations.

The new purposes for which permission to issue will normally be given—subject to circumstances at any time requiring stricter control—cover for the most part ground already very familiar. The list includes exports, development areas, public utilities and housing associations, agriculture and fisheries, exploitation of raw materials in the United Kingdom, transport of all kinds and the catering industry. There is also an omnibus item to cover "such productive and constructional purposes as may be notified from time to time by the Treasury," with a first list including housing, the "basic items of household furniture and equipment," clothing and footwear, other essential consumable goods and "the manufacture or acquisition of capital goods, in particular, capital goods needed to re-start and re-equip industry." Special priority, within the general category of consumption goods is to be given to issues promoting manufacture in replacement of imports.

The general categories are not arranged in order of priority but there is a special instruction that sympathetic consideration be given to manufacture for export, for issues required to establish, restart, convert or expand undertakings in "Development Areas," which include Northern Ireland, to undertakings requisitioned or concentrated and those which have suffered war damage. Thus there is no priority for modernisation as such. It has priority if it contributes to exports or the providing work in the development areas. But what portion of a company's output must be pledged to export to obtain this benefit? And what is the position if a concern can promise a great contribution to the satisfaction of the consumer but cannot find a suitable labour force within the depressed areas?

In addition to the positive priorities, several categories are mentioned for which permission will be withheld in the absence of special circumstances. These include the domestic distributive and retail trades, hire-purchase, issues arising out of the acquisition, amalgamation or absorption of existing undertakings, and bonus issues.

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As a priority list for the right employment of a painfully limited national supply of capital, this list is not open to serious cavil—though an eyebrow may be raised at the very high priority given to the Development Areas. Broadly speaking, these are the things towards which the flow of capital should be directed. To say this, however, is not to answer the main question that any scheme of control of capital issues inevitably raises. To what extent is it right, or necessary, to impose control, and to establish the order of priority, at the financial stage of the process of capital formation? Should not the controls be on the physical resources needed for capital formation—on the labour, the materials and the machinery—and should not the financial operations be left free?

That this point is at least partly taken is shown by the provisions that all applications for new money are to be submitted by the CIC to the appropriate Government Department and that the Committee is to be guided by any advice given to it by the Department in question. In particular, the Department will say whether any physical resources in scarce

supply can be made available to the applicant within a reasonable period, and reasonable period is defined as, possibly, twelve months. It is also indicated that the CIC should give priority of consideration to concerns who already have received licences for labour, materials or buildings.

But these provisions do not fully cover the case. They make it clear that there is to be a physical control and a financial control, but they do not exclude the possibility that the financial control may be the narrower bottleneck of the two. Why should this ever be so? As a general rule, the doctrine should apply, in peace as in war, that if the physical resources are available, no project should be held up for lack of finance—or that if it is, something is radically wrong with the financial mechanism. There may, indeed, be marginal cases in which an issue should be prohibited even though there is no physical objection. But the prohibitions go much further than these, as is shown, for example, by the prohibition of investment trust issues.

The fact is, of course, that, apart from the proper marshalling of the demand for capital, the continuance of control has another purpose, unavowed in the White Paper—namely, the protection of the gilt-edged market. In wartime that purpose has rightly been paramount (though some of the methods used to achieve it have been very hard to understand). But as peace returns, the scale of values alters. Which would be the greater disaster, a set-back to the current "tap" issue, or an obstruction to the flow of capital formation for which physical resources are available? At some point—and an early point—the latter will surely become more noxious. Yet the form of capital issue control now sketched out might give priority to avoiding the former. It is easy to envisage circumstances in which, through fear of inflation, the banking system and the capital market are kept a little too short of cash, with the result that the tap issue hangs fire and the CIC and the Bank of England shut down the flow of issues to finance projects for which physical resources are available. The better remedy, in such cases, would be to provide more bank cash.

Unfortunately, there is at the very least a possibility that circumstances such as these will occur. Although the Treasury has abandoned its policy of restricting the method of issue—a policy which certainly paid no dividends—there are indications even in the White Paper that it still clings to every expedient for protecting the tap issues. It is reasonable that it should, through the Bank of England, control the rate of demand for new money when the issue exceeds £100,000 and regulate the terms upon which securities of trustee and quasi-trustee status are to be made, and no complaint can be made at an injunction to the CIC to avoid over-capitalisation, although it would be wise to err in that direction rather than in the opposite one. But the maintenance of the ban on optional conversions

when the old stock carries interest of 4 per cent or less suggests restriction for restriction's sake.

It is also to be noted that there are even restrictions upon the raising of new money as part of a scheme of amalgamation, despite the fact that in many fields amalgamations ought to be encouraged. Further, financial institutions are excluded from the right to raise money unless it is to be used for the finance of one of the permitted purposes, and investment trusts and unit trusts are completely barred. These prohibitions, coupled with the recommendation that no firm should raise money unless the physical requirements are obtainable within the year, suggest strongly that the Treasury is still wedded to the policy of keeping a very large share of the market to itself instead of encouraging the public to put some of its savings into industry either directly or through the medium of risk spreading investments such as unit or investment trusts and finance companies. True, the Government will need to raise large sums; but the fact that, in face of the possibility that Labour will be returned to power, investors are prepared to risk buying shares which yield little more than 1 per cent above the return on gilt-edged shows that a part of all savings will only take this form of investment. It would be tragic if this part were prevented from financing new capital development.

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There is nothing in the White Paper that suggests the probable life of these new arrangements. But they are clearly of a transitional character, and they naturally give the signal for the debate on the next stage to begin. The present proposals severely circumscribe the sphere within which the CIC can work. Before it pronounces its decision, the Government Departments have given decisions on the physical aspects of the project; after the consent of the CIC has been given, the Bank of England, the Stock Exchange and the normal processes of the market take care of most of the interesting details of an issue. There is not much left for the CIC to do, and if the economic or physical view supersedes the purely financial, as it should, there will be still less.

Is the next stage the disappearance of the Capital Issues Committee? There will be many who devoutly hope so. It is true that the project of a National Investment Board is a familiar and a popular one, and it might be thought that the CIC is the natural nucleus for such a body. But the duty of such a Board, in any foreseeable future, would be more often to stimulate, than to restrict, the flow of capital, to apply the spur to the lender rather than the rein to the borrower. If any such plan is set on foot, it will be far better to start free from the legacy of restriction—and, let it be added, of obstinate illogic—that will be left by the Capital Issues Committee.

The Occupations of the British

POPULATION statistics always make fascinating reading. After all, the people occupy the centre of the stage. Statisticians carefully record changes in the size of populations, and they have even evolved methods of forecasting them. In recent years, they have devoted much time to the study of the material conditions of the people, and their comparisons—often odious—have done much to arouse a conscious quest for improvement, so marked at the present time. In a paper entitled "The Industrial Distribution of the Population of Great Britain in July, 1939," Mr H. Frankel revealed to members of the Royal Statistical Society, on May 29th, how the people of this country gained their living before the war. Occupational statistics, of course, are not new; they have been compiled at ten-yearly intervals on the occasion of the census of population. But the last census was held in 1931; the merit of Mr Frankel's analysis (his estimates are based on the national health and unemployment statistics and on the results of the 1931 census of population) is that it provides a useful basis of comparison with post-war statistics.

The detailed results of Mr Frankel's calculations are summarised in Table IV on page 778; it shows the distribution of the gainfully occupied population (employed as well as unemployed) in Great Britain in July, 1939, as well as the changes that had taken place since 1931. There is no need to duplicate the table by an enumeration of the detailed facts it discloses. But, by way of comment, some of

the trees may be singled out from the wood of statistics. Apart from the distribution of employment, one of the most interesting features of an occupational census is the proportion of the population that is gainfully occupied. Here are the figures from 1911 onwards, for men and for women:

I.—OCCUPIED AND UNOCCUPIED PERSONS IN GREAT BRITAIN
(in thousands)
(a) Persons aged 16-64

	Males			Females		
	Population	Occupied	%	Population	Occupied	%
1911.....	12,154	11,744	96.7	13,191	4,864	36.9
1921.....	12,901	12,450	96.5	14,528	5,158	35.5
1931.....	14,204	13,661	96.2	15,726	5,758	36.6
1939.....	15,236	14,827	97.3	16,633	6,250	37.6

(b) Persons aged 65 and over

	Population	Occupied	%	Population	Occupied	%
1911.....	915	520	56.8	1,221	140	11.5
1921.....	1,103	630	57.0	1,480	148	10.0
1931.....	1,425	683	47.9	1,892	155	8.2
1939.....	1,783	668	37.5	2,324	197	8.5

Among men aged 16-64, the proportion of persons without occupation has been very small, and almost constant,

Outward bound

From Great Britain to the four corners of the earth they went—ships of all sizes and every description, carrying British goods and manufactures to the peoples of the world. In a word: *Exports*. For over five years this stream of trade has been interrupted, but now the interruption is nearing its end. The Westminster Bank, fully alive to the vital importance of a healthy export trade, has built up an extensive fund of up-to-date information on world conditions, through its world-wide organisation of agents and correspondents. This information, which daily is being extended, the Bank gladly places at the disposal of all concerned with overseas trade

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except for a decline in the thirties. Among women in this age group, the proportion without gainful occupation has been much bigger, nearly two-thirds of the total, and, perhaps surprisingly, it remained fairly constant during the thirty years before the war. In spite of the large-scale recruitment of women for war work during 1914-18, the proportion of gainfully occupied women was actually smaller in 1921 than in 1911. The question whether the wartime recruitment of women will this time lead to a permanent increase in the proportion of gainfully occupied women cannot yet be answered with certainty. Recent investigations have disclosed that large numbers wish to stay on at work. But it would be unwise to draw hasty conclusions from opinions expressed while normal home life remains suspended through the absence of menfolk.

In the category of persons aged 65 and over, an increase in numbers has been accompanied by a progressive and—in the case of men—steep decline in the proportion occupied since 1921. The desire to retire after the age of 65 has undoubtedly shown a marked increase, hastened, probably, by the greater material security provided by old-age pensions and by the increased opportunity to save caused by the rise in real wages. The difficulty of finding employment during the inter-war years has probably been a contributory cause. As the population as a whole grows older—a tendency revealed both by the increased numbers aged 65 and over, and by the decline of nearly 1,100,000 between 1931 and 1939 in the number of children under 14—an increased burden will therefore be thrown on those aged 16-64. This will be accentuated by the raising of the school-leaving age; in July, 1939, the number of occupied boys aged 14-15 was 514,900, and that of girls 458,700. Hence the need of the financial incentives to stay at work at the age of 65, provided for in the Government's new pensions scheme.

If the occupied population is expressed as a proportion of the total population instead of as a proportion of the population of working-age, the percentage occupied is, of course, higher for 1939 than for 1931. Thus, the proportion of the occupied male population to the total number of males rose from 69 per cent in 1931 to 71.8 per cent in 1939; among females the increase is even more marked, from 26.9 per cent to 32.7 per cent. This phenomenon, of course, is a reflection of a change in the age distribution of the population, that is of the fall in the proportion of children to the total population. The fact that there were more hands relative to mouths in the population in 1939 than in 1931 is, perhaps, not entirely irrelevant to the persistent unemployment of the 'thirties; both employment and unemployment were higher in the 'thirties than ever before.

Another interesting question that can be answered from Mr Frankel's statistics is how many gainfully employed persons are manual and non-manual workers. These are the figures for July, 1939:

II.—MANUAL AND NON-MANUAL WORKERS, JULY 1939
(in thousands)

	Males	%	Females	%
Manual workers.....	11,065	69.2	4,510	65.4
Non-manual workers.....	3,753	23.4	2,035	29.4
Working on own account.....	942	5.9	361	5.2
Members of the Forces.....	250	1.5	...	...
Total.....	16,010	100	6,906	100

These figures, too, are somewhat surprising. The proportion of manual workers is still relatively high, and it is almost as high among women as it is among men.

The distribution of the occupied population between manual and non-manual workers is, of course, a function of the British economy as a whole. The growth of the national income has been accompanied by a decline in the proportion of the occupied population engaged in the so-called productive activities (items 1 to 16 in the accompanying table), and an increase in the proportion engaged in commerce service industries, and in the service of the Government (items 17 to 21). This trend, marked between 1921 and

1931, has continued in the 'thirties. Changes between 1931 and 1939 have been as follows:

III.—DISTRIBUTION OF OCCUPIED POPULATION
(in thousands)

	Males			Females		
	1931	1939	% Change	1931	1939	% Change
Productive occupations.....	10,051	10,570	+ 5.6	2,549	2,707	+ 6.2
Other occupations.....	4,750	5,440	+ 14.5	3,724	4,199	+ 12.8
Total.....	14,801	16,010	+ 8.2	6,273	6,906	+ 10.1

In 1939, the proportion of the occupied population engaged in the productive industries was 66 per cent for men and 39 per cent for women. (The marked difference among women in the proportion of manual workers and the proportion in productive industries is, of course, due to the fact that many service trades, especially domestic service, require manual labour.) Within the productive trades, there has been a further decline in the number occupied in the so-called primary industries, that is fishing, agriculture and mining. Some of the changes within productive trades other than primary industries, revealed by the table, are equally significant. With the exception of textiles, all the industrial groups have gained in numbers. The metal and related trades have gained substantially. Among the tertiary or service industries, one of the most remarkable features is the growth of the civil service.

Inevitably the trends revealed by Mr Frankel's statistics

IV.—OCCUPATIONAL DISTRIBUTION OF POPULATION OF
GREAT BRITAIN, JULY 1939

	Males (Aged 14 and over)			Females (Aged 14 and over)		
	1939 (000's)	Increase since 1931		1939 (000's)	Increase since 1931	
		Number (000's)	%		Number (000's)	%
Total population.....	22,332	873	4.1	24,135	788	3.4
Under 14 years of age.....	4,587	-530	-10.4	4,465	-552	-12.4
Aged 14 years and over.....	17,745	1,404	8.6	19,670	1,340	7.4
Unoccupied, aged 14 yrs. and over.....	1,735	196	12.7	12,764	717	6.0
Occupied, aged 14 years and over.....	16,010	1,208	8.2	6,906	623	10.1
1. Fishing.....	67	6	9.3	1	-1	-32.0
2. Agriculture.....	934	-186	-16.6	73	-1	-1.9
3. Mining.....	1,097	-234	-17.6	11	-2	-14.5
4. Bricks, pottery.....	185	14	8.4	60	1	1.1
5. Chemicals, dyes.....	217	36	19.7	70	13	22.5
6. Metals, machines.....	2,650	495	29.0	414	104	33.5
7. Textiles.....	474	-73	-13.3	666	-125	-15.8
8. Preparation of skins, leather.....	68	5	8.4	33	4	15.2
9. Clothing.....	332	-6	-1.6	603	61	11.2
10. Food, drink, to- bacco.....	496	51	11.5	291	27	10.3
11. Wood-working.....	305	20	7.1	41	6	15.6
12. Paper-making.....	355	31	9.6	196	23	13.3
13. Buildg., decorating.....	1,388	279	25.2	18	3	23.2
14. Other manufactur- ing industries.....	161	7	4.3	84	2	2.8
15. Gas, water, elect'y.....	289	52	21.7	12	5	58.4
16. Transport and com- munications.....	1,403	10	0.7	57	7	14.0
17. Commerce and finance.....	2,525	211	9.1	1,188	167	16.4
18. Govt.: Defence.....	250	171	63.4	110	21	23.8
" Central Govt.....	441	99	14.0	323	8	2.5
" Local Govt.....	803	56	16.3	417	94	29.0
19. Professions.....	1,399	56	4.3	417	94	29.0
20. Entertainment and sport.....	184	49	38.7	109	47	74.5
21. Personal service.....	838	98	13.2	2,052	146	7.6
22. Other occupations.....	150	12	8.9	76	32	71.6

have been completely distorted during the war. After reconversion the occupational pattern will once more resemble that of 1939, at any rate in broad outline. But in detail the figures for 1949 are likely to be very different from those for 1939. They will be influenced, as in the past, by the march of time. They will be influenced by the re-distribution of the national income in favour of the lower income categories, and by the need to expand exports. They will be influenced by Britain's ability to shed low-yielding occupations and trades in favour of high-yielding and more productive ones, and to make existing industries more productive. But, in the absence of a permanent and marked increase in the proportion of gainfully occupied women, the total occupied population will be smaller in 1949 than it was before the war. Britain can no longer afford to waste manpower; one of the major tasks after the war will be to economise it.

Business Notes

Election Markets

After more than a week of recovery, the markets took a turn down once more, but so far this new recession appears to have even less force behind it than the preceding recovery. The recession immediately followed the Prime Minister's first broadcast. Whether that was purely accidental, or whether investors were slightly alarmed at the lurid picture which Mr Churchill painted of the ultimate effects of a socialist regime, is difficult to say. Possibly, the speech was merely received as a reminder, and a somewhat sharp one, of the characteristics of the atmosphere in which a general election is fought. (It is worth noting that Mr Attlee's reply produced no acceleration of the decline.) However that may be, it is beyond question that minor fluctuations, amounting to two or three per cent in the index of equities, are to be expected for some weeks to come, irrespective of whether or not there develops a larger movement. All that can be said at present is that it seems more reasonable to expect a downward trend than the reverse.

The high lights of the general situation are shown by the chart of the indices of *The Financial News* and a rather subdued picture of some of the details by the figures of *The Actuaries' Investment Index*, both of which appear on page 790. The latter refers only to the position on Tuesday of last week, when the recovery had barely started, but as against that this monthly figure missed the peak of last August by some days. It is interesting to note that, while preference shares suffered appreciably, the only other fixed interest group to fall was 2½ per cent Consols. This week the gilt-edged market has been favourably affected by the announcement of the new issue of 2½ per cent National War Bonds. Its longer date has, inevitably, tended to push up the value of previous issues of these bonds, but there is also an improvement in longer dated stocks.

Other movements of interest outside the category of industrial equities are a marked rally in Argentine railway stocks on the renewed negotiations between the companies and the Argentine authorities and a rise in French railway bonds on the report from Paris that an agreement has been concluded for the payment of arrears of interest. There is no specific mention in the message concerning bonds drawn for redemption during the occupation, but that will presumably also be covered.

The House and New Issues

So far as can be ascertained, the new regulations covering capital issues grant to the Stock Exchange everything of importance for which its representatives asked, and there is widespread satisfaction with the result. There is, however, some regret at two aspects of the Government's policy. Of these, only one has any logical connection with the subject of new issues and that relates to the very modest possibilities allowed to financial institutions for increasing their capital. Some members suggest, and there is much force in the suggestion, that more money will be required by many of these to handle the increased business likely to come forward. Their contention may, perhaps, be expressed as a belief that the amount of capital in this section of the machine ought to bear a fixed proportion to the national income, or rather, to that portion of it which is devoted to raising new capital through the market. It is felt that there are still too many impediments to the actual obtaining of permission to issue. The fact that members of the exchange naturally wish to raise new issues to a maximum, provided that the projects are reasonably sound, does not destroy the force of the argument.

The second group are those who had hoped that the end of the war in Europe would bring the restoration to the Stock Exchange of full liberty, including fortnightly settlement and the right to deal in options. This group is probably ahead of the general body of members, and certainly ahead of the policy of the Council on these matters. On the particular point of dealing in options, it may prove to be the case that this will be one of the things which the market will definitely abandon. The volume of this business has declined with the fall in the volume of speculation, and it is a matter for consideration whether any use-

ful purpose will be served by restoring the practice. On the much larger question of the resumption of dealing for the account, there is also much to be discussed. It is doubtful whether, with existing staffs, the officials of the Stock Exchange could carry through their part in a fortnightly settlement. But it is also doubtful how far the market is anxious for a general resumption of the pre-war method, even when conditions are more normal. There is a good deal to be said for encouraging people to deal for cash even when the time comes, as it certainly should, when those who wish to deal for the account are permitted to do so. This is a matter, however, which, if account dealing is permitted, will have to be carefully reviewed as part of a wider policy.

The New Deputy Governor

The impending retirement of Mr B. G. Catterns from the deputy-governorship of the Bank of England and the appointment of Mr C. F. Cobbold in his stead, draw attention afresh to the great change that has come over the Bank since the close of the last war. Mr Catterns' nine-year tenure of his office does not, of course, equal Lord Norman's as governor, but it has been far longer than that of any of his predecessors. He was also the second only of the Bank's permanent officials—he graduated through the chief cashier's office—to reach the deputy's chair. The need for continuity in the highest offices, and for detailed knowledge of the Bank's internal organisation—even more important, perhaps, in the deputy-governorship than in the governorship itself—have wholly swept away the traditional system of two-year rotation of governors and deputies elected from a court of part-time directors largely recruited from the ranks of the merchant bankers. A further step in the same direction was taken by the Bank in 1932, when it inaugurated the system of full-time "executive" directors. This system may perhaps be expected to provide a natural training ground for the highest offices, more important for this purpose even than the non-directorial permanent appointments.

The appointment of Mr Cobbold to succeed Mr Catterns, with effect from September 1st, certainly lends support to this view. Mr Cobbold joined the Bank in 1933, and has now served seven years as an executive director. Many who knew him in the City have long felt that he was destined for high office—eventually, perhaps, even the

STAGGERED WORKING HOURS INCREASE TRAVEL COMFORT

There is only one way to ease the congestion of rush-hour travel—by spreading arrival and departure times over a longer period. If every other firm in a particular area were to alter working hours by 15 or 30 minutes, rush hour congestion would be greatly eased at Underground stations and adjacent 'bus stops. Already 600,000 London workers benefit from staggered hours.



As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so immediately upon receipt of a renewal notice. If they fail to do so, their subscriptions will be automatically cancelled on the date of expiry, and this may mean a gap of many months before the despatch of copies can be resumed.

highest. During the war he has been especially concerned with problems of external finance, which will certainly not be less important or less intractable in the post-war years. At the directorial level, he has been responsible for the creation of the system of exchange control, generally regarded as one of the most outstanding of the Bank's war-time achievements. The appointment is one of real promise, and has been welcomed as such—for Mr Cobbold is not yet 41, almost certainly the youngest deputy-governor in the Bank's long history. In the particular case of the Bank, youth not only has its usual advantages, but it also confers the benefit of freedom from the preconceptions of the pre-1931 world, which are often a positive handicap to clear thought about the very different problems of to-day.

New Bank Notes for France

The French Government is steadily adhering to the programme of financial action outlined in his Budget speech on March 29th by M. René Plevin, Minister of National Economy and Finance. The latest instalments are the exchange of all banknotes of Frs. 50 and over and the exchange or stamping of Treasury bills and short-term Treasury bonds. The operation, to be completed within 12 days from last Monday, is an administrative *tour de force*; some 1,600 million notes will have to be exchanged over 35,000 counters serviced by 120,000 employees.

The exchange of notes and the inspection of short-term paper forms part of the census of individual wealth that has been in progress for some time, and is, therefore, in line with previous steps, such as the requests for the declaration of foreign assets and for the registering of bonds and other securities. This census, which is to include other forms of property, is to form the basis of the forthcoming levy on war-time gains, estimated to bring in Frs. 100-125 milliards in four years; it will assist the Government in tracking down illegal and, especially, black market transactions; and it should facilitate the efforts now made by the Government to curb the long-standing evil of tax evasion of which M. Plevin gave some striking examples in his Budget speech. Incidentally, the nominal note issue will be reduced by notes that have been looted by the enemy, stolen or destroyed, and by notes whose owners do not care to hand them in for fear of investigation. If it can be successfully carried out, the census of notes and bonds will be a further step towards financial rehabilitation.

Checking Inflation

The exchange of banknotes is to be the occasion for a further attempt—the first was the issue of the 3 per cent National Liberation Loan last autumn—to reduce the volume of notes in circulation and, therefore, to diminish the inflation potential represented by hoarded notes. Owners of notes surplus to needs have been exhorted to convert them into bonds. On May 8th the nominal note circulation was still Frs. 589 milliards, compared with Frs. 632 milliards on October 5, 1944, and Frs. 123 milliards before the war. Since the exchange of notes will automatically involve the disclosure of individual holdings—the disinclination to do so has in the past been one of the obstacles to conversion—the latest appeal is expected to meet with some response. Obviously, the Government will have to pay a price for conversion, for it will involve the transformation of an interest-free debt into one carrying interest. It has been estimated, for example, that the farming community has hoarded Frs. 150-200 milliards of notes; at 3 per cent, conversion would cost the Government Frs. 4½-6 milliards gross in interest, compared with the yield of only Frs. 2 milliards in 1944 of the tax on farm profits.

The reduction in the note circulation, necessary though it may be, will not in itself remove the inflation potential. In France, where the banking habit is much less developed than in this country—total bank deposits, at Frs. 240-250 milliards, are less than half the note circulation—notes are still widely used as a store of value. But given an increase in the velocity of circulation, a note issue much smaller than the existing one could still carry prices to new heights; any such movement, moreover, would be accelerated by an increased turnover of Treasury bills, which in France are widely held by individuals. The real remedy, as has so often been said, is an increase in the supplies of goods and services. Meanwhile, the only efficient expedients to hand are those

practised by this country during the war in public finance and in the control of scarce supplies; but as supplies in France are much shorter than they have been in Britain at any time since 1939, the controls need to be applied more harshly if they are to be effective. Fortunately for Britain and unfortunately for France, there is a world of difference between controls applied loosely and harshly.

Drachma Devalued Again

The fresh wave of currency difficulties in Greece, discussed in these columns last week, has impelled the Government to announce new and drastic measures to bring the economic situation under control. Details are not yet available, but the main objects of the programme have been stated by M. Varvaressos to include fair and quick distribution of imported foodstuffs, reduction in the prices of certain essentials, increased agricultural and industrial production, and restoration of monetary stability and budgetary equilibrium. These are fine phrases, but it is not the first time they have been heard in Greece in the seven months since the new drachma was introduced. For that reason judgment on them must be deferred until it can be seen whether the Government can and will grapple vigorously with the difficult administrative problems involved.

The actual measures so far announced, like those imposed by other liberated countries facing comparable difficulties, appear at first glance to be contradictory. The policy of reducing certain key prices, for example, is to be combined with wage increases, which in some cases will reach 80 per cent. Moreover, despite the wavering confidence in the new currency, and despite the hopes of internal price reductions, the drachma is to be drastically devalued. The stabilisation law of last November, which fixed the exchange with sterling at 600 dr., is abrogated, and the drachma is to be devalued to 2,000 dr. to the paper pound and 4,000 to the gold pound. The contradictions are, however, more apparent than real. Since last November wages have been pegged, but most prices have in practice been uncontrolled. Hence the acute shortages of goods and fears of fresh inflation have combined to produce steep increases in prices, and in the black market rates for foreign exchange and gold. In such circumstances, a renewed breakdown of monetary economy could not be prevented unless the special hardships of the poor were relieved both by an increase in wages and a reduction in prices; and it was obviously necessary to reduce the drachma to a level at which there was reasonable prospect that it might be held. Whether that level has yet been reached cannot be judged by comparison with recent black market rates. The value of the Government's programme will depend absolutely upon its capacity to enforce reasonably watertight physical controls—which in turn depends not only upon its administrative ability, but upon political confidence even more than economic.

Cheque-Encashment Restrictions

A significant restriction of the customary cheque-encashment facilities became effective last Monday. As from that date, no bank which is a member of the British Bankers' Association will cash or exchange any cheque, payable order or draft unless it is

- (i) uncrossed and drawn on the branch at which it is presented;
- (ii) presented by the drawer or his known agent;
- (iii) payable under a credit established on behalf of the drawer;
- (iv) drawn for a sum not more than £10, in which case the branch manager may cash or exchange it at his discretion "on exceptional or isolated occasions."

In all other cases the cheque must be paid in full through a banking account. The effect of this is to restrict the payment of cheques over the counter and, in particular, to stop the quite common practice of cashing "third-party" cheques for customers on what is known as an "exchange" form. A person who received an open cheque from a third party drawn upon a bank at a distance, or a crossed cheque, could nonetheless often secure immediate cash for it from his own bank. The banker, if he exercised his discretion to grant an "exchange," in effect bought the cheque from the customer, and although he took it subject to recourse to the customer, was then collecting it on his own behalf. Hence neither the credit nor the corresponding cash debit figured in the customer's account.



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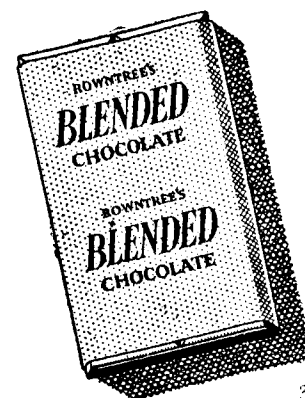
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This is the clue to the reason for the tightening-up of practice. It is understood that the new restrictions result from the initiative of the Government, and have as their primary object the prevention of tax evasion and, possibly too, black market operations. If all receipts by cheque must figure in a banking account, the task of the evader is obviously made more difficult, not because the tax authorities have any access to the banks' books—an order of the Court is required to compel them to produce them—but simply because a suspected person would find it hard to refuse to exhibit his pass-book to the authorities, and must in any case submit it to the scrutiny of his auditors or accountants. The step seems a sensible one, and must be welcomed even though, like other measures of the kind, it will inevitably cause a certain inconvenience to the general public.

Payments on Account

Some months ago *The Economist* drew attention to an argument, advanced by Mr F. A. Roberts, Incorporated Accountant, to the effect that payments on account constituted an addition to the capital of the contractor receiving them for purposes of determining EPT. This point has now been taken up by the Tata interests, who have obtained legal opinion in this country. Of two opinions taken, that of Mr N. E. Mustoe supports this view in full—a second opinion agreed, with certain reservations, as to the position under Government contracts. After full argument, Mr Mustoe says:

(1) An advance payment is neither a debt nor borrowed money within Rule 2 of Schedule II. The payment is received by the contractor absolutely, although he is under contingent liability to pay an equivalent amount to the purchaser if he should fail to perform the contract.

(2) The work in progress should be included in the balance-sheet and in the capital computation at its full value. In contracts between subject and subject the work in progress remains the property of the contractor until delivery has been taken. The payments on account, having been received absolutely, are also assets.

The opinion then goes on to consider the position under wartime contracts. Under these work in progress is commonly the property of the Government (even when it is financed by the contractor) and so cannot be considered an asset of the contractor. But he has the right to receive payment when the work is complete, and Mr Mustoe considers that

the asset consisting of this right should be shown in the balance-sheet and be included in his capital computation.

Further:

Unless the contract makes payments on account debts due to the Government, these payments should also be treated as assets because the contractor acquires a title to them at the time when they are made.

It would be hard to ask for anything more definite than this statement. The new point which emerges is that concerning the inclusion as an asset of a debt from the Government which will not become due until the completion of the contract. Actually, this places the contractor in the same position as that envisaged when the contract is between subject and subject, if he has not himself financed the purchase of the materials. If he has, he is still worse off than when dealing with another subject.

The financial interest of the British public in this opinion lies in the fact that the clauses of the Indian EPT Act appear to be identical with those of the British Acts on this particular matter. If the Tata interest press the matter to a conclusion—as it is understood they will—a decision by the Privy Council would, it is believed, be binding on the British Court of Appeal. There would still be a question of a further appeal to the Lords, and it is by no means certain that either they or the Privy Council would agree with Mr Mustoe, but the matter is one of considerable interest even if—as should be the case—a beginning is made this autumn with the removal of EPT.

Mr Bevin's Motor Car

The highlight of the second reading of the Finance (No. 2) Bill in the House of Commons on Monday was Mr Bevin's forthright attack upon the present horse-power tax on motor cars and upon the lack of standardisation in

the industry. (The occasion was the exclusion from the Bill of a revised system of taxation.)

Mr Bevin, who had been allocated a Morris 10 for his use as Minister of Labour, must have voiced the feelings of many when he explained the discomfort of a motorist who has to ride in a car "with his knees in his mouth." But his purpose was not merely to ridicule the small car; his criticism was directed at a system of taxation that has tended to concentrate demand on a kind of car ill-suited to foreign markets, and at the obstruction to changes by some members of the industry. He urged the adoption of a system of taxation that would cause a shift in home demand in favour of a bigger car which would find a ready market abroad. Mr Bevin also drew attention to the need for a greater measure of standardisation in the industry as a means to a reduction in costs. The result of the multiplication of types and sizes, he said,

is that the cost of a motor car in the United States of America, per pound weight—at three times the wages—is 9d. a pound on (the basis of) 1938 prices. In this country it is 1s. 4d.

It has been said often enough that the British motor industry will have a better chance of becoming a big export industry during the next few years than it ever had before; and the apparent reluctance to undertake the modifications of policy necessary to success is inevitably giving rise to impatience. The production of motor cars has already been resumed, and output is reported to show a steady expansion. For a time the industry will have to produce pre-war models, and given the pent-up demand at home and abroad it will have no difficulty in selling them. The industry will thus have a short but limited breathing-space to design the cars that will ensure it a permanent footing in the foreign market, and provide the British motorist with a more comfortable and roomy low-priced car.

Food Subsidies

The current level of the cost of subsidising foods has recently been given in Parliament about once every three months. On June 1st, the Minister of Food produced a table, in answer to a question, showing the retail price of

	Retail Price	Retail Price Plus Subsidy	Yearly Rate of Subsidy in March, 1945
Bread, per 4 lbs.	s. d. 0 9	s. d. 1 1	65
Flour, per 5 lbs.	1 3	1 9½	
Oatmeal, per lb.	0 3½	0 5	
Meat (home-killed), per lb.	1 0½	1 4½	24*
Potatoes, per 7 lb.	0 7	0 10½	28
Eggs, per doz. (large)	2 0	3 6½	16
Eggs, per doz. (small)	1 9	3 3½	
Sugar, domestic, per lb.	0 4	0 6	17
Milk, per quart	0 9	0 10	20
Cheese, per lb.	1 1	1 4	4
Bacon, per lb.	1 10½	1 11	2
Tea, per lb.	2 10	3 0	3

* Including imported.

subsidised foodstuffs and an estimate of what the retail price would be if the amount of the subsidy were included in prices. The table is reproduced on the preceding page, and the last column, which has been added from *Hansard* of March 23rd, shows the annual rate of the subsidy. The total cost of the subsidy was then at the rate of £225 million a year, including subsidies not shown in the table amounting to £46 million a year.

Whether food will continue to be subsidised at its present rate may be a matter for decision in the next Budget. The figures in the table apply to the position on May 1st. The tonnage subsidy on potatoes has since been withdrawn, and the retail price of potatoes raised, from May 27th, by 2d. per 7 lbs. for most grades. This increase is bound to have some effect on the cost of living index, which on May 1st stood at 203 (1914 = 100)—the highest point reached since 1921.

Tobacco Scarcity

The public is almost used to the recurrent periods of tobacco shortage, although it never ceases to grumble about them. For some time past output of cigarettes has been only enough to keep up with requirements, even

though more are being manufactured than before the war. The quota of tobacco which goes to manufacturers is based on the year ending March, 1940. In 1940 the quota was 90 per cent of consumption in the basic period and in 1941 it was raised first to 99 per cent and then to 108 per cent. In that year the decision was made to use more leaf in cigarettes, which brought the amount of the quota to 117 per cent (and incidentally affected quality), where it remained until this month, when an increase of 5 per cent was granted. Output is at the rate of 1,700 million cigarettes a week for civilian consumption and over 500 million for the forces.

The present shortage is due to a number of causes. Retailers' stocks have been insufficient to meet the drop in output and hold-up, in distribution arising from the VE celebrations and Whitsun holidays, and in London particularly the position has been aggravated by the return of evacuees and the influx of visitors.

Manufacturers could produce more cigarettes if they had more labour—there is no shortage of tobacco—and the purpose of the five per cent quota increase is to enable them to take immediate advantage of any labour they may be fortunate enough to acquire. Meantime an attempt is being made to adjust distribution to the shifts in population, and London supplies are to be increased by two-and-a-half per cent.

Aviation in India

The future policy for Indian civil aviation—at any rate, in the "post-war period"—has now been fully decided so far as national services are concerned. The Government has accepted, in general terms, the recommendations of Sir Ardeshr Dalal's Reconstruction Committee. In their Second Report, published last November, the Committee outlined the rather hesitant attempts at a development policy in civil aviation. The Government had at that time been authorised by legislation to make rules for an Air Transport Licensing Board, and to decide the principles on which it should work.

The latest development is, therefore, the outcome of a policy already half-decided. In effect, air transport in India itself is to be operated by commercial enterprise, but only through a limited number of companies, which would be approved by the Board. This plan, though broadly similar to the American pattern of the Civil Aeronautics Board, differs from it insofar as the Government reserve the right not only to participate financially in selected companies, but also to operate services themselves. Further, it remains to be seen whether negotiations with the Indian States will result in the Board having power enough to guide development of air transport on an all-India plan.

While the Government statement mentions the preparation of plans for building the necessary aerodromes and buildings, and for organising, training, telecommunications, time-tables, and so on, there is no mention at all of aircraft to fly the proposed 11,000 miles of air-routes. Undoubtedly, a fair number of 12-20-seater transport aircraft will be needed for expanding routes, and to replace obsolete machines. Until the Indian Government can arrange to import British aircraft or to buy, directly or indirectly, some of the American surplus, these development plans must remain paper projects.

Iraq's "Hard" Currency Needs

As had been expected, the Exchange Requirements Agreement with Iraq announced last week follows closely the lines of the agreement reached with Egypt early this year. The *raison d'être* of both agreements is, indeed, the same. Egypt and Iraq are the only important non-Empire members of the Sterling Area. Both countries, moreover, have fallen within the scope of the Middle East Supply Centre, which, in consequence of the acute shipping and supply bottlenecks, has throughout the greater part of the war imposed a tight rationing upon the imports of all Middle Eastern countries. So long as this system operated, the extent of Egyptian and Iraqi demands upon the "hard" currency resources in the London pool was, in effect, determined by Anglo-American policy. But, with the substantial withdrawal of MESC control at the beginning of this year, the Middle Eastern countries became free to direct their own import policies. It thus became important to reach agreement with the Sterling Area members concerned upon an equitable

limit to their net demands on the "hard" currency pool, and to persuade them of the need for setting up effective import control machinery—to ensure both that the "hard" currency target was not exceeded and that other imports were kept within reasonable bounds.

Under the Egyptian agreement, the "hard" currency allotment for 1945 was fixed at £110 million plus a possible £5 million for special imports of wheat and fertilisers, if available. For Iraq the quota has been agreed at I. D. 3.5 million—the Iraqi dinar is at par with sterling—a limit which applies for the whole of 1945 and not, as has been suggested in some quarters, simply for the remainder of the year. As in the case of Egypt, there is provision for a raising of the limit in certain contingencies, such as an increase in American prices by more than 10 per cent, or if supplies are present expected to come from "easy" currency areas can in fact be obtained only from "hard" currency areas. The Iraqi Government agrees to introduce an import licensing system; to restrict imports from "easy" currency countries outside the Sterling Area to the "real needs" of Iraq; and to relinquish the special dollar pool procedure whereby Iraq in the past has retained her own dollar earnings for her future use.

These agreements have been criticised in some quarters as being over-generous, on the grounds that Britain, with her top-heavy external position, can ill afford to make dollars available to third parties. This, of course, is a wholly unrealistic view. The Sterling Area cannot function as a closed circle for trade, and its members—especially countries that have been kept as bare of supplies as have the Middle East territories—cannot be deprived of essential goods simply because they make demands on the exchange pool. It is to be hoped, however, that those demands will be reduced as Britain's export capacity revives. It has also been suggested that Iraq's "hard" currency quota will be larger than her dollar receipts under the special pool arrangement. This may be true, but, if so, it is no proof that the quota is too liberal, for the dollar accumulation occurred at a time when sheer physical shortages prevented the import of vital supplies.

Profit Limitation in Australia

The latest instance of the effects of labour legislation in Australia upon the British investor is provided by a statement of the board of British Tobacco (Australia). According to this the price of tobacco leaf imported from the USA has risen continuously throughout the war, while the company has been prevented from raising its selling prices by the regulations imposing a ceiling. It is stated that the sole concession made has been the granting of a rebate of 4½ per cent of the Customs duty paid. With the latest rise in the price of leaf, the net revenue remaining with the company will be insufficient to cover the dividend at the reduced rate of 9 per cent paid during the war.

This, however, is not all, for the Government has imposed an arbitrary upper limit to the retainable profits of the company. This limit is also well below the sum required for necessary appropriations, and the maintenance of the 9 per cent distribution. The company has taken the best legal opinion available, and on the basis of it has informed the Australian Government that it cannot consent to hand over the profits above the prescribed maximum. There has been continuous contact with the Government, and the whole case was presented in February, since when no intimation has been received of the Government's reply to the case. So far the quarterly dividends of 2 per cent have been maintained, but if there is no change in the attitude of the authorities, these and the usual final of 1 per cent can only be distributed if the board decide to trench on the surplus accumulated from earlier years. The price of the 20s. shares is some 36s. 6d., to which it fell from 38s. on the announcement.

Tap 2½ per Cents Return

From next Wednesday, 2½ per cent National War Bonds will again be on sale through the tap, and on Tuesday the 1½ per cent Exchequer Bonds will be withdrawn. This news was not unexpected, for when the issue of 2½ per cents ceased last October, the Chancellor stated that it was his intention to give them a "short rest," and implied that a similar security would be introduced after a relatively short run of the shorter-dated Exchequer Bonds. In the meantime, it is true, there has been much discussion in the City of the possibility of the introduction of a some-

what different type of security, and it was surmised at one time that the decision to continue the offer of 1½ per cent Bonds beyond last February indicated the intention to make a different kind of appeal as part of a post-VE savings drive. If this was so, the postponement of the savings drive has led the Chancellor to revert to the original plan.

The new issue, with a latest maturity date of August 15, 1956, and an optional redemption date two years earlier, thus has a maximum life of eleven years and two months, which is eight months more than the maximum life of the last 2½ per cent issue (1952-54), when first offered in September, 1943. Once again, therefore, the terms have moved in favour of the Treasury, but it would be wrong to regard this lengthening of the currency as imparting a fresh "screw" to the market. The better terms really do no more than reflect the psychological, and rather irrational, effect on the market last November of the decision to offer a security carrying less than 2 per cent. Indeed, the new issue seems to be closely aligned to the existing market structure, even though the announcement did lead to a significant rise in the Gilt-edged market. As for the 1½ per cents, their departure will cause no regrets. They have not been a popular security, and although their total now reaches £300 million, it is widely believed that the large reduction in the volume of outstanding "tap" Treasury bills in recent months is really in the main the counterpart of official subscriptions to the bonds.

IC Gas Revenue

The liberation of France and Belgium has enabled Imperial Continental Gas to obtain at least partial information about its undertakings in those countries. These, with a substantial holding in Edmundsons and a block of general investments, make up its principal assets. Most of the companies in both France and Belgium paid dividends throughout the war and the parent company has received the equivalent of £417,135 from the latter country. Nothing has been received from France, but there are some 40½ million French francs and 50½ million Belgian francs in the hands of the German Custodian or otherwise blocked, both of which should be recoverable. No credit has been taken for either of these sums in the accounts, but the sum actually received from Belgium is included.

The net profit shown in the accounts, after meeting taxation of £275,883 compared with £54,000 for 1943-44, is £165,103 for the year to March 31, 1945, and £138,833 for previous years. As already announced, dividends totalling 10 per cent are to be paid, which absorb £280,000 net and reduce the carry forward from £235,197 to £199,133. With the paucity of information so far available as to the state and prospects of the Continental undertakings, it is quite impossible to hazard a guess as to the revenue to be expected from them. Owing to the acute coal shortage, there is a reasonable probability that it will for some time be poor, but there are the payments still due which amount to a sum not much short of £500,000 to cover the period before full operation is restored.

The payment of a 10 per cent dividend cannot be read as suggesting that that rate is to be maintained. Indeed it is made clear that only 3½ per cent is paid from current income. The stock of the company stands at 126, which, on the basis of the yield on home gas stocks, would suggest that a dividend around 4½ per cent is expected. The net revenue available for dividends from home investments has averaged 1.3 per cent per annum for the four years of the occupation. This may be expected to increase somewhat, but the main contribution required to realise even a 4½ per cent distribution must come from the Continental investments, concerning which it is hoped that more information will be provided at next week's annual meeting.

Engineers' Jubilee

The Amalgamated Engineering Union, now 25 years old, is celebrating its Jubilee in London this week at an extremely critical period for the future, not only of the union but for the whole engineering industry. The AEU has not achieved its hopes of reaching the million membership mark in 1945, though it now has just under 900,000 members. There has in fact been a slight decline in membership from its peak in 1944, and the union leaders admit that their main problem now is not so much to increase the number of members as to retain those they already have. When numbers of war workers, recruited to

the AEU in wartime, are leaving industry union strength will almost inevitably wane. By contrast, the AEU is financially stronger than it has ever been before. With nearly £7 million in its funds, it is the richest union in the country.

One of the chief problems which the National Committee has been discussing this week is the thorny question of "redundancy," which is bound to increase enormously in the transition period. Workers affected are inclined to regard the term "redundancy" as a Whitehall circumlocution for unemployment, but the union has been pressing that they should be regarded not as unemployed and eligible for unemployment benefit, but as "temporarily displaced" workers and paid the normal week's wages until they can be absorbed elsewhere. The extent of redundancy is not reflected in the Ministry of Labour unemployment figures, nor in the union's own unemployment returns. In order to minimise the effects on unemployment of the change-over, the union is pressing for Government orders to be continued for peacetime production as they were for wartime production, and for a continued control over industry, without which they fear large-scale dislocation and unemployment. The AEU has presented its plan for reconstruction of the engineering industry to the Government, incorporating these points and emphasising the need for improvements in industrial efficiency.

Important discussions on a new wage structure for the engineering industry were held on Thursday, too late for comment this week.

A Contrast in Coalfields

The two latest reports in the series of regional coal surveys conducted by the Ministry of Fuel and Power both deal with Midlands districts. The survey of the Midlands coalfield covers North and South Staffordshire, Warwickshire and Shropshire; that of the North Midlands deals with Nottinghamshire, North and South Derbyshire and Leicestershire. They present a complete contrast.

The report on the Midlands coalfield is extremely discouraging. Output declined from its peak of 20,365,800 tons in 1939 to 16,039,800 in 1944, the chief cause of the decline being the fall in manpower (from 66,479 in 1939 to 60,002 in 1944) and the increased age of the miners. Other reasons listed by the Committee, such as absenteeism, are the familiar ones which apply more or less to every coalfield. On the owners' side, the lack of development and the failure to apply scientific methods of production are blamed, while there has been a general lack of good will and co-operation.

The Committee's positive suggestions for meeting the deficiencies include efforts to reduce voluntary absenteeism and to combat involuntary absenteeism through the prevention of industrial disease and the rehabilitation of incapacitated miners; the centralisation of output and an overall increase of mechanisation. In point of fact, as much as 79 per cent of the district's output was cut mechanically in 1943, but there seem to have been a number of mechanical breakdowns and inefficient maintenance. The utilisation of machinery, as the Committee points out, calls for a higher standard of training, and

the raising of the status of a man working in the coal mines to the more efficient and dignified one of a mechanic. With the Reid Report, the Midlands committee concludes that increased output per manshift and efficiency in production should be the keynote for the future.

The report on the North Midlands coalfield is unfortunately far less detailed, because its committee considered technical questions and methods of working to be outside its terms of reference. It concerned itself entirely with the geological reserves, which are of course enormous. The North Midlands coalfield is extremely rich and productive, and there are a great many unexplored seams, which the committee urges should be investigated and developed without delay. Indeed, since it is clear that the burden of meeting Britain's coal needs will fall more and more on this coalfield, it is essential that it should be developed to the maximum. By contrast with the position in the Midlands and elsewhere in the country, output from the North Midlands has been well maintained; in fact, the peak of production was reached during the war. In 1942, the peak year, 38,094,700 tons were produced with a manpower of 99,266; in 1944, output was slightly less, 35,659,600 tons, and the manpower about the same. In 1938, production was only 32,180,000 tons and manpower 98,692.

COMPANY MEETINGS

GEORGE WIMPEY AND COMPANY, LIMITED

MR G. W. MITCHELL ON WAR ACHIEVEMENTS

The twenty-sixth ordinary general meeting of George Wimpey and Company, Limited, was held, on the 6th instant, in London.

Mr G. W. Mitchell (chairman and managing director) in the course of his speech, said:

The country faced the war unprepared, and with immense tasks of construction to carry out. In these works our contribution up to the end of last year has amounted to over £70,000,000, involving the continued services of some 15,000 workers and hundreds of units of modern contracting plant. We count ourselves fortunate in having been able to make what we feel is a significant contribution in our field to the nation's war effort.

When I addressed you before the war, at the time when steps were first being taken towards national defence, we had commenced the construction for the Office of Works of a new ordnance factory in the North Country, and we had also been entrusted by the Admiralty with the construction of the largest bomb-proof oil store in the country. The ordnance factory was considerably expanded at the outbreak of war, until finally it covered 20 square miles and included its own power stations, concrete water reservoirs, many miles of roads and railways, and piled foundations to buildings. The oil storage reservoir covered eight acres, was 6½ ft. high, and contained 360,000 cubic yards of concrete and 22,400 tons of steel reinforcing rods. Since the completion of the job, early in 1942, we have not returned to carry out even the slightest maintenance or repair, and there has been absolutely no leakage.

AIRFIELDS AND OTHER CONTRACTS

At this early date construction of some six airfields for the Air Ministry had also commenced. The size of airfields during the course of the war has been so increased that nowadays the construction of a modern airfield is an extremely large undertaking. Your company has carried out either the whole or the major section of 91 airfields. The latest, and by far the largest, of these—on which we are now engaged—will, we hope, become one of our main links of Empire after it has served its military purpose.

A contract of some considerable interest was the construction for the Imperial Chemical Industries of a finely conceived plant for the production of oil, involving not only very extensive brick and concrete buildings, but a Goliath crane track, a reservoir, huge pipe duct, roads, railways, and an outfall drain 1½ miles out to sea on a piled foundation in the sand.

Another contract of interest was the conversion of extensive underground workings into stores for the safe keeping of many of this country's historic treasures, as well as underground factories for the manufacturing of certain of this country's vital war-time needs. In addition we erected a miniature township near the same site to house the many workers so employed, complete with a reservoir and sewage plant. Owing to the demands for water supply to large Government factories, we were called upon to construct with the utmost speed an impounding reservoir of 800,000,000-gallon capacity to supplement existing supplies.

VARIETY OF WORKS

It is not possible for me to give you even brief particulars of all our contracts, but you will be interested to notice the immense variety of the works undertaken. They include shipbuilding berths and slipways, harbour works of various types, factories for the construction of

one of Britain's leading 'planes, mills for aluminium and steel works, railway marshalling yards, many miles of water and electricity mains, large numbers of oil tanks and 130 miles of pipeline—some 2½ miles of it submarine—houses for workers, grain silos, munition depots, emergency hospitals, bomb decoy stations, hostels, ordnance factories, balloon barrage depots, storage depots, Army training camps, gun sites, coastal defence works (following Dunkirk), and major repairs to blitzed factories.

Cost-plus work—principally emergency defence works and blitz repairs and reconstruction (which it is impossible to measure)—amounting to less than 6 per cent., the remaining 94 per cent. being taken in competition.

Though many of the contracts were of a value exceeding £1,000,000, you will perhaps get some idea of the progressing, planning, and administrative organisation involved when I mention that the total number of contracts secured since the outbreak of war is 1,562, spread all over England, Scotland and Wales, so that there is hardly a hamlet where our name is not known.

The work I have briefly outlined has involved the use of 1,500,000 tons of cement and the excavation and haulage of 100,000,000 tons of materials.

Then I must also mention our asphalt and tar-macadam department. During the war years they have laid no fewer than 16,500,000 square yards of surfacing, and have kept in the forefront of this particular branch of the contracting industry.

More recently, when all war-time factories were developing full production, there has been, as you know, a severe shortage of coal. In order to supplement normal supplies certain contractors have undertaken the excavation by mechanical means of coal near the surface. We have been engaged in a number of contracts, which are still proceeding.

EQUIPPED FOR POST-WAR

Great as the tasks of war have been to us in our industry, those facing us in peace will be far greater. Our war experience has really been a battle against the shortage of material means and, most important, time. We have been driven to consider every technological device for scientific aid which could improve our efficiency. Backed by this experience, we should be able to play an important part in the physical rebuilding of Britain.

We have established a very completely equipped laboratory, where we do the maturing and testing of concrete, the analysis of materials used in construction, and investigate foundation problems on modern soil-mechanics principles.

DIVIDEND OF 20 PER CENT.

Our building department was highly developed prior to the war, and made a substantial contribution towards the solution of the housing problem over a number of years. This department should in the days ahead make a much greater contribution in a wider field of activity.

At the present time we have a substantial amount of varied work on hand, and we anticipate with confidence that we will be able to play our part in the peace, as we have done in the war.

The profit for the year is £219,000, compared with £227,000 for the previous year. Your directors recommend the payment of a dividend on the Ordinary shares at the rate of 20 per cent. for the eleventh successive year.

The report was unanimously adopted.

EVER-READY COMPANY

ALL SERVICE REQUIREMENTS MET

Mr Magnus Goodfellow (chairman and managing director) presided at the ordinary annual general meeting of this company held, on 4th instant, at Hadley Common, Barnet.

The following is his statement, issued with the report and accounts for the year ended March 31st, 1945:—

The accounts before you show a reduction of net profit of £33,000 compared with the previous year. Stripped of various unimportant items, the profit of the year is the profit permitted under excess profits tax, the fall being due to the reduction of the E.P.T. capital structure owing to the writing off on the plant establishments, etc., account.

During the past five years we have operated fifteen factories in England and since 1942 one in Scotland. Of these factories 12 are established in north and north-east London, in which area some 5,000 people have worked throughout the war. I have unstinted admiration for them for the courage and determination they have shown under conditions of great danger and discomfort.

PROMPTNESS AND QUALITY

In common with most industries our supply to the civilian population has taken second place to the needs of the fighting forces, and I am happy to be able to say that the requirements of all the service departments have been promptly met; indeed, we have on a number of occasions been complimented on our promptness and quality.

We have sustained heavy damage by enemy action, which has from time to time reduced production, but we have throughout the war been fortunate in that we have not had to face damage that put us at any time entirely out of action. The cost value of destroyed stock, etc., has been paid to us under the Government insurance scheme, and we await the payment for the damage to buildings, fixed plant, in the now, we hope, not distant future.

HOME MARKET AND EXPORTS

The unconditional surrender of Germany, and therefore, the termination of hostilities in Europe, will enable us rapidly to increase and improve our supply to the home market, and we also have our eye on the export trade.

As stated in the directors' report, C. H. Dade retired from the board during the year. Mr Dade has served upon the board of your company since its first formation in 1913. J. Lister also retired during the year. Mr Lister entered the service of the company in 1914 and was elected to the board in 1936. I will propose that we send to them our thanks for their services and our good wishes. In conclusion, I cannot speak too highly of the work and conduct of everyone engaged in the Ever Ready industry.

The report and accounts were adopted.

SIMMS MOTOR UNITS, LIMITED

The twenty-fifth ordinary general meeting of Simms Motor Units, Limited, was held, on the 31st ultimo, in London.

Mr Tom Thornycroft (the chairman), in the course of his speech, said: During the past year our activities have continued to expand, the company being very fortunate in having as most of its war product items which are the normal production in peace. There has been a reduction in the profit before taxation, from £149,910 to £122,839, not due to reduction in turnover, which actually went up.

Before the war we were producing electrical mechanism and fuel injection equipment for commercial motor vehicles of the best class. We were also developing the aero magneto. The company has not only produced a very large number of machines but also developed the finest high altitude aero magneto in the world. The report was adopted.

JOHN SUMMERS AND SONS, LIMITED

VAST STEEL OUTPUT

MR RICHARD F. SUMMERS ON WAR PRODUCTION

The annual general meeting of John Summers & Sons, Limited, was held on the 1st instant at Hawarden Bridge, Steelworks, Shotton, Chester, Mr Richard F. Summers, the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:

For the last five or six years practically all our energies have been directed towards ensuring that this company should make the greatest possible contribution to the successful prosecution of the war. Nevertheless for the last twelve months or so we, in common with the industry as a whole, have whenever possible been considering our plans for the future, so that we may be in the best possible position to fulfil whatever demands the post-war world may make. So far as I can see there is every reason to suppose that there will be a heavy demand for all classes of steel for many years to come. The unprecedented destruction that has taken place throughout the world in the last five and a half years will certainly result in there being an enormous demand for steel, and in addition, because all our products have had to be diverted to war uses, there will be a tremendous shortage of civilian articles for the manufacture of which we have to provide the raw material.

A GREAT CONTRIBUTION

I should now like to say something about the great contribution our company has made towards the defence of this country and the overthrow of the forces of the aggressors. We have been working at very high pressure for the last six years, producing some 3,350,000 tons of ingots. From this tonnage a vast variety of weapons and equipment has been manufactured, including incendiary bombs, army vehicles, Bailey Bridges, jettison tanks for aircraft, and Anderson and Morrison air raid shelters. Perhaps the most outstanding contribution has been the supply of sheets sufficient to make over 60,000,000 shell and ammunition boxes, over 40,000,000 jerrycans, and 16,000,000 drums for petrol and oil. These and innumerable other articles of a warlike character absorbed almost the whole of the 2,220,000 tons of sheets which we have made.

In Normandy our products were on the beaches and in the harbours, and they also played a very large part in the final assault on Germany and the successful crossing of the Rhine. The directors feel that you are entitled to be proud of this contribution made by your company during the war years.

STEEL TRADE'S PART

Too little credit has I think been given to the steel trade for the part it has played in the war. I know that this is in some measure due to the security black out which has been placed upon us, but the industry has in my opinion always been too modest in informing the general public of what it does and what it achieves. I believe that when the full story of the steel trade's contribution towards winning the war is made known, it will be a clear vindication of private enterprise, and of the policy of improvement and modernisation which was carried out in the national interest in the years just prior to the outbreak of the war.

No doubt you will have read in the Press of the proposed developments of the sheet and tinplate industry in South Wales, and of the possibility of the installation of another continuous strip mill, and I imagine some of you may have wondered what effect this development is likely to have upon our company. I think it is almost universally recognised by the users of steel

sheets and tin plates that the quality of these articles produced on continuous mills is vastly superior to the quality of those made by the old fashioned method. In these circumstances it seems to me essential that the two industries should be in a position to fulfil the requirements of their respective customers by this modern method, and, therefore, your directors look upon the proposed developments as logical and in the best national interests. We are satisfied that through the medium of the British Iron and Steel Federation there is adequate machinery to ensure that these developments shall take place in an orderly manner, and that there is no need to fear that too much modern capacity will be installed, resulting in over-production.

HEAVY DEMAND EXPECTED

With regard to the future, I look forward to a period of heavy demand, but it will undoubtedly be a period in which there will be many difficulties to overcome. For instance, it will be hard for this industry to compete with foreign producers so long as we have to bear the present very high cost of coal and raw materials. Undoubtedly also the far reaching schemes for social improvements and security which are either now in being, or envisaged, will necessitate a high rate of taxation, and a heavy charge on industry. It would also seem probable that we shall have to face an increase in the cost of transport.

I expect some of you will have seen the criticisms which from time to time have been levelled against the British steel industry. Statements have been made that its prices compare unfavourably with those of some other countries, and that the industry has lacked foresight in the past and has been far too reluctant to modernise its equipment. I cannot help feeling that some of our critics cannot be in possession of all the facts, and do not fully appreciate the very substantial natural advantages which are enjoyed by the steel trade in America as against the conditions under which we have to work here. It should be remembered that the British steel industry was founded on the basis of adequate and cheap supplies of coal. Now that the price of that commodity is rather more than double what it was in 1939, it should not be difficult to appreciate the very serious adverse effect which this and the resultant increase in the cost of gas and electrical energy will have on the price of British steel.

IMPORTANCE OF EXPORTS

The industry is well aware of the necessity of producing the right quality of steel at the lowest possible price and by the most modern methods, and it is also fully alive to the fact that it is essential for the future prosperity of this country that we should be able to compete in the export markets of the world. Much modernisation has already taken place—a good deal more, I think, than is generally appreciated—and in nearly every case it would I believe be true to say that the plans for completing the task have been prepared, and can be embarked upon as soon as the war situation will allow and the necessary equipment is made available. I would, however, emphasise that whilst we are engaged upon these developments everything possible must be done to lower the cost of our vital raw materials. I feel convinced that if this country is to regain its pre-war position in the commerce of the world, it is essential that there should be the closest co-operation between producer and consumer, and that the national unity, which has been such a marked feature of the years of war, should be carried forward into the years of peace. The report was adopted.

HOME AND COLONIAL STORES, LIMITED

INCREASED TURNOVER AND PROFIT

SIR GEORGE SCHUSTER ON FOOD DISTRIBUTION

The fiftieth ordinary general meeting of the Home and Colonial Stores, Limited, was held in London on the 8th instant.

The following are extracts from the annual review by the chairman (Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.) circulated with the report:—The profit for the year shows an increase of about £82,000. Apart from savings effected in special war expenditure and increases in sundry revenue, this sum represents additional profits on the retail and overseas sections of the business, against which the earnings of our factories have been less. The turnover of the group, as compared with the previous year, shows an increase of about 4 per cent. but the margin of gross profit was slightly less. Our turnover is still 15 per cent. below the figure for 1938, in spite of higher price levels. This is due, of course, to rationing and restricted supplies. The companies in the group whose shops are run more on specialist lines have suffered most by reason of these war-time conditions, the turnover of some being 30 per cent. below pre-war level. Other companies in our group doing a general business have maintained and even increased their trade. The net profit on the retail side of our business was about £17,000 up.

The Lipton Overseas business, which during 1943 was affected by special trading difficulties in India, has shown improved results, the profits in the aggregate being some £60,000 better than the previous year.

POST-WAR TASKS

We are now at the stage when we must concentrate on our post-war problems. Our first task is obviously to build up our turnover and make good the reduction in trade which has occurred during the war years. In so far as this reduction has been due to restricted supplies and rationing regulations, we shall be independent on the supply position and the extent to which controls by the Ministry of Food are retained. We can, hope, however, in due course to benefit from the restoration of normal travelling facilities, the lifting of the blackout and the release of married women from war work. All these factors can be expected to help our trade by making it easier for the housewife to shop where she pleases and come to our more centrally situated branches. There is much to be done in overtaking the arrears of our branch repairs and maintenance programme. Refitting, too, which has been entirely held up during the war, must be taken in hand as soon as materials and labour are available.

RESETTLEMENT OF SERVICE PERSONNEL

One of the major tasks which will face us almost immediately is the reinstatement of our staff who are at present serving with the Forces. Having regard to the large numbers involved, the problem will not be easy, especially as the volume of business to be done at the outset is, by reason of the restrictions already referred to, likely to be much below the pre-war figure. We hope, however, to overcome such difficulties as may arise and to succeed in getting all our former employees happily at work again in positions worthy of their capabilities.

DIVIDEND POLICY

We have, after careful consideration, decided to maintain our conservative dividend policy and to recommend again a distribution of 3 per cent. on the ordinary

shares. We fully appreciate that such a return on the equity capital of a company of this kind is inadequate, and that the Home and Colonial ordinary shareholders have suffered unduly owing to the fact that the war came just at the moment when our re-organisation plans, started in 1935, were beginning to bear fruit. This involved not only the complete frustration, for the time being, of our policy of high turnover and low profit margins, but also, owing to the way in which E.P.T. has been assessed, subjected our company to a totally unfair tax burden.

GENERAL PROSPECTS

We look forward to the future with confidence and we are preparing an enterprising and progressive policy. In these days there is much talk on the one side of the State taking over business undertakings and on the other of the dangers of "Big Business." We do not, however, feel greatly perturbed by this kind of talk. In fact we feel confident about our position provided that we concentrate on doing our job as well as it can be done, and thus are able to convince the consuming public that we are performing a valuable national service in distributing food of first-class quality as economically as that is possible. Looking at the matter in this way, we consider that one of the most important things at present is that the public should be enabled correctly to appreciate the facts about the business of distribution. We therefore welcome the Government's apparent intention to carry out a regular census of distribution. On the other hand we have been much concerned to see that, in the special Income Tax Bill introduced this year, the Chancellor of the Exchequer has discriminated between the business of distribution, on the one hand, and so called "productive" industry on the other, and has given the former much less favourable treatment in the matter of depreciation allowances. Such discrimination implies a complete failure to appreciate the significance of distribution. It is an essential element in production, and efficiency in it is a factor of the greatest importance in the national economy. Wasteful or costly processes of distribution must tend to raise costs of living and, as a result, both to depress living standards and also to weaken the competitive power of British industry and agriculture. This discrimination against distribution should be corrected. In the meanwhile we believe that full public knowledge as to the facts can only strengthen the position of businesses such as ours.

BRITISH ENKA, LIMITED

The twentieth ordinary general meeting of British Enka, Limited, was held, on the 28th ultimo, in London.

Mr A. D. Carmichael presided and in the course of his statement said:—

The working profit for the year 1944 is £169,963. After making provision for depreciation, deferred repairs, full provision for taxation and other charges, the net profit is £39,853.

Production was slightly increased during the year, but cannot be expanded to the normal rate until more labour, of our pre-war standard, is available. In the past year more than one-third of our production was exported, either in the form of yarn or woven or knitted fabrics, and in the last part of the year more than one-quarter of our production was in high tenacity yarn for tyres, a direct contribution to the war effort.

If it were not for the accumulated debit on profit and loss account modest dividends could be paid from current earnings, but in view of the uncertainties and difficulties which have beset us in the war years it has been unwise to attempt to deal with this problem of disposing of the debit to profit and loss account.

The report and accounts were adopted.

NORWICH UNION LIFE INSURANCE SOCIETY

ANOTHER GOOD YEAR

The hundred and thirty-seventh annual general meeting of this Society was held on the 29th ultimo, at Norwich.

Sir Robert Bignold (the President) said that the Society was again able to record a very good year. They had increased their holding of British Government securities by £2,047,000 and of Dominion Government securities by £380,000. Their net new business at £10,293,699 showed an increase of £822,000. The mortality experience, owing to increased war claims amounting to £286,558, had not been so fortunate as in 1943, but was still below the normal expectation.

Their Head Office had escaped serious injury as by a miracle, and only two of their branches had been destroyed, although others had been damaged. Their assets in France including all buildings in which they were interested, were intact, premiums and interest had been collected almost normally, and claims by death had been remarkably light. In Belgium the picture seemed to be almost as good.

In conclusion, the President said he thought it would be agreed that this old Society had weathered another world-storm with credit to all concerned and that its repute stood as high as ever, which was demonstrated by the fact that during the six troubled years they had put £51,000,000 of new business on the books and the funds had increased by over £11,000,000 and now stood at £59,700,000.

The report was unanimously adopted. The General Manager, Mr W. W. Williamson, F.I.A., in responding to a vote of thanks to the executive and staff, said he hoped it might be possible to make an announcement of the amount of bonuses on 1st January next; they would be in respect of all premiums due and paid since 31st December, 1935.

NORWICH UNION FIRE INSURANCE SOCIETY

GROWTH OF PREMIUM INCOME

At the hundred and forty-seventh annual general meeting of the Norwich Union Fire Insurance Society Limited held on the 28th ultimo at Norwich, Sir Robert Bignold (the chairman) said that in the Fire Department the premium income showed an increase over the preceding year of £103,594, although the amount available for transfer to the profit and loss account of £107,641 was smaller.

He was glad to report another excellent year on the Accident side of their business, the premiums having increased by £118,475, resulting in a most satisfactory underwriting profit of £228,840.

In the Marine Account the income stood at £694,483, and the Fund was left in a strong position after crediting an amount of £75,000 to profit and loss.

The total premium income of the Society now stood at £4,879,776. The full assets of the Society now totalled £9,003,970, an increase of £318,172 over the previous year.

In France, so far as they could ascertain, their assets were intact, and the framework of their Branch operations had been maintained during the German occupation. In the case of Belgium it would appear that the Society's affairs had not been too seriously prejudiced.

In conclusion, the chairman expressed the fullest confidence in the future strength and well being of the Norwich Union Group, linked closely as they were with the Life Society. They were eager to take their full share in rebuilding and maintaining the national industry, but it was essential that the great British Insurance Institutions should not be fettered by irksome control. Private enterprise must be allowed full scope.

The report was unanimously adopted.

CROSSES AND HEATONS, LIMITED

MR JOSEPH R. HEATON'S REVIEW

The twenty-fifth annual ordinary general meeting of Crosses and Heaton's, Limited, Bolton, was held at the Albert Hall, Manchester, on the 31st ultimo.

Mr. Joseph R. Heaton, the chairman and managing director, presided.

The secretary read the notice convening the meeting, the minutes of the last annual ordinary general meeting, and the directors' report.

The chairman, in the course of his address, said: The report of the directors and balance sheet for the year to 31st March, 1945, have been in your hands for some days, and with your permission I will take them as read.

The profit for the year before making provision for depreciation amounts to £167,799, which compares with £170,160 for the previous year. Your directors have set aside £45,000 for depreciation in addition to which £41,305 has been spent upon repairs and renewals and in up-keep of plant, as against £34,224 during the previous year.

Land, Buildings and Machinery, etc., total is increased from last year by £9,488 and is accounted for by additional plant and machinery, and canteens for our work-people.

Investments are reduced by £55,295 and represent the proceeds in connection with the sale of securities held by the Debenture Trustees prior to the Reconstruction Scheme.

Debtors stand at £130,227 as against £192,444, the reduction being mainly due to the receipt during the financial year of estimated excess profits tax repayable.

Stock-in-Trade is £36,391 more at £563,129, and is due to an increase in the value of our raw cotton stocks.

Cash Position.—The credit balance amounts to £243,427 as against £144,421.

Sundry Creditors are £90,067 as against £117,400 for last year.

Profit and Loss Account.—The balance on profit and loss account transferred to the balance sheet is £167,799 and after setting aside £45,000 for depreciation and making the recommended appropriations, there is a balance to carry forward of £171,566 against £136,311 brought in.

OUTPUT OF COTTON YARNS

During the year our output of cotton yarns has been further reduced, the production for the past year having fallen to approximately 45 per cent. of capacity as against the figure of 50 per cent. which I gave on the last occasion I addressed you. This is again due entirely to absenteeism of females through many causes and shortage of juvenile labour. You will realise the seriousness of this matter when I say that the industry in the Bolton area, where the majority of your mills is situated, requires an additional 15,000 workers to operate the 5,000,000 spindles made idle under the "cut and concentration scheme." A further 4,000 are needed to equip the mills at present running, upon a properly staffed basis. I can only repeat what I said in my annual address as chairman of the Bolton Master Cotton Spinners' Association that we must press the Government to fulfil its promise to give the industry every assistance to restore the position to what it was before the Board of Trade enforced the policy of concentration.

The equipment of our mills compares very favourably with any others in the trade, but we are not blind to the fact that our overseas competitors lose no opportunity of acquiring and installing the latest types of machinery. The directors' policy of maintaining the company's mills and

plant in an efficient condition should stand the company in good stead in the near future. Margins, however, do not permit of adequate sums being set aside for replacement of plant at to-day's enhanced values. In this connection, as an interested party, I have quite recently obtained several estimated costs of re-equipping a standard mill with new machinery, and I find that such costs are prohibitive.

POST-WAR PLANS

Your directors have formulated post-war plans to be put into operation as soon as possible after the cessation of hostilities in Europe. We have already opened export offices in Manchester under the title of The Heaton Sales Company, Limited, to conduct our overseas trade as soon as control is taken off our activities.

In conclusion, I desire to express the thanks of the board and myself to the staff and operatives for their help and co-operation during the year, and look forward to an early peace with the return of all our employees at present serving in the national interests.

The report of the directors and statement of accounts for the year were adopted, and the retiring directors and the auditors were re-elected.

ENGLISH ASSOCIATION OF AMERICAN BOND AND SHAREHOLDERS

DIAMOND JUBILEE

EXTRA 3 PER CENT. DIVIDEND AND STAFF BONUS

MR. J. F. A. SWANSTON'S STATEMENT

The annual general meeting of this company was held in London on June 7.

The following is the statement of Mr J. F. A. Swanston, the chairman, circulated to the shareholders:—

The association was incorporated on December 1, 1884, and consequently reached its diamond jubilee year on December 1, 1944. It is interesting to recall that in 1884 the only United States stocks dealt in in Great Britain—apart from their Government issues—were the stocks of railroad companies, in many of which there was a free and active market. The prospectus included, among the directors, two members of the London Stock Exchange Committee, Mr J. H. Hutchinson and Mr S. R. Scott, the latter gentleman described as late chairman of the said committee. The prospectus contained the following statement: "This association is formed for the purpose of representing and protecting the interests of holders of American securities in Great Britain and Ireland by uniting such holders under one organisation."

A majority of the original shareholders were members of the Stock Exchanges of Great Britain, some notable names being among them. The association soon made its influence felt and took an active part in many reorganisations of American railroads. Committees were formed to protect the interests of British security holders, which did invaluable work. As the years progressed, the association developed fresh channels of usefulness and became firmly established in the British Isles. The average dividend distributed over the period of 60 years is 7½%. In the first world war and in the present war the association has been privileged to play a not inconspicuous part in connection with dollar holdings.

To mark this important occasion it is proposed to distribute an extra dividend of 3%, and the shareholders will be asked to approve of a bonus to the executive officers and staff, including those serving with H.M. Forces, of a sum not exceeding £1,000 to be distributed at the discretion of the board.

MOSS' EMPIRES, LIMITED LARGER PROFITS

The forty-sixth ordinary general meeting of Moss' Empires Limited was held, on 6th instant, at the company's London offices.

Mr R. H. Gillespie, the chairman, presided and the following are extracts from the chairman's statement and from the report:—The trading profits for the year have increased from £332,238 to £350,826. Five theatres are still closed owing to enemy action and otherwise. The provision for Imperial taxation for the year amounts to £256,544, an increase of some £29,000 over the last year. In addition the company paid £517,000 in entertainment tax, making a total of over £4,800,000 since the tax came into operation.

Reserve for future taxation has been increased by £50,000 by transfer from reserve account. Investments show an increase from £178,440 to £234,631. Expenses, such as staff and orchestra wages, have very materially increased and Government restrictions have cut revenue from other sources. The directors recommend a final dividend of 5 per cent., making 10 per cent. for the year, less income tax.

Since the termination of the financial year under review, the Board and the company have suffered loss by the death of Mr George Black, who was a man of outstanding ability and will be greatly missed not only by his colleagues but by the whole entertainment industry. His right-hand man for many years, Mr Val Parnell, has been appointed managing director to succeed him. The maximum number of directors has been increased to eleven to permit Mr Prince Little, Mr T. F. Birch and Mr A. Stewart Cruikshank, all directors of the Stoll Theatre Corporation, holding a substantial block of capital, to join the board.

Business has been well maintained during the present year to date but it is impossible to attempt to forecast the future under present conditions.

The report was adopted.

GOVERNMENT RETURNS

For the week ended June 2, 1945, total ordinary revenue was £63,056,000, against ordinary expenditure of £126,499,000 and issues to sinking funds of £40,000. Thus, including sinking fund allocations of £1,326,993, the deficit accrued since April 1st is £453,880,000 against £593,978,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1945-46	Receipts into the Exchequer (£ thousands)			
		April 1 to June 3, 1944	April 1 to June 2, 1945	Week ended June 3, 1944	Week ended June 2, 1945
ORDINARY REVENUE					
Income Tax	135,000	117,106	134,929	8,466	19,776
Sur-tax	80,000	5,583	6,170	200	510
Estate, etc.	115,000	19,840	18,715	1,750	1,945
Duties	19,000	1,052	2,046	410	31
N.D.C.	500,000	3,619	5,242	410	641
E.P.T.	70,032	56,336	6,568	5,382	
Other Ind. Rev.	1,000	60	45	20	
Total Ind. Rev.	206,500	217,292	223,481	17,394	28,305
Customs	589,000	98,387	94,899	10,584	17,018
Excise	541,000	89,285	93,260	1,228	16,697
Total Customs & Excise	1,130,000	187,672	188,159	11,812	33,715
Motor Duties	30,000	1,948	1,934	...	...
Post Office (Net Receipts)	...	1,700	3,200	1,200	200
Wireless Licences	4,850	640	660	320	310
Crown Lands	1,000	210	230	...	90
Receipts from Sundry Loans	11,500	815	2,426	...	...
Miscellaneous Receipts	23,000	9,638	1,935	690	436
Total Ord. Rev.	3,265,000	419,915	422,027	29,017	63,056
SELF-BALANCING P.O. & Broadcastg.	114,100	19,600	17,800	3,200	2,000
Total	3,379,000	439,515	439,827	32,217	65,056

Expenditure	Estimate, 1945-46	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to June 3, 1944	April 1 to June 2, 1945	Week ended June 3, 1944	Week ended June 2, 1945
ORDINARY EXPENDITURE					
Int. & M. of Nat. Debt	465,000	89,888	82,182	26,717	24,669
Payments to N. Ireland	11,000	996	1,069	...	...
Other Cons. Fund Services	8,000	348	274	9	9
Total	484,000	91,232	83,526	26,726	24,678
Supply Services	508,128	921,321	791,054	94,820	101,821
Total	556,528	1,012,553	874,580	121,546	126,499
SELF-BALANCING P.O. & Broadcastg.	114,100	19,600	17,800	3,200	2,000
Total	567,938	1,032,153	892,380	124,746	128,499

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £3,318 to £2,873,759, the other operations for the week (no longer shown separately) increased the gross National Debt by £63,324,238 to £22,856 million.

NET RECEIPTS (£ thousands)	
Tithe Act, 1936	300
NET ISSUES (£ thousands)	
P.O. and Telegraph	120
Overseas Trade Guarantees	25
	145

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts. Bank of Eng. Land	
1944 June 3	1300.0		Not available	
1945 Mar. 3	1430.0		" "	
" 10	1430.0		" "	
" 17	1430.0		" "	
" 24	1430.0		" "	
" 31	3680.7		875.7 [0.7] 1859.0	6116.1
April 7	1430.0		Not available	
" 14	1430.0		" "	
" 21	1430.0		" "	
" 28	1430.0/2203.7		871.4 [8.5] 1995.5	6209.0
May 5	1440.0		Not available	
" 12	1460.0		" "	
" 19	1480.0		" "	
" 26	1500.0/2173.4		558.2 [10.2] 2063.0	6304.9
June 2	1520.0		Not available	

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1944 June 2	110.0	216.1	110.0	8. d. 11-89	28
1945 Mar. 2	110.0	237.6	110.0	19 11-37	21
" 9	110.0	239.2	110.0	19 11-50	21
" 16	110.0	235.1	110.0	19 11-77	27
" 23	110.0	225.3	110.0	19 11-85	25
" 29	110.0	225.6	110.0	19 10-06	30
April 6	110.0	235.1	110.0	20 1-86	20
" 13	110.0	244.4	110.0	20 2-28	24
" 20	110.0	244.3	110.0	20 2-24	24
" 27	120.0	227.3	120.0	20 0-17	24
May 4	130.0	255.2	130.0	19 11-85	30
" 11	130.0	226.2	130.0	20 0-13	40
" 18	130.0	218.0	130.0	20 0-24	44
" 25	130.0	222.7	130.0	20 0-37	41
June 1	130.0	244.4	130.0	20 0-12	32

On June 1, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of the following week, were accepted as to about 32 per cent. of the amount applied for, and applications at higher prices were accepted in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £130 millions of Treasury Bills were offered for June 8. For the week ended June 9 the banks will be asked for all Treasury deposits at a maximum amount of £130 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1% Exchequer Bonds (1950)
1945 Mar. 28	3,292	1,686	7,537	12,546
Apr. 3	4,688	1,243	6,351	14,041
" 10	3,626	2,156	7,241	13,370
" 17	3,891	2,145	10,666	12,938
" 24	4,093	1,803	7,137	11,432
May 1	4,571	1,858	8,372	13,038
" 8	2,677	1,326	8,426	11,699
" 15	5,007	1,616	3,118	10,386
" 22	3,085	1,600	6,403	10,519
" 29	3,816	1,814	3,395	5,064
June 5	...	...	4,836	6,454
Totals to date	1,380,586*	815,704*	1,978,069†	305,059‡

* 28 weeks. † 31 weeks. ‡ 31 weeks. Including all Series.

Interest free loans received by the Treasury up to June 5th amounted to a total value of £71,325,205. Up to May 26 principal of Savings Certificates to the amount £229,470,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

	Gold per Fine Tola	Silver per 100 Fine Tolas
1945 May 31	Rs. 13 15	Rs. 131 15
June 1	73 12	130 12
" 2	74 9	132 9
" 4	74 12	132 9
" 5	75 2	132 15
" 6	76 3	132 12

BANK OF ENGLAND RETURNS

JUNE 6, 1945

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	11,015,100
In Circulation...	1,270,839,436	Other Govt. Securities...	1,288,262,937
In Bank: Department...	29,402,282	Other Secs...	714,946
		Silver Coin...	7,017
		Amt. of Fid. Issue...	1,300,000,000
		Gold Coin and Bullion (at 168s. per oz. fine)...	241,718
	1,300,241,718		1,300,241,718

BANKING DEPARTMENT

Props' Capital	14,553,000	Govt. Secs...	219,427,764
Res.	3,263,256	Other Secs...	
Public Depts.*	18,232,250	Discounts & Advances...	5,513,673
		Securities...	12,961,425
Other Depts.:			
Bankers...	181,170,723		18,475,098
Other Accts...	51,324,689		29,402,282
	232,495,412	Gold & Silver Coin...	1,238,774
			268,543,918

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS (£ millions)

	1944 June 8	1945 May 23	1945 May 30	1945 June 7
Issue Dept.:				
Notes in circulation...	1135.5	1266.7	1269.6	1270.8
Notes in banking department...	14.8	33.5	30.6	29.4
Government debt and securities*	1149.2	1299.2	1299.2	1299.9
Other securities...	0.8	0.8	0.7	0.7
Silver Coin...	0.0	0.0	0.0	0.0
Gold, valued at s. per fine oz.:	0.2	0.2	0.2	0.2
Deposits:				
Public...	9.0	9.8	14.8	18.2
Bankers...	171.9	219.3	212.4	181.2
Others...	58.9	49.9	50.7	51.3
Total...	239.8	279.0	277.9	250.7
Banking Dept. Secs.:				
Government...	224.5	237.7	230.6	219.4
Discounts, etc.	2.2	10.2	9.6	5.5
Other...	15.4	14.1	23.7	13.0
Total...	242.1	262.0	263.9	237.9
Banking depart. res.	15.5	34.7	31.8	30.6
" Proportion "	6.4	12.4	11.4	12.2

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended	Aggregate from Jan. 1 to
	June 3, 1944	June 2, 1945
Working days:—		
Birmingham...	5	128
Bradford...	1,584	37,553
Bristol...	1,447	40,790
Hull...	472	15,070
Leeds...	450	13,473
Leicester...	790	15,959
Liverpool...	595	27,415
Manchester...	3,784	19,404
Newcastle...	4,828	126,887
Nottingham...	5,211	75,587
Sheffield...	1,576	38,839
Southampton...	3,61	10,676
	888	21,729
	125	4,471
12 Towns...	15,283	424,360
Dublin*	6,402	170,340

* May 27, 1944, May 26, 1945.

RECORDS and STATISTICS

FINANCE AND BANKING

THE MONEY MARKET.—At the Treasury bill tender official applications were evidently a good deal larger than in recent weeks. Total applications were, indeed, the highest, and the average allotment rate was the lowest, since May 4, when there was a record demand and the average rate dipped below 1 per cent. Thus, the bill market quota dropped from 41 to 32 per cent., equal to slightly less than £42 million of bills. The offering of TDR's was stepped up sharply, from £90 to £130 million, and, allowing for pre-encashments, the call for new money was increased from £12 to £22 million. Payments for TDR's have, indeed, been the principal factor in the short-loan position since the week-end. On the previous Thursday the market required substantial special aid, which was given partly by purchases of very short bills from the market and partly by indirect assistance through the banks. The fact that the authorities had secured some Friday maturities probably accounts for the suggestion, in fact without foundation, that on that day there had been some special operations "in reverse" in order to mop up the credit surplus caused by the passing of month-end and make-up pressure, and by the payment of War Loan interest. This ease led to an active demand from the banks for July bills, but since the week-end the offtake has been small. There were no bill maturities on Monday, and the banks have apparently been paying for TDR's in the first half of the week, whereas maturities were mainly concentrated in the second. Hence, until Thursday, money was only just sufficient to go round.

The Bank return this week reflects the lowest level of market resources: the heavy payments to the authorities on the first three days of the week have produced a fall in bankers' balances by £31 million from the relatively high level of the previous week. The counterpart of this movement is shown in a fall in Government securities—evidently due to repayment of ways and means—and in a further increase in public deposits; there has also been a substantial reduction in "other" securities. The note circulation rose only fractionally.

MONEY RATES, LONDON.—The following rates remained unchanged between May 30th and June 6th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	June 1, 1944	May 17, 1944	May 24, 1944	May 31, 1944
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treasury	18,741	17,513	17,429	17,436
Total reserves	19,362	18,436	18,368	18,360
Total cash reserves	265	242	254	248
Total U.S. Govt. secs.	24,251	20,668	20,929	21,023
Total loans and secs.	14,499	21,160	21,658	21,913
Total resources	35,542	41,900	41,994	42,178
LIABILITIES				
F.R. notes in circ.	18,532	22,782	22,761	22,845
Excess mr. bank res.	700	1,050	900	1,100
Mr. bank res. dep.	13,045	13,000	15,116	15,371
Govt. deposits	307	102	526	425
Total deposits	15,299	16,889	17,235	17,416
Total liabilities	35,542	41,900	41,994	42,178
Reserve ratio	57.2%	46.5%	45.9%	45.6%

	May 1, 1944	April 15, 1944	April 22, 1944	April 29, 1944
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,264	20,351	20,271	20,270
Treasury & bank currency	4,101	4,137	4,142	4,141
LIABILITIES				
Money in circulation	22,112	26,372	26,399	26,500
Treasury cash and dep.	2,665	2,478	2,845	2,741

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	May 1, 1944	April 15, 1944	April 22, 1944	April 29, 1944
ASSETS				
Gold and English ster.	46.79	50.86	50.86	50.86
Other coin, bullion, etc.	11.75	23.22	23.91	23.48
Call money, London	93.19	136.41	134.95	136.02
Secur. and Treas. bills	238.80	269.34	269.09	268.94
Discounts and advances	20.53	20.44	21.37	22.21
LIABILITIES				
Notes issued	183.76	186.99	186.24	186.24
Deposits, etc.	174.66	234.65	241.97	198.46

CENTRAL BANK OF IRELAND

Million £'s

	May 27, 1944	May 12, 1944	May 19, 1944	May 26, 1944
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	24.13	28.84	29.04	29.04
Sterling balances	1.27	1.48	1.08	0.87
LIABILITIES				
Notes in circulation	28.17	33.07	32.85	32.64

(Continued from page 788)

mica splittings have been raised by 33½ per cent.; prices of scrap (for grinding) remain unchanged.

Trade Disputes.—The number of working days lost in April as a result of trade disputes was 99,000, compared with 400,000 in March and 718,000 in April, 1944. There were 211 stoppages, compared with 202 in March, and 188 in April, 1944. The number of workpeople involved was 43,800 in April, 74,700 in March and 206,400 in April, 1944. The number of days lost in the period January to April, 1945, was 663,000 compared with 2,828,000 in the same period the year before.

The "Economist" Sensitive Price Index.—There was no change in the index (1935=100) during the week ended June 5th. The crops component was 140.0, raw materials 185.5, and the complete index 161.2.

INVESTMENT

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	May 30, 1944	July 25, 1944	April 24, 1945	May 29, 1945	May 30, 1944	April 24, 1945	May 29, 1945
2½% Consols (1)	141.3	141.1	148.7	147.2	3.16	3.00	3.03
Home Corps. (4)	141.9	141.5	143.5	143.8	3.28	3.25	3.24
Ind. Debs. (42)	122.5	126.5	124.5	124.5	3.85	3.79	3.78
Ind. Prefcs. (101)	114.2	114.5	118.7	117.9	4.25	4.10	4.13
Banks & Discount (10)	121.2	122.9	124.4	121.1	3.74	3.65	3.75
Investment Trusts (9)	50.0	51.8	54.1	54.4	4.57	4.29	4.34
Aircraft Mfg. (5)	68.5	67.8	66.9	60.8	7.86	8.06	8.87
Coal (8)	101.8	109.2	103.0	95.8	5.99	6.09	6.54
Electrical Mfg. (13)	164.1	171.9	177.5	171.5	3.89	3.60	3.74
Gas (8)	103.1	104.3	111.5	109.5	3.59	3.31	3.36
Motors (7)	53.2	55.4	58.1	55.4	3.98	3.63	3.80
Total Productive (90)	82.9	86.6	88.0	83.6	4.50	4.33	4.57
Home Rels. (4)	80.3	77.7	67.2	66.3	5.73	6.36	6.64
Brew. & Dist. (20)	151.7	156.1	166.0	158.9	4.11	4.04	4.21
Miscellaneous (20)	75.1	80.6	80.5	77.2	3.82	3.61	3.71
Industries (All classes) (158)	82.5	86.7	88.6	84.5	4.26	4.10	4.30

BANK OF CANADA

Million Can. \$'s

	April 26, 1944	April 11, 1945	April 18, 1945	April 25, 1945
ASSETS				
Reserve: Gold	29.31	179.57	182.32	197.72
Other				
LIABILITIES				
Securities	1351.29	1572.24	1576.01	1575.14
Note circulation	913.77	1056.83	1056.66	1058.96
Deposits: Dom. Govt.	59.45	45.18	32.39	28.17
Chartered banks	387.52	424.65	441.24	455.25

† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

RESERVE BANK OF INDIA

Million rupees

	May 19, 1944	April 27, 1944	May 4, 1945	May 11, 1945	May 18, 1945
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	139	206	191	183	182
Balances abroad	1,856	3,969	3,913	3,799	3,861
Sterling securities	8,048	9,983	10,063	10,143	10,193
Ind. Govt. rup. secs.	583	568	578	578	578
Investments	108	215	228	217	214
LIABILITIES					
Notes in circulation	9,096	11,070	11,158	11,250	11,254
Deposits: Govt.	710	3,009	2,863	2,814	2,883
Banks	1,105	838	936	824	840
Reserve ratio	92.2%	93.2%	93.4%	93.5%	93.5%

SOUTH AFRICAN RESERVE BANK

Million £'s

	May 5, 1944	April 13, 1945	April 20, 1945	May 4, 1945
ASSETS				
Gold coin and bullion	88.67	102.17	102.02	102.96
Bills discounted	21.82	30.31	31.41	30.41
Invest. and other assets	83.87	87.16	88.27	90.87
LIABILITIES				
Notes in circulation	50.91	57.50	57.12	59.99
Deposits: Government	6.91	15.14	17.79	12.65
Bankers'	129.09	141.87	141.87	144.22
Others	5.23	5.36	6.27	5.68
Reserve ratio	46.3%	46.2%	45.8%	46.0%

BANK OF BELGIUM

Million Belgian Frs.

	May 3, 1945	May 8, 1945	May 16, 1945	May 24, 1945
ASSETS				
Gold	31,326	31,326	31,283	31,283
Foreign exchange	3,636	3,435	3,640	3,633
Private loans and discounts	518	494	483	503
Loans to State	42,710	43,090	43,086	41,126
LIABILITIES				
Notes	54,096	54,595	54,526	54,895
Current accounts				
(a) Govt. accounts	3	4	2	5
(b) Private accounts	4,647	4,423	4,812	4,871

BANK OF FRANCE

Million Francs

	April 26, 1945	May 3, 1945	May 8, 1945	May 17, 1945
ASSETS				
Gold	75,151	75,151	75,151	75,151
Private discounts and advances	31,328	32,314	31,728	29,341
Advances to State:				
(a) In occupation costs	501,408	507,908	528,758	512,908
(b) Treasury advances	20,900	27,400	28,250	32,400
(c) Fixed advances	54,508	54,508	54,508	54,508
LIABILITIES				
Notes	580,944	587,809	589,475	588,608
Deposit total	36,224	34,034	33,537	35,555
(a) Government accs.	756	792	751	757
(b) Other accounts	35,468	33,242	32,786	34,798

CENTRAL BANK OF TURKEY

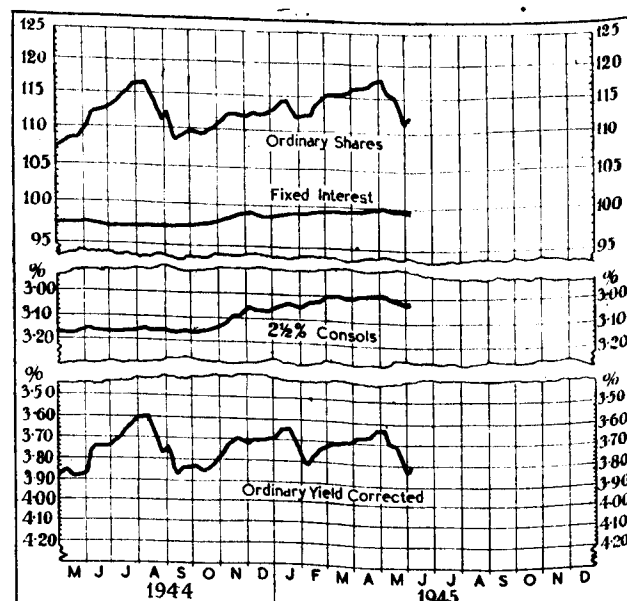
Million Turkish pounds

	Mar. 25, 1944	Feb. 24, 1945	Mar. 24, 1945	Mar. 31, 1945
ASSETS				
Gold	1944	1945	1945	1945
Private discounts and advances	238.6	276.4	281.3	281.2
Clearing and other exch.	96.4	85.1	94.2	94.0
Treasury bonds	130.8	127.9	127.9	127.9
Commercial bills	494.2	596.8	595.4	595.2
Securities	60.1	46.0	48.9	47.8
Advances	254.0	238.4	218.7	212.8
LIABILITIES				
Notes in circulation	868.4	961.0	972.0	974.0
Deposits	200.0	215.3	197.4	185.4
Clearing and other exch.	23.2	45.0	45.4	46.2

FIXED INTEREST AND EQUITY PRICES.

CONSOL 2½% AND EQUITY YIELDS

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols (Logarithmic Scale)



Capital Issues

Week ending	Nominal Capital	Conversions	New Money
June 9, 1945			
To Shareholders only	274,708		499,416
Particulars of Government issues appear on page 789.			
Year (to date)			
1945			
1944	647,167,384	558,152,651	725,357,549
1943	736,458,030	725,357,549	

BRITISH WHOLESALE PRICES

	May 22, 1945	June 5, 1945		May 22, 1945	June 5, 1945		May 22, 1945	June 5, 1945
CEREALS AND MEAT			TEXTILES—continued			MISCELLANEOUS		
BRAIN, etc.			COTTON—continued			CEMENT, best Eng. Portland, d/d site, London area in paper bags or jute sacks 20 to ton—(a)		
Wheat	s. d.	s. d.	Cloth, Overall Cloth, 38½ in.	s. d.	s. d.	6-ton loads and upwards per ton	51 0	57 0
No. 1 N.Mt. 496 lb. f.o.b. St. J.	58 3	58 3	52 x 50, 22's & 16's	65 6	65 6	CHEMICALS—		
Eng. Gaz. av. per cwt. (e)	15 2	15 3	Drill, 30 in., 80 x 46, 12's & 10's	94 3	94 3	Acid, Oxalic, net..... per ton	60/0/0 65/0/0	60/0/0 65/0/0
Flour per 280 lb.—			FLAX (per ton)—	f. s.	f. s.	Ammonia, Sulphate..... per ton	3 6 9/11/8	3 6 9/11/8
Straights d/d London.....	40 0	40 0	Livonian ZK.....	Nom.	Nom.	Nitrate of Soda..... per ton	10/14/0	10/14/0
Barley Eng. Gaz., av. per cwt. (e)	24 2	23 9	Pernau HD.....	Nom.	Nom.	Potash, Sulphate..... per ton	18/15/0	18/15/0
Oats (e).....	16 6	16 6	HEMP (per ton)—Manilla, spot			Soda Bicarb..... per ton	11/0/0	11/0/0
Maize, Argentine, per ton.....	10/0/0	10/0/0	"J2".....	Nom.	Nom.	Soda Crystals..... per ton	5/7/6	5/7/6
MEAT—Beef, per 8 lb.—			JUTE (per ton)—			COPRA (per ton)—S.D. Straits c.i.f.		
English long sides.....	5 4	5 4	Daisee 2/3 c. and f. Dundee.....	39/5/0	39/5/0	Nom.	Nom.	
Imported hinds.....	6 7	6 7	Common 8 lb. cops. (per spindle).	s. d.	s. d.	HIDES (per lb.)—		
Mutton, per 8 lb.—English.....	5 2	5 2	10/40 Hessians, per yd.	5 5½	5 5½	Wet salted Australian.....	0 7½	0 7½
Imported.....	5 2	5 2	8/40 Hessians, per yd.	0 7.75	0 7.75	Queensland.....	0 8	0 8
Pork, English, per 8 lb.	8 0	8 0	10/40 Calcutta Hessians, spot, Dundee, 100 yds.	0 5.96	0 5.96	Cape, J'burg Ord.....	0 11½	0 11½
BACON—(per cwt.)—Wilt, cut side	142 0	142 0	7½/40 " " " "	58 0	58 0	Dry Capes, 18/20 lb.		
HAMS—(per cwt.)—Green	147 0	147 0	Sisal (per ton)—African, spot	44 9	44 9	English & Welsh Market Hides—		
OTHER FOODS			—No. 1 delivered.....	45 0	45 0	Best heavy ox and heifer.....	0 6½	0 6½
BUTTER (per cwt.)—All Grades,			WOOL (per lb.)—	d.	d.	LEATHER (per lb.)—		
First hand.....	151 4	151 4	Lincoln wethers, washed.....	19½	19½	Sole Bends, 8/14 lb.....	1 9	1 9
CHEESE (per cwt.)—			Selected blackface, greasy.....	14	14	Shoulders, Insole to Welting.....	1 3	1 3
Home Produced.....	99 2	99 2	Australian scr. fleece 70's.....	37	37	Bellies.....	0 7½	0 7½
Imported.....	99 2	99 2	Cape scr. average snow white.....	29½	29½	Dressing Hides.....	2 4	2 4
COCONA (per cwt.)—			N.Z. scr. 2nd pieces, 50-56's.....	24	24	PETROLEUM PRODUCTS (per gal.)—		
Acara, g.f.....	45 0	45 0	Tops.....	45	45	Motor Spirit, England & Wales.....	1 10	1 10
Grenada fine.....	81 0	81 0	64's warp.....	39	39	(b) Kerosene, Burning Oil.....	1 0½	1 0½
EGGS (per 120)—English.....	14 9	14 9	56's super carded.....	31	31	Vaporising Oil.....	1 1	1 1
LARD (per cwt.)—Imported.....	64 0	64 0	48's average carded.....	29½	29½	(b) Automotive gas oil, in bulk, ex road tank wagons.....	1 7½	1 7½
POTATOES (per cwt.)—			44's prepared.....			Fuel oil, in bulk, England and Wales—		
English.....	8 0	8 9	MINERALS			Furnace.....	0 10½	0 10½
SUGAR (per cwt.)—			COAL (per ton)—	s. d.	s. d.	Diesel.....	0 11½	0 11½
Centrifugals, 96%, prpt. shipm.			Welsh, best Admiralty.....	46 10	46 10	ROSIN (per ton)—American.....	42/0/0	42/0/0
c.f.f. U.K./Cont.....			Durham, best gas, f.o.b. Tyne.....	42 5	42 5	Rubber (per lb.)—	45/0/0	45/0/0
REFINED LONDON.....			IRON AND STEEL (per ton)—			St. ribbed smoked sheet.....	1 6	
Granulated, 2 cwt. bags.....	49 10	49 10	Pig, Cleveland No. 3, d/d.....	128 0	143 0	SHELLAC (per ton)—TN Orange.....	205/0/0	205/0/0
Granulated, 2 cwt. bags, domestic consumption.....	30 11	30 11	Bars, Middlebrough.....	360 0	360 0	TALLOW (per ton)—London Town.....	43/10/0	43/10/0
West India Crystallised.....	47 6	47 6	Steel, rails, heavy.....	290 6	290 6	VEGETABLE OILS (per ton net)—		
	50 10	50 10	Tinplates (home i.c. 14 x 20).....	29 9	29 9	Linseed, raw.....	62/0/0	62/0/0
TOBACCO (per lb.)—			NON-FERROUS METALS (per ton)—	62/0/0	62/0/0	Rape, crude.....	82/0/0	82/0/0
Indian stemmed and unstemmed.....	1 0	1 0	Copper (c)—Electrolytic.....	300/0/0(f)	300/0/0(f)	Cotton-seed, crude.....	52/2/6	52/2/6
Rhodesian, stemmed and un- stemmed.....	3 2	3 2	Tin—Standard cash.....	25/0/0	25/0/0	Coconut, crude.....	49/0/0	49/0/0
	1 8	1 8	Lead (d)—Soft, foreign, cash.....	25/15/0	25/15/0	Palm.....	42/5/0	42/5/0
	3 6	3 6	Spelter (d)—G.O.B., spot.....	85/0/0	85/0/0	Oil Cakes, Linseed, Indian, ex-mill	11/2/6	11/2/6
TEXTILES			Aluminum, ingots and bars.....	190/0/0	190/0/0	Oil Seeds, Linseed—		
COTTON (per lb.)—	d.	d.	Nickel, home delivery.....	195/0/0	195/0/0	Bombay.....	34/5/0	34/5/0
Raw, Mid-American.....	12.75	12.75	Antimony, English, 99%.....	105/0/0	105/0/0	Calcutta.....	31/7/6	31/5/0
Giza, F.G.F.....	15.05	15.05	Wolfram, Empire..... per unit	2/15/0	2/15/0	(b) Higher Pool prices in some zones.		
Yarns, 36's Ring Beams.....	24.08	24.08	Platinum, refined..... per oz.	5/0/0	5/0/0	(c) Including import duty and delivery charges.		
42's Cop West.....	23.06	23.06	Quicksilver..... per 76 lb.	9/0/0	9/0/0	(d) Average for weeks ended May 19, 1945, and June 2, 1945.		
60's Twist (Egyptian).....	33.00	33.00		68/10/0	68/10/0	(e) Price at which Ministry of Supply supplies consumers delivered works.		
Cloth, per 100 yards—				69/15/0	69/15/0			
31 in. Printer, 64 x 64,.....	s. d.	s. d.		s. d.	s. d.			
36's & 42's.....	43 3	43 3	GOLD (per fine ounce).....	168 0	168 0			
Cambric Shirting, 32½ in., 72 x 60, 24's & 24's.....	58 5	58 5	SILVER (per fine ounce).....	2 1½	2 1½			
* Nominal. (a) + 7s. per ton net paper bags, jute sacks charged 1s. 9d., credited 1s. 6d. on return.			Cash.....					
(c) Price at which Ministry of Supply supplies consumers delivered works.								

COMPANY RESULTS (May 23, 1945, to June 6, 1945)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Coal, Iron and Steel													
Beyer, Peacock & Co.	Dec. 31	£ 56,198	15,000	£ 24,297	£ 71,762	£ 16,500	£	%	£	£ 7,797	£ 56,238	£ 40,853	Nil
Manchester Collieries	Mar. 31	650,462	154,613	220,405	337,998	44,026	106,190	5	75,000	+ 4,811	490,630	104,093	24
Niddrie & Benhar Coal	Mar. 31	64,906	26,137	38,768	91,802	...	30,000	15	15,000	+ 6,232	80,572	54,311	15
North British Locomotive	Dec. 31	242,343	...	92,343	151,380	18,750	31,250	5	50,000	+ 7,657	203,892	83,891	5†
Ransomes & Rapier	Dec. 31	207,953	19,674	28,799	31,967	1,537	15,900	6†	12,500	+ 1,138	165,928	23,535	5
South Hetton Coal Co.	Mar. 31	84,498	21,612	20,112	67,430	7,500	12,500	5	...	+ 112	77,119	23,795	Nil
United Collieries	Dec. 31	43,826	...	Dr. 2,194	26,388	...	...	...	...	+ 2,194	59,530	1,746	Nil
Financial, Land, &c.													
Associated Gas and Water	Mar. 31	185,376	...	62,980	95,480	28,810	34,170	5 & 6	...	...	187,806	65,861	5 & 6
Grand Junction Co.	Mar. 31	80,171	...	25,741	46,987	5,622	18,625	24	...	+ 1,494	76,000	23,430	2
Howard & Bullough (Securities)	Mar. 31	38,598	...	38,598	40,419	7,500	31,250	5	...	+ 152	38,750	58,750	5
Lewis (John) Properties	Jan. 31	157,518	...	29,823	38,528	29,250	...	...	...	+ 573	152,966	29,432	Nil
Platt Brothers & Co. (Holdings)	Mar. 31	113,382	...	98,057	115,245	49,468	34,338	10	12,000	+ 2,251	113,223	97,373	10
Rubber													
Bikam Rubber	Dec. 31	2,924	...	Dr. 1,367	41,001	...	...	...	...	+ 1,367	2,794	Dr. 6,114	Nil
Burma Estates	Mar. 31	9,060	...	3,981	21,749	...	...	...	...	+ 3,981	9,439	3,534	Nil
Chersonese (F.M.S.) Estates	Dec. 31	2,246	...	550	15,358	...	...	...	...	+ 550	1,954	267	Nil
Chota Rubber Estates	Dec. 31	194	...	Dr. 542	3,432	...	...	...	...	+ 542	102	Dr. 1,195	Nil
Cluny Rubber Estates	Dec. 31	289	...	Dr. 360	1,607	...	...	...	...	+ 360	254	Dr. 904	Nil
Dennistown Rubber	Dec. 31	2,379	...	259	13,983	...	...	...	...	+ 259	11,405	5,995	Nil
Garing (Malacca) Rubber	Sept. 30	644	...	74	3,496	...	...	...	...	+ 74	439	Dr. 133	Nil
Glasgow Rubber Estates	Dec. 31	613	...	Dr. 556	805	...	...	...	...	+ 556	504	Dr. 725	Nil
Kapowas Rubber	Mar. 31	360	...	127	1,502	...	...	...	...	+ 127	1,764	1,505	Nil
Lanadron Rubber Estates	Dec. 31	2,845	...	1,146	8,094	...	...	...	...	+ 1,146	2,690	Dr. 1,915	Nil
Ledbury Rubber	Dec. 31	1,031	...	88	4,299	...	...	...	...	+ 88	539	Dr. 1,610	Nil
Madingley (Malay) Rubber	Feb. 28	114	...	Dr. 489	5,569	...	...	...	...	+ 489	71	Dr. 606	Nil
Pataling Rubber	Dec. 31	2,486	...	Dr. 1,146	25,116	...	...	...	...	+ 1,146	2,553	Dr. 4,474	Nil
Selangor Rubber	Dec. 31	445	...	Dr. 573	8,730	...	...	...	...	+ 573	337	Dr. 703	Nil
Sialang Rubber	Jan. 31	2,860	...	896	11,122	...	...	...	...	+ 896	3,738	Dr. 130	Nil
Sungei Buaya (Sumatra) Rubber	Sept. 30	Dr. 8,383	...	Dr. 8,383	2,864	...	...	...	Dr10,000	+ 1,617	Dr. 8,137	Dr. 8,137	Nil
Sungei Way (Selangor) Rubber	Dec. 31	987	...	Dr. 251	6,509	...	...	...	...	+ 251	781	Dr. 457	Nil
Tanah Datar Rubber	Dec. 31	396	...	Dr. 482	8,290	...	...	...	...	+ 482	256	Dr. 1,211	Nil
Shops and Stores													
Home and Colonial Stores	Dec. 30	447,540	3,085	134,455	267,942	93,647	32,370	3	...	+ 8,438	453,203	127,415	3
Lewis (John) & Co.	Jan. 31	478,129	...	150,598	297,945	63,750	36,000	8	...	+ 50,848	500,782	165,147	8
Lipton Limited	Dec. 30	427,052	...	61,438	84,804	...	45,000	8	...	+ 16,438	354,581	59,527	Nil
Meadow Dairy Co.	Dec. 30	206,622	1,205	68,157	140,250	60,056	...	...	...	+ 8,101	170,571	61,185	Nil
Nicholson Limited	Jan. 31	14,875	1,255	9,500	14,037	9,100	...	...	...	+ 400	13,390	9,254	Nil
Suburban and Provincial Stores	Jan. 31	115,442	...	81,733	88,316	59,632	...	...	...	+ 22,101	109,974	58,922	Nil
Warwick House Limited	Jan. 31	32,883	...	1,834	17,559	...	...	...	...	+ 1,834	27,158	4,312	Nil
Tea													
Amblamana Tea	Dec. 31	10,694	1,418	4,315	4,919	...	3,075	6	1,000	+ 240	5,760	1,853	4
Scottish Ceylon Tea	Dec. 31	64,593	...	11,012	13,431	1,276	8,087	11	1,500	+ 149	33,273	12,117	11
Yatiantota Ceylon Tea	Dec. 31	32,140	2,500	11,035	13,708	2,700	7,875	5	...	+ 460	15,511	5,950	2
Textiles													
Fine Cotton Spinners	Mar. 31	621,587	180,000	268,787	469,658	75,000	107,000	4	80,000	+ 6,787	722,253	263,649	4
Hield Brothers	Mar. 31	132,325	...	49,088	140,618	13,805	27,610	20	...	+ 7,673	101,159	45,030	20
United Turkey Red Co.	Dec. 31	218,289	...	60,875	76,665	69,884	...	...	...	+ 9,009	157,957	64,707	7
Vantona Textiles	Mar. 31	48,434	12,000	23,267	66,765	10,542	9,660	7	5,000	+ 1,935	45,386	21,046	7
Trusts													
Alliance Investment Co.	April 15	39,374	...	28,837	63,269	14,175	7,875	5	3,000	+ 3,787	33,600	23,051	4
Anglo-American Debenture Corp.	Mar. 31	140,649	...	50,716	112,963	14,941	29,297	124	5,000	+ 1,478	138,348	48,888	12
Bankers' Investment Trust	April 30	78,156	...	55,716	109,794	21,220	28,275	6	4,000	+ 2,221	74,557	52,158	5
British Combined Investors Trust	Mar. 31	88,610	...	24,220	61,773	16,000	6,400	3	5,000	+ 3,180	85,312	22,483	24
Consolidated Trust	April 15	84,308	...	44,426	44,426	23,275	17,475	84	3,676	...	78,194	40,791	8
First Scottish American Trust	May 1	79,046	...	27,860	38,622	5,080	17,780	21	5,000	...	76,297	26,247	20
Foreign, American & General Invest.	April 5	184,878	...	87,818	149,811	43,750	35,000	4	9,000	+ 68	184,378	84,086	34
Gresham Trust	Mar. 31	42,356	...	17,690	26,656	...	11,428	71	...	+ 6,262	45,537	12,723	71
Indian and General Investment	April 30	30,258	...	16,720	33,934	6,171	8,283	10	...	+ 2,266	28,285	14,610	9
Lake View Investment Trust	Mar. 31	84,184	...	49,427	132,541	8,063	32,187	10	...	+ 9,177	79,889	45,941	9
Power Investment Corporation	Mar. 31	35,915	...	11,606	33,217	15,198	...	...	...	+ 3,592	35,958	10,814	Nil
Reserve Securities Trust	April 5	14,492	...	11,946	18,417	2,306	7,656	6	2,000	+ 16	13,265	10,846	54
River Plate Trust Loan and Agency	Dec. 31	325,178	...	96,543	225,056	38,906	57,375	14 & 4	...	+ 262	279,488	100,644	14 & 4
Third Scottish National Trust	Mar. 31	73,205	...	19,572	55,380	11,812	4,725	3	10,000	+ 6,965	70,001	17,649	24
Other Companies													
Ambrose Wilson Limited	Feb. 15	7,776	1,006	3,137	5,103	...	...	...	...	+ 3,137	3,124	413	Nil
Apollinaris & Presta	Dec. 31	28,359	...	Dr. 24,379	Dr. 226,143	...	...	...	...	+ 24,379	27,605	Dr. 24,169	6
Associated Biscuit Manufacturers	Mar. 31	65,130	...	65,065	100,017	19,500	42,003	6	...	+ 3,562	60,063	60,032	12
Associated Fisheries Limited	Sept. 30	143,287	...	47,085	52,357	6,562	17,325	12	19,597	+ 3,601	156,612	62,498	15
Associated Newspapers	Mar. 31	665,934	...	659,911	966,285	25,000	595,067	20 & 7	...	+ 39,844	629,405	515,405	20 & 7
Beaton (G.) & Son	Dec. 31	27,115	...	12,629	13,897	7,500	...	...	...	+ 129	27,054	12,683	15
British and Colonial Furniture	June 30	153,022	...	95,235	108,084	22,462	...	...	Dr15,000	+ 51,773	172,234	9,209	9
British Tobacco (Australia)	Oct. 31	960,784	...	956,189	1,008,421	111,188	843,475	9	...	+ 1,525	962,602	957,149	7 & 10
Burton (Joseph) & Sons	April 14	41,851	5,375	30,388	60,279	12,500	8,500	7 & 10	5,000	+ 4,388	40,684	29,346	Nil
Butlin's Limited	Sept. 30	73,378	...	52,113	Dr. 15,074	...	...	...	...	+ 52,113	61,500	10,327	Nil
Canning Town Glass Works	Dec. 31	42,492	5,000	33,451	43,803	...	...	...	...	+ 248	47,953	36,253	8
Cannon Brewery Co.	Dec. 31	530,215	...	104,778	315,861	69,000	28,699	8	5,000	+ 778	477,953	102,323	10
Cavendish Furniture Co.	June 30	69,101	...	19,628	22,668	20,000	...	...	...	+ 372	86,788	Dr. 2,708	Nil
Consol. Water Works Co. of Rosario	Dec. 31	362,857	...	25,400	150,077	4,200	20,000	4	...	+ 1,200	351,039	30,241	4
Court Line Limited	Dec. 31	103,284	20,000	47,128	208,115	47,250	...	...	...	+ 1,222	118,114	47,142	18
Dunlop Cotton Mills	Dec. 31	435,557	55,234	87,346	99,208	73,125	...	...	...	+ 14,221	427,094	73,293	Nil
Dunlop Plantations	Dec. 31	1,841	...	589	Dr. 182	...	...	...	...	+ 589	810	Dr. 582	8
Dunlop Rubber	Dec. 31	3,293,403	438,107	560,826	1,205,195	200,000	357,104	8	...	+ 3,722	3,417,203	580,081	10
East India Distilleries, &c.	Sept. 30	185,194	25,788	20,896	35,408	14,000	8,000	10	...	+ 1,104	154,501	20,830	14
Francis (F.) & Sons	Dec. 31	74,452	7,769	24,383	53,269	5,500	14,000	14	...	+ 4,883	83,497	23,750	20
Glenfield & Kennedy	Mar. 31	130,071	...	59,684	102,980	8,250	40,625	20	10,000	+ 809	127,581	60,871	20
G.R.A. & White City (Manchester)	Dec. 31	57,882	...	46,725	55,919	14,939	21,737	30	9,000	+ 1,049	46,305	34,467	13†
Hall (L.), Edmonton													

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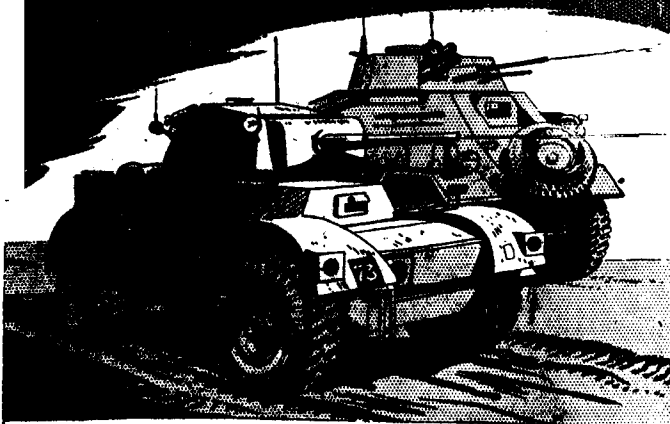


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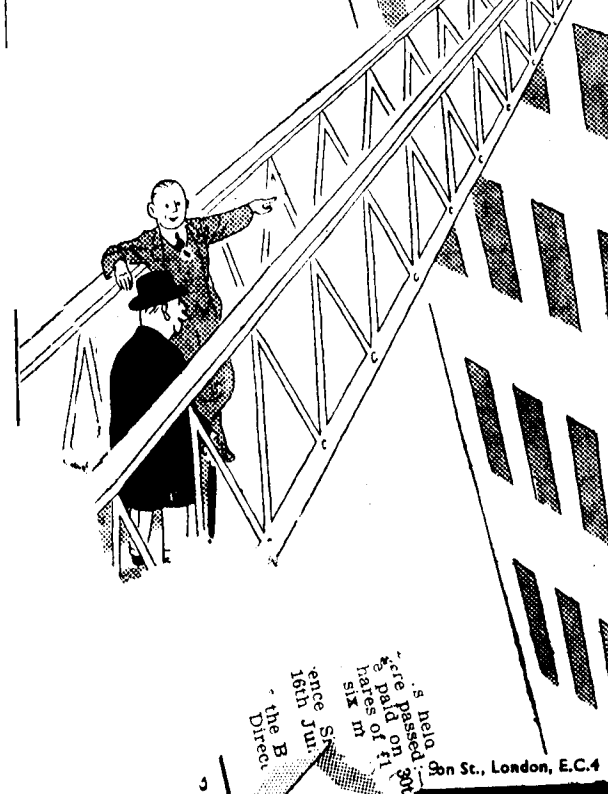
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each knew only the primitive
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even the poorest were
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all. No community can have a bottleneck of decision and remain efficient—or, for that matter, free—for very long. Sir John Anderson, in the wisest of the political broad-casts, had some effective words to say about the limited absorptive capacity of the state machine.

But Sir John also said that "there are certain activities hitherto wholly or largely in private hands, which may well require a large measure of public control." This is, of course, a monumental understatement. In recent decades, the community has formulated in precise terms the demands that it makes of its economic system and has come to realise that untrammelled private enterprise alone will not provide all that is needed. No community is likely to put up either with the fluctuations in prosperity or with the gross inequalities of individual wealth that are the consequences of a system wholly free from control. Moreover, as these demands have been more and more articulately stated, there have also been great strides in social technology. The state has become both honest and efficient. No one, for example, can contemplate the record of the Ministry of Food in the present war and still believe that the state is wholly incompetent in economic affairs. The new demands made upon the economic system are matched by the new possibilities of meeting them.

A democratic industrial community, aiming to preserve the essential liberty of the citizen and to assure a high and rising standard of material existence, must avail itself to the full of all the potential strength that lies in both principles, that of private enterprise and that of collective organisation. Nor does this mean that the two principles need to be watered down and counter-balanced, until free enterprise is controlled to a standstill and collective organisation is hamstrung by reservations. It is not a bit of each that we want, but a great deal more of both. The politicians and the economists ought by this time to be hard at work discovering ways in which the business man's road can be made smoother and the power of the state, with its resources of finance and compulsion, can be harnessed to the needs of economic policy. The social chemists should be at work exploring the possibilities of different compounds of the two basic elements in the same spirit of honest enquiry that inspires the industrial chemists in their exploration into the possible combinations of hydrogen and carbon.)

These matters are not rehearsed here because there is any novelty in them. On the contrary, if it were not for the daily evidence from the hustings, one would have thought they were familiar commonplaces. But they receive no mention from the politicians, who are still apparently in the dark ages so far as modern economics is concerned. In thirty years time the present hullabaloo about private enterprise and public ownership will seem as irrelevant to a modern society as the quarrels over the Occasional Conformity Bill that filled the politics of Queen Anne's reign while larger matters were afoot. It will be possible to believe that politics and reality have some contact with each other when Labour candidates start praising the business man and Conservatives have a good word to say for deliberate economic policy. Until then the economist is compelled, not of his own choice, to stand aloof.

There will be no necessity, even when that time comes, for the politicians to submit themselves to the discomforts of agreeing. There will be plenty to quarrel about. Indeed, what is here being argued is in no sense that flattest of bromides "all men of good will are really in agreement." For there is a very real and important issue hidden behind these economic quarrels. What is particularly exasperating in the present spectacle is not that it is a sham fight, for if that were all one could smile tolerantly, but that it obscures the real battle for which the lines ought to be forming. Even if every active politician would agree to recognise that, in any foreseeable future, a great deal of free private enterprise and a great deal of conscious public direction will be needed, it would still be necessary to ask by whom economic policy is to be directed and by what methods and to what ends.

It is here that the issue lies. All would agree that the object should be to serve the common interest. But there are two quite different and largely incompatible doctrines about how the common interest is to be served. One school would do it directly, by requiring the managers of economic policy to regard only the interests of the community in the round and to be no respecters of particular persons or groups. They would think of the national income in total, not of any constituents of it, and damage to the interests of particular groups would be recognised as part of the price to be paid—and to be settled generously—for the progress and security of the whole. The other school of thought would see the generality as the confederation of a number of special groupings, and would seek by protecting the livelihood of each of these to serve the common purpose. If the word had not already been misappropriated for a wholly different doctrine, the first might aptly be called Communism. The second doctrine is Particularism or Protectionism, and in these columns it has often been christened the New Feudalism.

Most people, when faced with the choice as a matter of abstract principle, would doubtless prefer the first. But, when it comes to action, very many people follow the second. Both the major parties at the present moment are heavily committed to the New Feudalism. It was the very essence of Conservative economic policy between 1931 and the outbreak of the war and two of the high priests of the cult sit in the Cabinet. And it is a central part of Trade Union doctrine that every group of workers has the right to defend its own standards and interests, and to exploit its own collective bargaining power, if need be against the community. In the debate on cartels in the House of Commons a fortnight ago, Mr Lyttelton made the point very clearly when he explained that restrictive practices

are the natural protection which, on the one side, the employer makes against bankruptcy, and, on the other side, the trade union, or the worker, makes against the incidence of unemployment and when he challenged the Labour Party to say whether it was the mutual object of both parties to protect the consumer at all costs—

Are we doing that, or does there, somewhere at the back of hon. members' minds, enter the idea that it may be necessary to give some measure of protection to the producer and the workpeople whom he employs?

To Mr Lyttelton the answers to his rhetorical questions seemed quite obvious. And so they are, for as much as concerns the trade associations and the trade unions, which dominate the two major parties. But they are not in the least obvious when it is a question of the general interests of the community, for the ideas so innocently expounded by Mr Lyttelton, and used in the defence of virtually every restrictive device known to the ingenuity of man, are the very negation of a policy of the common interest.

This is the real issue of economic policy. If the state is to have a conscious policy, shall its aims be those of the New Feudalism or of the common welfare? The conscience of both the major parties is a little disturbed by the question, as is shown by their anxiety to blacken each other in the matter of cartels and restrictive practices, but their organic interests pull them both together in the other direction. It is a tragedy that the other side of the question is not more powerfully organised. The issue is bound to emerge and when it does it will dominate the whole of British politics. But as the parties are now organised, it is kept below the surface, just as the slavery issue was suppressed for so many years, and with such disastrous results, by the Whig and Democratic parties in the United States. Had Mr Churchill not committed himself beyond recall to the Tory Party, had he kept his hands free, one can imagine him rallying a grand confederacy of Socialists, Liberals and Tory Reformers and leading a mobilisation of the national resources to ensure the national safety in peacetime as well as in war. As it is, he looks like ending his career in a sham fight on the brink of a vacuum.

Lord Wavell's Plan

LORD WAVELL'S offer to Indian political leaders, which is becoming known as the Wavell Plan, has lifted the future of India out of the list of major issues at the British general election. The length of his stay in this country had begun to cause misgiving lest it might mean disagreement between Viceroy and Cabinet. The subsequent relief testified to a general satisfaction that, as a first step, the Wavell Plan fairly reflected popular feeling in the country at large. Although it is probable that the offer would have been slower in coming were Britain not on the eve of a general election and were a caretaker Government not anxious to have the best case to put to the electors, yet it is in general true that the temptations of vote-catching have been resisted and that the Viceroy's action was related at least as closely to the pattern of Indian politics as it was to those of an eve-of-election Britain. Nor are Britain and India the only countries concerned. Indian independence has become a matter of international politics and, from this angle, the offer is doubly welcome as an earnest of Britain's sincerity towards Indian independence and of its readiness, so often under suspicion, to maintain a reputation for liberalism as well as for strength.

Against the Indian background, the Viceroy's invitation comes in answer to a reiterated demand for a new initiative from the British Government. The Viceroy would have been within his rights in insisting that the next move should come from those who rejected the Cripps offer. But he has chosen the more magnanimous course. In brief, he has offered to reorganise his Executive Council to include members representative of all the main communities—Moslems, Hindus, the Scheduled Castes, Sikhs and other special interests. No longer would three Members of the Council have to be British civil servants of long standing. In future, and until a new constitution is fashioned, only the Viceroy, who is to retain his overriding veto, and the Commander-in-Chief as War Member, would remain among an otherwise wholly Indian and representative Government.

A very real indication of the extent to which the Government is willing to hand over control, within the limits of the 1935 Act, is the proposed transfer of the External Affairs portfolio to an Indian Member. In recent months feeling has run high in the Legislature over the Government's handling of the dispute with South Africa over anti-Indian discrimination in Natal and suspicion has attached more to the warmth of the Government's concern for Indian prestige and welfare than to the practical details of its policy. Now an Indian Member responsible to a representative Council—which however will not yet be itself directly responsible to the Legislature—will handle such matters, assisted by fully accredited representatives abroad.

The members of the new Council are to be party politicians. But they are not to be directly nominated by the parties, since the Viceroy is to choose them from lists submitted by political leaders. The only conditions imposed are that there shall be equal representation of Moslems and "caste Hindus" and that all those chosen are to pledge themselves to co-operate in the war against Japan. The offer is to be submitted to a round-table conference of political leaders which has been summoned to meet at Simla on July 25th and, to clear the way for a fresh start, the remaining eight members of the Congress Working Committee have been released. The proposals relate to government at the centre; but it is hoped that one of the by-products will be a resumption of responsible government under the 1935 Act in those provinces where it was suspended by the resignation of Congress Ministries in 1939.

The transitional nature of these changes has been emphasised both by the Viceroy and by Mr Amery. It is only by looking at them in this way that their place in the perspective of Indian political development can be truly appreciated. In sum, the Wavell Plan is an attempt

to get back to the road towards Dominion status from which Indian affairs have digressed since 1939. But the new proposals, like the Cripps offer of 1942, recognise that there can be no simple return to the conditions of 1939. Too much has happened in the intervening years. In particular, the growth of the Pakistan movement has made it impossible to envisage a central government of all India elected by majority vote and if the implementation of Part II of the 1935 Act had not been made impossible by Congress's withdrawal it would have been ruled out by the new attitude of the Moslems.

The Wavell proposals are not, however, a mere repetition of the Cripps plan. For one thing, the external circumstances are quite different. The Cripps offer was made—with over-anxious haste—in 1942, and there is now no suspicion that Britain needs to buy India off with promises to protect herself against the Japanese. Since then, too, the ultramontane exposition of communal differences has led only to bitterness and frustration. Attempt after attempt to find a solution has at last brought both sides closer to realising that concessions must be made if the common aim of independence is ever to be achieved. Thus, while the Cripps proposals tried to tempt Indian leaders over the transitional gap by fixing attention on a post-war constitution in which they did not wholly believe and on which in any case they did not agree, the Wavell Plan now concentrates on the transitional gap, leaving it to the leaders' commonsense to see that it is the only possible stepping-stone towards their final objective, whatever that may be. The Cripps offer looked beyond the 1935 Act to a new constitution, the Wavell Plan makes the last extension of self-rule possible under the Act in the hope that this itself will lead smoothly to the first steps towards a new Act. This is firmly stated in the White Paper and by Mr Amery. The proposals plainly refuse to go further just because to do so would involve decisions giving bias to a new constitution.

Even so tentative a step as this, however, will not easily be taken. The prompt assembly of the Simla conference desired by Lord Wavell is still in doubt. Objections are being raised from both sides. On the success of its deliberations depends the success of the proposals and as an augury for willing co-operation at the conference table the frantic exchange of argumentative telegrams, though not unexpected, is also not particularly encouraging. The objections raised are not easy to understand in this country. The specious explanation that both sides may be out to build prestige by being "difficult" is not entirely adequate.

Mr Gandhi, in particular—though he disclaims official status in Congress Party—is clearly disturbed by the Viceroy's insistence, even in the interim arrangement, on equal representation for Moslems and "caste Hindus." Mr Gandhi has objected that Congress is a political more than a religious organisation and that to fix the parity on a purely religious basis will stiffen the religious division of India and endanger the acknowledged goal of Indian unity. His argument would be more effective if there were any likelihood of Congress nominating Members not under the orders of the Working Committee which, where it is concerned with the issues of the religious communities, is primarily dominated by Hindu interests. The term "caste Hindus," in any case, caused no difficulties when used by the Sapru Reconciliation Committee, and the Viceroy has explained, reasonably enough, that the term intended no offence and referred merely to Hindus other than the Scheduled Castes, who would be separately represented. The general effect of Mr Gandhi's succession of objections—to each of which the Viceroy has courteously replied while maintaining his determination to hold the conference without postponement—is that he is feeling his way by means of minor objections to the Viceroy's procedure. At any moment, however, any one of them might well be inflated to a

major obstacle for reasons which, in Britain, would seem obscure. Both parties would prefer more definite assurances on the use of the Viceroy's veto and on the final transfer of sovereign power, but the pressure to make the best of a firm offer which asks for no final commitment is still considerable. As leader of the minority party, Mr Jinnah must be influenced by the advantages offered him in equal representation, and can hardly hold out for postponement once Congress objections are smoothed over.

There have been, and are, two major questions of Indian policy before the British Government. Expressed with the over-simplification of brevity, they are, first, the method of resolving the communal problem without destroying the unity of India; and, secondly, the choice between waiting for Indian agreement on the outlines of a constitution and trying to hasten that agreement by exerting third-party pressure. The Wavell plan gives a final answer to neither of these questions, but it gives indications of an attitude on both. The answer is more definite on the second issue. Statements for the British Government both in London and in Delhi have strongly reaffirmed that the Cripps offer is still open, insofar as it leaves the Indians free to shape their own institutions, but the responsibility for doing so is very clearly placed on the political leaders, backed by the full consent of their communities. In the present mood at least, there is clearly not going to be a British-suggested, still less a British-imposed, constitution.

On the first question, the resolution of the communal issue, any permanent decision is specifically disavowed. But the proposal that, in the interim government, Moslems and caste Hindus shall be equally represented cannot be wholly deprived of significance. It is a clear invitation to the two largest communities to see whether they cannot conduct the central affairs of India by mutual treaty, on a basis of equality, between themselves; it is an equally clear implication that those affairs cannot be managed by majority vote.

The Liberal Outlook

"War has always been fatal to Liberalism. . . . After every great war there is a period during which belligerent nations incline to divide into two extreme camps—roughly known as revolutionary and reactionary. In that temper Liberalism is at a disadvantage. That is why it is to-day at a discount throughout Europe."

THIS was how Mr Lloyd George explained the progressive decline in the Liberal Party's fortunes when, in 1933, seventeen years after the first rift between himself and Mr Asquith, he wrote his War Memoirs. Will history repeat itself? Will the second world war prove as catastrophic for Liberalism as the first, and will it shatter the remaining nucleus of the once vital Liberal organisation? Or will Lloyd George's judgment be disproved after this war by a recrudescence of Liberalism in Britain? No one could describe the present-day Labour party as revolutionary (in spite of Professor Harold Laski), or the Tory programme expounded, for instance, by Lord Woolton in his broadcast, as reactionary. Yet, by and large, it is likely that the electorate will interpret the coming election as a contest between Toryism and Socialism. What are the chances for a third party in this situation?

The Liberal party is certainly making a bid—if not exactly for power—at least for an increase in its Parliamentary representation, commensurate with the strength of liberal feeling in the country. Posters in one London constituency advertise the great "Liberal Revival." This is hardly good propaganda—it savours too much of artificial respiration or of a Seventh Day Adventist meeting. But it does indicate the aims and aspirations of Liberalism in 1945, and the party is evidently determined to place its policy and its personalities before a wide public, even in constituencies where its chances of success are the most slender. There are now nearly 300 Liberal candidates in the field and the Liberal party, like its more powerful rivals, includes a high proportion of servicemen among its candidates.

Unquestionably, the smooth working of a joint Hindu-Moslem administration presents the greatest hope for a way out of India's difficulties. Underlying every problem of Indian government, even the ticklish problem of balancing political power between the communities, there is to-day the desperate urgency of economic reconstruction. The popular enthusiasm in India for a speedy industrial and agricultural development has been reflected in the increasing attention which the present Executive Council, led by Lord Wavell, has given to economic matters. As plans of development from both private and official sources have been made public and scrutinised, the overriding advantages to be gained from political coherence to match the economic needs of the whole country have been increasingly appreciated. This is where an interim Government may serve a useful purpose, always provided it does not founder on supposed insults or lose contact with the sources of power and opinion whom it is supposed jointly to represent. By working together in a day-to-day harness Moslems and Hindus may, just conceivably, be persuaded to widen the limits of authority that their communities will concede to an all-India government, and to extend the representation of Moslems and other minorities to ensure the political peace on which the whole structure of government would rest.

If any such a result is, in the next few vital years, to come even within the bounds of possibility, its gradual development will demand more than considerable tact from the Viceroy and more luck than can fairly be expected. Unfortunately, the passions and prejudices which have been conjured on all sides during the backsliding years of war will not be easy to dissipate. Certainly there have recently been signs of a greater willingness among the leaders of the communities to find an agreed solution. But extreme policies maintained with such apparently unshakable conviction are not going to be lightly discarded.

The electorate is untried and untested. There is no way of gauging its reactions and its desires, beyond the general assumption that it has moved to the left. The leftward trend will certainly injure the Tories, but it may not automatically benefit Labour, and it is probable that the Radical elements of Liberal policy, typified by Sir William Beveridge's campaigning phrase "A Liberal Party with a Radical programme" will attract the young voters who have not formed any party attachments. This is certainly the hope of the Liberal leaders. Lord Samuel, writing in last month's *Liberal Magazine*, said:

An increasing number of people . . . are coming forward to promote a Liberal revival. . . . The need exists not only for a Conservative party and for a progressive party of Socialists, but also for a progressive party of non-Socialists—that is to say the Liberals.

The present moment undoubtedly offers an opportunity for the Liberals to recapture lost ground. Their independence from dogmas and discipline, and the sporting instinct to give a fair chance to a group which has not been associated with the mismanagement of the interwar years, should carry weight with many electors.

On the other hand, it is equally likely that the prolonged Liberal impotence may detract from their chances, since it is obvious that they cannot at present hope to do more than hold the balance between the two major parties. The experience of two minority Labour Governments, in 1924 and 1929, which had to depend on Liberal support for their proposals, was not particularly happy. Moreover, the record of British Liberalism between the wars is hardly calculated to inspire confidence in the party's present strength. The Liberals never really recovered from the successive shocks of the Asquith-Lloyd George split in 1916 and the crushing defeat of the Asquithians, through Lloyd George's agency, in the 1918 election. Though the reunion of the two groups on the issue of Free Trade versus Protection in 1923 resulted in the return of 150 Liberal MPs,

recovery was short-lived, and 116 of these seats were lost in the next year. Even in 1929, when the party's popular vote reached its post-war peak, only 59 seats were won. The cleavage over the MacDonald Government in 1931, between the Samuel Liberals and the larger group of Simonites (Liberal Nationals) and the Lloyd George family group dealt another shattering blow to the party, and in the 1935 election, the anti-Government Liberals, including the Lloyd George group, secured only 21 seats in the new Parliament, against the Liberal Nationals' 33. The strength of the two groups at the dissolution was 18 for the Sinclair Liberals and 26 for the Liberal Nationals.

This historical digression is not intended in any way to prejudice the prospects for a Liberal recovery at the coming election, but merely to illustrate the progressive decline of a party which until the last war had been such a dynamic force in British politics, and to show the extent of leeway which it will now have to make up. The latest developments—the defection of Major Lloyd George and the impression, right or wrong, that Sir Archibald Sinclair would privately have preferred to remain with Mr Churchill—have not helped the unity of the party. It is, however, only fair to point out that Liberal M.P.s have more than made up in capacity what they lacked in numbers. And it is also true that after the loss of members, both to the right and the left, in what might be termed an involuntary purge, the party should emerge in a healthier condition. The slimming process cannot continue indefinitely. The Liberals should now begin to put on weight again.

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It seems reasonable to assume, in view of all the factors involved, that the Liberal vote will not only be maintained, but substantially increased at this election. This however—unfortunately for the Liberals—does not necessarily mean an equivalent increase in their representation. There have always been plenty of Liberal voters in the country, even when the party's fortunes were at their lowest ebb. Their lowest poll since 1918 was that of 1935, when as many as 1,377,962 Liberal votes were cast. Mr. R. G. W. Mackay calculates in his book "Coupon or Free?" that if Parliamentary seats had been distributed in proportion to votes cast, the Liberals would have secured 38 in 1935 instead of 21, and the Conservatives and their supporting parties 308 instead of 405. In 1929, the Liberals had 59 seats on a poll of 5,300,000 votes—a poll a million larger than that on which Labour won more than three times as many seats in 1923. It is small wonder that the Liberals place electoral reform high in their programme.

The electoral system, however, will not be changed, because both the major parties (not unnaturally since it benefits them) are wedded to it. For the present election, all that can be done is to estimate the prospects for the Liberals on the basis of previous elections. Although the Liberals won only 21 seats in 1935, they came near to winning a number more. In 60 constituencies it was the Liberal, not Labour, who was the runner-up to the successful Tory, and a swing to the left might be thought likely, on this evidence, to give the Liberals a chance of winning these seats. But it would have to be a substantial swing to produce much result, for in only 17 of the 60 was the Conservative majority less than 5,000. The areas where the Liberals did best last time were principally in the English Counties, such as Yorkshire, Somerset, Dorset, Devon and Cornwall, and in the Scottish and Welsh counties, where there is a strong Liberal tradition. With the exception of Mr Lloyd George at Caernarvon and Mr Dingle Foot at Dundee, no Welsh or Scottish boroughs returned a Liberal or even had a Liberal runner-up. The same applies to the majority of English boroughs, where for the most part the Liberals lost a great deal of the ground that they had held in 1929. Out of 160 seats in the cities and big towns of the country, the Liberals secured only four victories. In all, the Liberal party (excluding the Lloyd George group, which exactly held its ground) gained three seats and lost fourteen, four to the Tories, nine to Labour, and one to National Labour.

The moral of 1935 is fairly plain. The best tactics the Liberals could adopt would be to concentrate their forces

on the winnable seats, that is those which they held in 1929 or where they were runners-up in 1935. So far as can be judged, however, this does not seem to be the party's policy. A glance at the provisional list of Liberal candidates suggests that they are contesting many seats where they have never fared well and where their chances of success cannot be placed high, such as the London boroughs, Birmingham, and the urban and semi-urban districts of Middlesex, Essex, Kent, Surrey and Hertfordshire. Every such candidature will increase the total Liberal poll. But it is not likely to add to the total of Liberal seats.

The effect of Liberal intervention in what would otherwise be a straight fight between Conservative and Labour is not always easy to determine. The obvious and popular view is that, since the Liberals are a "progressive" party, any votes given to a Liberal candidate are taken away from Labour. In and around London, this may well be true, and in these areas a Liberal candidate may have the same effect on the result of the poll as a Common Wealth candidate. Much depends, of course, on the personality of the rival candidates, but where, in the Home Counties, there is a good Labour candidate, possibly from the services, the intervention of an equally attractive Liberal service candidate is much more likely to split the anti-Tory vote.

But it is very doubtful whether this is true in the country at large. In the provinces, the rank and file of the Liberal voters are probably still closer to the Conservatives than to Labour—owing, in large part, to the hostilities aroused in municipal politics. It is noteworthy that, of the seats won by the Liberals in 1929 but since lost, 20 have gone to the Tories but only 3 to Labour. It is the view held by many Labour organisers that, in a year when the country is swinging to the Left, Liberal intervention helps Labour, since it attracts out of the Tory ranks many people who would never vote Labour. This may be such a year.

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The impression that the Liberals lean more to Left than to Right is supported by their policy, which has been embodied in a twenty-point manifesto. This document unquestionably has more in common with the Labour Party than with Conservatism. All three parties, of course, declare the same general objectives in regard to full employment, housing, social security, agriculture, education and foreign policy. But the Liberal programme appears to travel a good way further down the radical path than many of the traditional Whigs in the party would probably approve. It states that:

Where public ownership is more economic [than private enterprise], Liberals will demand it without hesitation. Where there is no further expansion or useful competition in an industry or where an industry or group of industries has become a private monopoly, Liberals say it should become a public utility.

This criterion is applied to the mining industry—which it is proposed should become a public service and "not be treated merely as a private profit-making concern"—to the railways and the railway-controlled road transport undertakings and to electric power. The land policy is radical, too. Development rights outside built-up areas would be acquired for the public, and the State would be empowered to take over badly managed or badly farmed land.

These are near-Socialist proposals, which may shock old-fashioned Liberals. Indeed, the criticism may be made that, in its policy, the Liberal Party does not sufficiently distinguish itself from Labour; free trade is hardly enough by itself. There could be a neo-Liberal policy, designed to apply to the problems of the twentieth century the new social techniques which have been built up in recent decades for combining liberty and efficiency. Sir William Beveridge has given glimpses of this new approach to political problems, but the Liberal party as a whole does not seem to have seen the vision. It still seems to prefer sense and moderation as ends in themselves, to be attained by taking the edge off most of the issues of the day.

But how many voters in this unpredictable election will vote in a moderate and sensible way, and how many of

those who are intellectually attracted by liberalism will in fact vote Liberal, and whether enough of them are collected together in any one place to win the seat for the Liberal party are open questions. The past history of the party will not altogether be forgotten, and it is hard to remove the feeling that, with the present electoral system, a vote for the smallest party is a vote thrown away. If Labour does well, so will they, not because of any positive

attraction, and still less because of any active co-operation but because both will benefit, in different places, from any tendency to ignore the Churchill magic and vote against the Tories. But, by contrast, if this is a Churchill year, the Liberals can be expected to do even worse than Labour, since they suffer, after so many years of misfortune, from the lack of a hard core of faithful adherents.

Western Association—III

Prosperity Through Trade

THE major argument upon which this series of articles is based, it may be recalled, is that a closer association for mutual profit of the Western European nations is not so much a policy to be proclaimed or denounced as a practical necessity imposed by the facts of international life in the middle of the twentieth century. The need is not for supporting arguments on the wide canvas of high politics and diplomacy but for practical work to be done on the logistics of problems that are inescapably common to all the peoples living on the Atlantic edge of the Continent of Europe.

Nowhere is the truth of this approach more apparent than in the sphere of economic policy. So long as international economic policy remains on the plane of generalised expressions of good will, coupled, in practice, with beggar-my-neighbour protectionism, there is no particular reason why Britain and France, the Low Countries and Scandinavia should need to put their relations on a basis different from those of the rest of the world. But once the transition is made to a more positive economic policy, with defined aims and a public assumption of responsibility for attaining them, the coherence of this Western European group immediately becomes apparent. Within the last decade, the process of defining the aims of economic policy has been carried out in all of the Western European countries, with the same results. The aims were long ago defined by the economists, but they have now been given popular titles—Social Security, Full Employment and Rising Standards of Living. Social Security, it is true, is largely an internal matter; it is for each state separately to decide what minimum share of the national dividend shall be guaranteed to every citizen—though naturally the force of example plays some part in determining the answer that each country gives. But the other two problems—Full Employment and Rising Standards, the prevention of catastrophic fluctuations in the national income, and the most rapid possible increase in its total dimensions—are neither of them matters that can be dealt with in abstraction from the international position of the country. Some countries, in fact, can hardly begin to lay their plans under either head until they know what is to happen to their international trade.

The suggestion that the countries of Western Europe should work out the basic essentials of a co-operative approach to these two economic problems does not, however, arise simply from any vague general belief that co-operation is a good thing, or from the geographical accident that they are each other's closest neighbours. The

argument, as this article will attempt to show, is much more closely knit than that.

In the first place, these countries all approach the problem in the same way—and they are almost the only countries in the world that do. All of them are fundamentally individualist societies. To say this is not to deny that they all have large Socialist parties which may well attain to power and carry through substantial modifications of the economic structure. But none of them is in the least likely to abolish private property, or to nationalise anything like the whole of economic activity or to run even nationalised industries on other than business principles—or an imitation of them. Above all, none of these countries is likely to deprive the citizen of the right to dispose of his own labour or to decide for himself how much of his income he shall save and how much he shall spend and what he shall spend it on. This being so, there can be no simple and automatic solutions of economic problems, such as can be achieved in autocracies by the issue of an edict. Full Employment can be attained and Rising Standards of Living secured only by delicate mechanisms designed to influence free decisions and to create an economic climate within which free, or at least, undictated, enterprise can work to the common goal.

There are few other countries that find themselves in exactly the same economic position. A totalitarian state differs because it does not permit any economic freedom, but solves the problem of Full Employment by directing labour and that of Rising Productivity by imposing forced saving to finance the growth of capital. The United States is in a different position because, while it recognises the problem, it refuses to entrust the solution of it to the organs of the state. And another large group excludes itself because its members are still in a less complex stage of development and base their economic life on primary production, which has a different order of problems of its own. When these exclusions are listed, not much more than the British Dominions and Western Europe is left. Even if these countries were not close geographical neighbours (as, indeed, if the Dominions are included, they are not) they would inevitably be thrown together by their common approach to the problem. They, and they almost alone, are concerned with both halves of the economic problem—to attain the objects by deliberate policy and to attain them by democratic means.

Secondly, these countries are all dependent, to a high degree, on foreign trade. The dependence of the United Kingdom is considerably less than it used to be; but it is

still large. In 1937, for example, imports amounted to nearly a quarter of the national income (Professor Bowley's estimate) and exports to not much less, when invisible items are included. French national income figures are notoriously unreliable, but such as they are, they show foreign trade making up approximately the same proportion of the total. For the smaller countries of the group, the degree of dependence is much higher. For Norway in 1937, for example, imports amounted to over 40 per cent of the total; visible exports, omitting the large item of shipping earnings, were over 25 per cent. For Belgium, Holland and Denmark, the latest available figures show imports ranging from 33 to nearly 60 per cent of national income, with the export ratios (since they omit invisible items) running somewhat lower.

It is a commonplace of economic doctrine throughout the Western world that the way to ensure an adequate and stable level of employment is to stabilise, at a high level, the flow of income. No country can pretend that it has a full employment policy unless it can see its way to bring about a stabilisation of each of the main varieties of income. Small fluctuations can be offset by artificially induced and opposite fluctuations in the expenditure of the state—that is, in incomes generated by public expenditure. But public works cannot be expected to be so variable that they can offset major disturbances in other income flows. In the case of the six Western European countries, overseas trade generates anything from one-quarter to one-half of the whole national income. It follows that there cannot, in any of these countries, be an effective full employment policy without provision for the stabilisation of foreign trade. It is strange how much this obvious fact is ignored, or given only empty formal recognition, in most of the current discussion. It is not enough in this context to work for the expansion or development of international trade, valuable though that is, without its also being stabilised. Other countries may possibly ignore this aspect of the matter. The proportion that foreign trade bears to national income in the United States, for example, is small, and in Soviet Russia still smaller. Even in pre-war Germany, after all the artificial stimulation of foreign trade by the Nazis, it amounted to only some 8 per cent of national income. These countries can, at a pinch, offset by public works any probable degree of fluctuation in their foreign trade. They can ignore the problem, or even use it as an instrument for allaying their internal disturbances. The countries of Western Europe cannot so easily escape. If they are to have full employment, they must take steps to stabilise their foreign trade.

Thirdly, not only are these countries dependent on foreign trade, they are also dependent to a high degree on trade with each other. This is demonstrated by the two tables on p. 842, relating to imports and exports. Each of these tables is given in three columns, owing to uncertainty

about the geographical extent of any commercial arrangements that the Western European countries could arrive at among themselves. The first column shows the minimum extent—the six metropolitan territories in Europe and their non-self-governing colonial dependencies. But if such arrangements could be made in a way that did not stir up conflicts with the rest of the world, it is likely that some at least of the British Dominions would wish to be included. And, thirdly, it is possible that Germany, or at least Western Germany, would also be associated, voluntarily or involuntarily, with the policy. It would be a mistake to drive these figures too far. But the message they tell is perfectly clear. A Western European trade grouping would cover from half to two-thirds of the external trade of the six countries. And since that external trade itself is responsible for a quarter to a half of their national incomes, it will be seen that a stabilisation of Western European trade would be a most powerful contribution to Full Employment policies in these countries. A general stabilisation of all international trade would, of course, be still better; but it is hardly a practical policy, partly because of the inherent instability of trade in primary products, partly because of the unwillingness of some other countries, notably of the United States, to give their governments stabilising powers. But in the absence of the universal ideal, a policy of stabilisation within the Western European group is the indispensable minimum, without which they cannot hope to pursue effective economic policies at home.

The next article will be concerned with the means by which this could be brought about. But one remark should, to prevent misunderstanding, be made at once. There is no prospect whatever of a self-sufficient economic union in Western Europe. Political principle and physical circumstances are alike opposed to it. If the mutual trade of these six countries is half their total trade, the second half is as important as the first and must not be prejudiced. To stabilise one half merely by thrusting all the instability on to the other half would serve no useful purpose. What is here in question is not a penalisation of trade with third parties in order to create an artificial prosperity within the ring, but a suggestion that these countries should stabilise what can be stabilised, without prejudice to the rest—in short, what Ottawa should have been, not what Ottawa was. If such a commercial pact is not in fact directed against the rest of the world, it must not look as if it is directed against the rest of the world. It does not follow that every last detail must be formally agreed with each of the three-score nations of the earth. But the methods by which the aims are to be attained must be such as do not outrage other trading nations. And the association must be open to the adherence of all who are willing not merely to share its benefits but also to bear its burdens. These conditions make the problem more difficult, but they do not make it wholly impossible, as the next article will attempt to show.

TRADE OF SIX WESTERN EUROPEAN COUNTRIES, 1937

Percentage of Total Exports				Percentage of Total Imports			
Sold to :—		As Col.		Bought from :—		As Col.	
Other	As Col.	As	As	Other	As Col.	As	As
West European	(1) plus	Col. (2)	Col. (2)	West European	(1) plus	Col. (2)	Col. (2)
countries	British	plus	plus	countries	British	plus	plus
and their	Dominions	Germany	Germany	and their	Dominions	Germany	Germany
colonies*	and India			colonies*	and India		
(1)	(2)	(3)	(3)	(1)	(2)	(3)	(3)
%	%	%	%	%	%	%	%
United Kingdom ...	28.3	61.3	65.9	United Kingdom ...	24.8	54.9	58.4
France	57.9	59.7	65.6	France	45.0	53.3	61.0
Belgium-Luxemburg	48.9	54.2	65.1	Belgium-Luxemburg	41.8	52.4	63.8
Netherlands	52.3	55.6	71.0	Netherlands	36.9	41.0	62.1
Denmark	63.9	65.1	83.7	Denmark	48.8	49.2	73.1
Norway	46.7	49.8	62.9	Norway	45.7	48.6	65.1

* These columns also include the trade of each country with its own colonies.

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NOTES OF THE WEEK

Trials and Talks at Moscow

Until more evidence of the Polish trials in Moscow is available, it is impossible to comment on the justice of the sentences of imprisonment which have been passed on some of the accused men. It seems certain that some sort of anti-Russian organisation existed in Poland and that some of these Poles were connected with it. The organisation received instructions from the London Government and although General Okulicki strenuously denied that he had even ordered terrorism, local groups probably got out of hand and acts of sabotage and murder occurred.

But who is chiefly to blame for this? The Russians have throughout the long agony of Polish resistance and liberation persistently done everything calculated to encourage Polish extremism, to undermine the position of such moderate statesmen as Mr Mikolajczyk and to alienate the sympathies of the great Polish political parties. General Okulicki in his spirited defence admitted his distrust of Russia. A man would need to be a very blind or very partisan Pole not to share that distrust, for the Russian occupation has brought with it everything the opponents of Russia feared—the puppet government, the single-party dictatorship, the OGPU, mass arrests and political trials, complete with confessions.

Do the Russians think that these trials, which hang like a sword of Damocles over the heads of the non-Lublin Poles gathered to form a new Polish Government, are the best way to secure the confidence and friendship they insistently claim?

New Angle on Syria

The debate on the Levant in the French Consultative Assembly has done nothing to resolve the Anglo-French diplomatic deadlock. It revealed General de Gaulle to be as intransigent as ever in his determination not to sit round a table with his British and American critics. There is, in his counter-proposal that the matter shall be referred to the new World Organisation, a measure of his remoteness from world opinion. The posse of criticism which he is there likely to meet from small states will surely be even more distasteful to him than the strictures of the great Powers.

But the debate had one important new feature. For the first time, it revealed to the French public that the alleged "handiwork of British agents" is not alone enough to explain France's intense unpopularity in the Levant States, and the bodily danger in which her citizens now pursue their business in Syria. For the first time since before the war, Frenchmen heard from the lips of Frenchmen that French policy over the last twenty-five years accounts for much of the trouble. M. Pierre Cot—a pre-war Radical minister—won more applause than any other speaker for a speech in which he blamed the Government for trying to win by force of arms a position that must—in the modern world—be won by confidence. Madame Braun, the secretary of *Front National*, put her finger on a major French weakness: the maintenance of Vichy officials in high posts in Syria. "The British should not be able to reproach us for using Vichy generals," she said. She might have added that Syrians cannot be expected to respect Generals like Oliva-Roget (known as Colonel Olive in the Vichy regime), whom they have watched changing their names and coats.

What can be done to end the miserable deadlock. The French Assembly went as far as it could to bring General de Gaulle into a more accommodating temper when it finished the debate by noting Mr Churchill's declaration on June 13th—that Britain has no intention of supplanting France in the Levant—and demanding that

all proposals which may be put forward by the British Government in connection with their statement on June 13th be considered in the same spirit and that the Government should increase their efforts toward drawing up a Franco-British treaty which, with the Franco-Soviet treaty would be one of the European foundations for the building of world peace.

It is now therefore up to the British Government to make proposals for a settlement in the Levant and, if possible, to link them with the outline of a wider settlement.

There is still a warm and solid desire for friendship in France which must be encouraged in every possible way. Perhaps President Truman would be the intermediary least hurtful to French prestige. But whatever the method of ending the deadlock, speed is essential. Good will is a wasting asset. It is not certain how long the Assembly will maintain unaided the moderation of its approach.

Mountains and Molehills

Astonishing capital is being made out of Mr Harold Laski's ill-considered and ill-timed statement that Mr Attlee should attend the Big Three meeting only as an observer, because the Labour Party could not be committed to decisions which it had had no opportunity to discuss. This, together with the incident at Newark, where he is alleged to have said that Labour would if necessary use violence to attain its objects, is being worked up into a real Red scare—it is rapidly becoming a second Zinoviev letter or a second J. R. Campbell case. What proportions the incident will have reached by the eve of the poll defies the imagination. But since its real content is very small, it may well recoil on to the heads of those who are trying to make it into a major issue.

There is no doubt that Mr Laski has blundered. Not only has he provided excellent copy for his opponents, but he has placed Mr Attlee in an embarrassing position. That, however, is a long way from creating the "major split" in the Socialist ranks which the *Daily Telegraph* and the *Daily Express* have reported with such avidity. There is no split over this issue. Mr Laski, whose authority in the party is purely transient (a new chairman is elected every year), has spoken out of turn, and he has admitted that his was a personal statement. Mr Attlee has accepted the Prime Minister's invitation to attend the Big Three meeting as "friend and counsellor," and that ought to be an end of this particular incident.

It does, however, raise certain questions of principle—not necessarily germane to the present election, but too important to be ignored. It reveals the long nurtured suspicion (originating from the MacDonald days) among the Labour rank and file of allowing their leaders too free a hand. But sensible people would surely realise that it would be an intolerable position if the leader of a party, associated with highly difficult and delicate international negotiations, had to convene a special party conference before he took a decision. Democratic government does not mean that the people must assume direct responsibility, but that they must delegate responsibility for carrying out an agreed policy to their elected representatives—which is a very different matter. Surely Mr Laski, after all his lectures and books on this subject, would not deny this?

National or Tory?

Lord Beaverbrook, in one of his recent election speeches, announced that he personally was only too willing to drop the word National, and refer to the Tory Government and the Tory Party. That would certainly have the merit of honesty. There are far too many men in the Conservative Party who seek to make the words National and Tory synonymous, and to claim the Red, White and Blue as their exclusive symbol.

Another piece of political honesty is the action of the National Labour Party, which has declared its decision to drop the suffix Labour from its title. It will be interesting to see whether the Liberal Nationals follow suit and run on a straight National ticket. The Liberal Nationals, it is true, have rather more claim to an independent existence than the National Labour Party. They had 26 seats at the time of the dissolution, compared with the latter's five. In 1931, when both the parties were formed, the Liberal Nationals had 38 seats and the National Labour 13. But the followers of Mr Ernest Brown (late Simonites) have long since lost their right to represent the Liberal point of view, and they have no visible distinguishing marks which differentiate them from the Conservatives.

None the less, the Liberal Nationals are putting forward

52 candidates, and in no divisions are they being opposed by a Conservative—with the possible exception of South Molton, in Devon, where the local Tories are anxious to run their own nominee. Apart from a doubtful electioneering advantage, it is difficult to see what the Liberal Nationals gain by continuing to call themselves Liberals—since they can only be returned on the strength of their Conservative support. Their election manifesto, issued over the week-end, dots the i's and crosses the t's of Mr Churchill's own policy declaration. It has six points more than Mr Churchill's, however, and places even more emphasis on individual rights and liberties, and "the freeing of enterprise and the liberation of industry from the shackles of bureaucratic control." In these days, phrases like this have a more Conservative than Liberal ring.

Labour and Industrial Efficiency

The Labour Party, it appears, is at last beginning to realise that whatever Government is returned to office will have to devote its energies to raising the level of technical efficiency in industry, if Britain is not to sink to the level of a second-rate industrial power. Hitherto, it has been largely left to the Tory Reform Committee and to individual MPs to call public attention to the pressing need for increasing the productivity of labour in industry. But this week Sir Stafford Cripps, who has, after all, had ample experience of these problems in aircraft production, dealt at some length with efficiency, and particularly managerial efficiency, in his broadcast speech. And Mr Morgan Phillips, the Labour Party's Secretary, at a week-end meeting, compared the high productive efficiency of the United States mining, cotton and building industries with the sorry record of the same industries in Britain, and indicated that a Labour Government would seek to modernise and reorganise industrial processes wherever they fell below an efficiency level. He said:—

We cannot tackle this problem with nineteenth century minds and nineteenth century techniques. . . . We must modernise or perish.

This attitude is indeed welcome. But in this question of efficiency, it is the industrial rather than the political section of the Labour movement which counts, and the election manifesto issued by the Trades Union Congress does not exactly inspire the same confidence. There is only a cursory reference to industrial efficiency (it is stated that nationalisation of the mines, iron and steel and internal transport would "promote their efficient development"), and it is abundantly clear that trade union pressure would be for higher wages—irrespective of output—and shorter working hours, without reduction of wages. The 40-hour week may be good electioneering, for the idea of more leisure for the same earnings after the long years of war strain will be attractive to workers everywhere. But it is open deceitfulness if it distracts attention from the fact that the first aim of workers and their trade unions in the immediate post-war period must, in their own interests, be to maximise output.

There is no indication in the manifesto of how far the trade unions would actively co-operate in maximising production under a Labour Government by agreeing to remove restrictive practices, such as the insistence on demarcation lines and other defensive customs which have hindered high output in the past. Many trade union leaders have, it is true, given assurances that these barriers would be removed in the interests of full employment, but it is not so certain whether the rank and file in the workshops, shipyards, building sites and pits would follow suit in practice. They should, however, be told that unless they do, the efforts of a Labour Government to secure full employment might well be discredited.

Housing Subsidies

Mr Willink's announcement last week, in Parliament's eleventh hour, of a small part of Government policy for subsidising housing was doubtless intended as a promise of better things to come. He promised legislation—if his party were still in power—to provide grants for small private houses built for sale or renting. The grants would be made by local authorities, but the Exchequer would bear the whole cost up to £100 and half of any further cost up to a maximum of £150. Strict conditions of size, construction, rent, and price would be required for the subsidy, which would not be available for houses with an inclusive cost of more than £1,200. The grant is to be paid, either in a lump sum or in five annual instalments, to the owner-occupier or pur-

chaser. This will prevent it from merely swelling the builder's profit, but houses will command a scarcity price for some time to come and the Minister did not make it clear how the first purchaser will be prevented from reselling the house at a profit.

This subsidy is to apply only to private enterprise building. The subsidy to local authorities is still to be determined. This apparent priority for private enterprise naturally attracted the criticism that it was being done for party advantage, and there may have been an element of that in it. But in the main it is right and proper. Local authorities are not likely to be unduly hampered in their plans for lack of the final figure of the subsidy, since the principle has been agreed, while private enterprise building might be held up if there were any uncertainty. For the same reason, the grant is to be made retrospective to June 7th.

One improvement of this new subsidy over the old is that it is not to be given at a wholly flat rate, but that the larger house is to get a higher subsidy. It is to be hoped that some way will be found of restricting these larger houses to the use of larger families, though that is inevitably difficult in the case of privately owned houses. Nor is it clear from the Minister's announcement whether the inducements to build houses of the less profitable but socially more desirable types—particularly houses for letting—will be sufficient. There are clearly many gaps to be filled in. And the biggest unresolved question of all is whether building costs will ever come down to a reasonable level, or whether the wartime reform of guaranteed wages in the building trades, admirable though it is on humanitarian grounds, is to have the permanent result—as it has certainly had the temporary result—of substantially lowering output per head and raising costs to a level that the public cannot afford to pay.

King Leopold and the Belgians

The spectacle of a king seeking to return to his throne in the teeth of opposition is always baffling to those who do not envy kings. King Leopold of Belgium has now



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announced that he will not abdicate despite the news that three out of the four major Belgian political parties have lined up against him. The Liberal Party Executive joined the Socialist and Communist opposition by a surprising majority of 88 votes to nil, with three abstentions.

King Leopold has been a psychological puzzle since 1940. He is now creating a situation which no responsible man should create, but in his justification it must be said that the entire volume of the feeling against him is not of his making. Some of it is due to the ill-advised campaign which—long before VE-Day—his supporters opened on his behalf. But the last six weeks of pause and consultation with advisers—some nationally respected, others nationally despised—have given time for the development of numberless reasons why King Leopold personally will not suit the nation. The cleavage of opinion goes deeper than that between Flemings—for him—and Walloons—against him—or than that between Catholics and the rest. It is complicated by the views of those who condemn his collaborationist father-in-law, who mistrust his choice of the entourage that, in 1940, advised surrender, and who dislike the political leanings of his influential mother, Queen Elisabeth. It is further aggravated by an accumulation of small human reasons why his people do not want him on their throne. Returned prisoners, in particular, feel that they have nothing in common with a self-styled "prisoner" who felt able to marry while in "prison"; many members of the armed forces do not want to salute as Commander-in-Chief a man who seems to have ignored their experiences; former resisters feel out of step with a man who, of choice, sent his daughter to school in Italy. Such grievances alienate even the stolid countryman who does not hold with politics and does not like upsetting routine.

The outcome hangs upon whether the King can form a Cabinet of his supporters. Some of these are men of standing and high repute. They include, for instance, M. Jean Harinckx, Governor of Brabant. Meantime, M. van Acker, who has handled the crisis with tact and wisdom, keeps the wheels of government turning, keeps in touch with the King's representatives and keeps in check the many workers' organisations that are seething on the verge of a general strike. British sympathies go out to Belgians in the situation that confronts them. It is not many years since Britain faced an abdication crisis of its own.

Franco Swims with the Tide

General Franco is an adept at staying on the top of his little world. If it were centrally placed in Europe, his political acrobatics would before now have tumbled him down. As it is, he lives out on a limb, and is able with impunity to extol his Falange to the Germans as "the political expression of Spain's rebirth" (only six weeks ago he mourned for Hitler in its uniform) and to write it off to a British enquirer as "of no political importance."

During the latter interview, given last week, he also announced forthcoming elections in Spain, the total abolition of press censorship and the appointment of a Council of State to choose a prince as the country's future ruler, whose "fitness to mount the throne" could not be in doubt. These steps, he said, would bring Spain back to a "normal state of government." In accordance with his usual practice, this interview was not reproduced in the Spanish home press pending the receipt of favourable reactions from abroad.

When assessing the scope of the proposed reforms, it should be remembered that Falangists continue to hold many key offices. In particular, they reign at the three important Ministries of Labour, Industry and Commerce, and Agriculture. They also rule in the provinces, where the civil governorship goes, automatically, to the local Falangist party chief. They also continue to maintain their special police (*Policia Armada*) whose sinister title denotes full powers of arrest. What more could a dictator want? Again, under the new regime for the press, editors are to be personally responsible to the Caudillo for what they publish; in other words, their jobs will hang upon their discretion.

All recent foreign visitors to Spain confirm that it is quite beyond General Franco's power to recapture public confidence or to uproot the constant fear of eavesdropping and arrest that warps every judgment even though it does not prevent Spaniards—being Spaniards—from grumbling aloud. Yet his regime shows every sign of lasting. On foreign

as on home affairs he is ready to be endlessly elastic. For instance, he has now reversed his Tangier policy of 1940, and has displayed, in preliminary discussion with the Governments interested in the Tangier Statute, extreme moderation over the future regime that is to apply there. It seems that nothing can stale his infinite variety, or at least, not yet.

Too Little Food—

The short food conference, attended last week-end by representatives of Great Britain, the United States, and nine European countries, yielded little in the way of positive results. Britain was strongly represented by Colonel Llewellyn and Mr Hudson, but the French Food Minister was not present. No new estimates of production were revealed, beyond the welcome news that Denmark should be able to export 89,000 tons of food, mainly butter and bacon, before September 30th. The Danish surplus, Colonel Llewellyn has since revealed, will go in the first place to the Occupation Forces, and much of the remainder will be available to make up—not to supplement—civilian rations in this country; and not, as might have been supposed, to make up still scantier rations elsewhere. But even food from Denmark, the only European country which can hope to export any, is dependent on supplies from outside of coal, fertilisers, and feeding-stuffs. Only one quarter of the 400,000 tons of coal per month that are needed can be produced inside the country.

No plans for expediting essential supplies to Europe were revealed at the conference. They are still apparently being formulated. A detailed survey of the probable production and needs of every country, on the basis of which available supplies can be allocated, is urgently needed. Above all, supplies themselves must be sent as quickly as can be, and to the fullest possible extent. Until more light is shed on these matters, little can be said about the prospects of rehabilitating European agriculture. It was stressed at the conference that every country must rely mainly on its own efforts to repair its food shortages. But how quickly European countries can get to work, as they are only too anxious to do, depends on the rate at which they will receive a few essential supplies to ease their transport situation and to facilitate their food production.

The need for Europe to find its own food is all the greater since, after the recent food cuts in Britain, the United States and Canada, there can be little hope of securing supplies through reducing food consumption in other countries. Virtually, the only sources of supply which are not fully tapped lie in South America. Colonel Llewellyn last week called on South American countries to help Europe both by reducing their consumption and by expanding their production. Whether some of the countries concerned are prepared to join in pooling all supplies remains doubtful.

—And Not Enough Labour

It is against this grim background of world food shortage that the National Farmers' Union have pleaded with the Government, unsuccessfully, for the prompt release of farmers and farmers' sons from the Services. The lack of fully skilled men is the farmer's worst difficulty at present, more troublesome by far than the shortage of unskilled labour. But this fact alone would not warrant their release; the only acceptable proof would be that their presence is essential for gathering in the harvest.

The harvest is even more vital, and looks like being bigger this year than last, when large quantities of potatoes and sugar-beet were wasted for lack of labour. The NFU have issued the serious warning that

if Britain's acres are not harvested to the full this year, the people of this country will have to live on the most frugal rations within living memory.

Certainly, most people will not wish to take the risk of losing this year any part of the harvest through lack of labour. To gather in what has already been sown should have at least equal priority with building new houses.

The difficulty is to estimate how much and what sort of additional labour is needed, since farmers themselves unofficially at least, are not agreed. Most types of labour needed for harvest work are admittedly scarce. There are fewer adult volunteers for harvest camps. There are also fewer land girls. Although the Women's Land Army is not

being demobilised, it is now impossible to prevent many girls from resigning or from denuding some counties by returning to work nearer home. The Army, as last year, is not officially available to give any help. Further, it is true that amateur efforts are of little use unless there are enough skilled men to supervise them.

These difficulties, taken together, undoubtedly mean that farm workers will be badly overworked this autumn. It is more doubtful, however, whether crops will actually be wasted, with the possible and dangerous exception again of potatoes and sugar-beet. Harvesting these crops requires a high proportion of unskilled labour at a time (late autumn) when, despite all inducements, it is especially hard to secure. This makes it all the more important to see that the services of German prisoners, who are to be increasingly used for agricultural work, are distributed fairly and evenly throughout the country. If the release, perhaps temporary, of some skilled men from the Forces is also needed in order to avoid a further reduction in the sugar ration next winter most people will think the case strong enough.

Teschen Again

For some time now it has been apparent that the old frontier disputes between Poles and Czechs would cause trouble, whatever the European framework into which they were fitted. Both nations claim the racially mixed areas in Silesia and along the River Olsa and neither has so far recognised any frontier in these disputed regions to be finally valid.

Trouble came to a head last week in spite of the presence of Red Army garrisons in both the Polish and Czech zones round Teschen. The local Czech authorities appear to have ordered the Poles in the Czech area to register as aliens. When the four Polish democratic parties decided to refuse to register, the Czechs arrested a number of Poles and extended to the whole community the curfew imposed on the Germans.

The Polish press denounced these proceedings vigorously and on Saturday, under the personal command of General Rola-Zymierski, Polish troops marched into Teschen, hitherto garrisoned by Soviet forces. They have thus taken over the territory which the Polish Government occupied in 1938 when it delivered its celebrated "stab in the back" to the Czech Republic.

The Polish forces have not, however, advanced beyond the zone predominantly occupied by Poles and it does not seem that the Russians will allow these frontier incidents to flare up into open hostility. The Prague Radio has announced that a Czech Commission will go to Moscow and will accept Russia's arbitration in all outstanding issues between Poles and Czechs. The Poles, on their side, have laid the blame for the incidents on "local Czech chauvinists" and exonerated the Central Government at Prague.

The settlement arranged at Moscow will probably give most of the Olsa region to Poland and compensate the Czechs with strips of Silesia. And so the frontiers may well be fixed unless new upheavals and shifts of power reopen the issue.

Signor Parri Succeeds

The new Italian Cabinet has been formed at last, and in the new Prime Minister, Signor Parri, the Italians appear to have found a leader capable of transcending the very deep cleavages which divide the six anti-Fascist parties on which the new Coalition is based.

The new Cabinet is much stronger than its predecessor under Signor Bonomi, from which the Socialist and Action Party were absent and which in any case did not represent the North. Nevertheless, Signor Parri will have a difficult and delicate task to keep his team together until the preparations for a Constituent Assembly are complete. The Government took weeks to form and at the last minute long party wrangles held up the announcement of the full Ministry. These delays sprang from deep divergences and suspicions. The Communists and Socialists in particular oppose the "clericalism" of the Christian Democrats, for which reason a tough struggle developed over the Ministry of Public Instruction, the Christian Democrats and the Left wing parties both claiming it. By way of compromise it has been left with the former Liberal Minister, Dr Ruiz. But this compromise will not remove the cause of the dispute.

The Allied authorities can help to give stability to the

Parri Government by practising the strictest non-intervention in internal politics. The question of the Monarchy seems for the moment to be satisfactorily shelved, although the Socialists, under Signor Nenni's exuberant leadership, claim the right to raise the issue with the people at large. Whatever action is taken, it must be Signor Parri's responsibility to deal with it, not that of the Control Commission.

Again, supplies should be given to Italian industry without any stipulations about the control or structure of the various industries. To insist on efficiency is reasonable. To use efficiency as a lever for returning discredited industrialists to power only invites distrust and disorder. Efficiency, after all, depends on workpeople as well as on managements. Finally, the more responsibility the new Italian Government can carry, the fairer are its chances. The provinces of Florence, Pisa, Leghorn and Pistoia have been transferred to direct Italian administration. The sooner the northern provinces are transferred, the better.

Freedom of the South Seas?

The firm establishment of Australian troops in North Borneo gives a new shape to the Far Eastern war. A vital step has been taken in the encirclement of the Japanese in Malaya and the Dutch East Indies. The process of driving them out and linking up with the British armies in Burma will be long and arduous. General Slim reminded the people at home that without hard work the Japanese war would be on their hands a long time. But the pattern of victory seems clear, and it may well be that the surrounded colonies—British, Dutch and later possibly French—will be liberated before the final defeat of Japan.

The temptation will be to postpone all consideration of the future status and development of these dependent territories until some final settlement. Such a postponement would, however, be impolitic and unwise. The position of the Metropolitan Powers—Britain, Holland and France—is under steady criticism in the United States. It may be that in the new division of functions in the Far East, with the Americans claiming the right to defeat Japan unassisted, the liberation of the Malaya, Borneo, Dutch East Indies triangle will be accomplished largely by Empire forces, with the assistance of Dutch and, if possible, French forces. But even so, the overwhelming contribution the United States has already made in the Far Eastern zone entitles it to hold views about the future of the area, and there is no secret about the views. The Americans want drastic changes in the direction of "free trade" and independence.

The colonial Powers have therefore not only a responsibility, but a direct interest to concert their post-war plans, and to give their colonial policies a stronger orientation towards native prosperity and self-government. The American solution is no solution for defenceless and relatively backward territories, but it does not follow that the *status quo* is either acceptable or right. The Australian and New Zealand Governments made a first initiative early in 1944 in proposing a South Seas Regional Commission, on which British, American, Dutch, French, Australian and New Zealand representatives would sit, and which would safeguard native welfare and coordinate economic policy. This conception could obviously be extended to cover defence, and within such a regional framework the metropolitan Powers could proceed more boldly in their granting of autonomy and self-government of the native peoples.

The time to make the plans for post-war reconstruction in the South Seas is now, so that the immediate policies of occupation and government do not contradict the wider objectives or draw down on the colonial Powers the vigorous criticism of the United States.



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Federation in the West Indies

Shortly before Parliament was dissolved, the Secretary of State for the Colonies circulated the text of a dispatch he recently addressed to the Governors of the West Indian islands on the subject of federation. The West India Royal Commission recommended that political federation, though "not of itself an appropriate means of meeting the pressing needs of the West Indies," is "the end to which policy should be directed." Colonel Stanley's dispatch describes the conditions under which this end can best be achieved.

It emphasises, first, that a movement towards federation must come from the colonies themselves; federation will only be attempted after the fullest publicity and discussion. Secondly, federal administration should be proved capable of being independent of "recurrent financial assistance from outside." Thirdly, political federation alone should not be considered, but also the "development of unified action in the administrative and economic fields."

It cannot be said that any of these conditions are anything like being fulfilled at the moment. Until very recently, there was little or no sign of any Caribbean feeling among the peoples of the West Indies. For one thing, the area is not compact geographically as is, say, that of the East or Central African dependencies. Seven hundred and fifty miles of sea separate Belize in British Honduras from Kingston in Jamaica. Eleven hundred miles separate Kingston from Port of Spain in Trinidad. From Port of Spain to Georgetown in British Guiana is 360 miles and from St. Kitts, the northernmost island of the Leeward group, to Port of Spain is about 500.

Moreover, the islands are at very different stages of constitutional progress. Jamaica now has a large measure of internal self-government and adult suffrage. Most of the other colonies have only a limited franchise and the elected members of their legislative councils are in a minority. Financially, there seems at present no hope of any federation being self-supporting. The phrase "recurrent financial assistance" does not preclude grants from the Colonial Development and Welfare Fund, but even now it is difficult to see how the West Indies can maintain many of the schemes whose original capital cost is met from the Fund. In the administrative and economic sphere, it does not appear that the individual governments have seized with enthusiasm the opportunities for regional thinking presented by the (ex-)Stockdale organisation but rather appear sometimes to resent its assistance. All the islands—even the federated Leewards—levy import duties against each other.

But remote though the prospects of federation may seem at present, it is still an "end to which policy should be directed," and the absence of any communal problem makes its ultimate chances good. A promising start was made by the first West Indian Conference, which arose from the Anglo-American Caribbean Commission and was held in March last year. For the first time unofficial delegates from the British—and American—colonies met to discuss matters of common interest. The Colonial Secretary's invitation to the legislatures to discuss the advantages of federation will itself do something towards breaking down their insularity still further.

Colonial Service Recruitment

Appointments to the Colonial Service, held up owing to the prior claims on manpower elsewhere during the war, are now beginning again. The leeway to be made up after the cessation of recruitment over five or six years and the necessity of restaffing on a large scale in the Far East have created about 4,000 vacancies. The official recruitment programme, details of which were released early this month, falls into two sections: vacancies for administrative and technical pensionable posts and for appointments on short-term contract. In the former group, applicants are required particularly for technical posts in the specialist departments,

but an effort has been made to tap the stream of demobilised men from the Forces by raising the age limit for technical appointments from 35 to 40 and for non-technical appointments from 30 to 35, by allowing war service to count in computing the initial salary on the relevant scale and by offering seniority to early successful candidates equal to that for those few appointed during the war.

Special interest attaches, however, to the terms of appointment for technicians and specialists on short-term contracts. (The importance of this problem to certain colonies is discussed by our Accra correspondent in an article on page 854.) If the colonies are to receive a worth-while stimulus from advancing technical knowledge in this country there must be a steady flow of technical expertise overseas and back. This is a form of subsidy on which the funds available under the Colonial Development and Welfare Act could well be expended and which would provide a better basis for a long-term policy of colonial development than local tariffs, import restrictions and the fostering of uneconomic projects. Under the scheme, while the terms of contract as regards age limits, salaries and conditions of service are to follow broadly the conditions of pensionable appointments, there are indications that each case will be considered on its merits and that the service will not be starved of expert advice and experience by slavish adherence to a formula.

This discretionary power will have to be used boldly by the Colonial Office, for it is competing over the Reconstruction Period (that is, until some time after the defeat of Japan) in a sellers' market. A specific case is that of Nigeria, where 400 temporary development officers are to be appointed. Contracts are offered for 3, 5, 8 to 10 years for men between 30 and 45. The salaries offered afford little margin for saving, though gratuities will be granted on the completion of the contract. There is an ominous note in the "varied character" of the duties to be performed, which include "relieving members of Departments . . . for other tasks, particularly in connection with the preparation and execution of development schemes." An experienced applicant of 30 to 35 will wish to be more than a "stand-in" for an administrator and will surely wish his particular development duties written into his contract. Altogether, colonial service recruitment will have to be tackled resolutely and honestly. The best men will be obtained only if amenities overseas and imperial communications are further improved. Men who have served overseas during the war are in a very advantageous position for judging any offers made for their services.

Goering and Ribbentrop

Of the five Nazi leaders best known to the world outside Germany, three are dead, but two are in the Allied bag. Even a very minor prophet might have hazarded that the fate of the five would work out thus. Hitler, Himmler and Goebbels knew that they could expect no quarter. Goering and Ribbentrop, having heiled kings and dined with archbishops, and having shot or golfed their way round Europe, suffered from the delusion that old acquaintance with the great might see them through. Hess, it will be remembered, thought so too. What is strange is that the belief could be sustained right up to now. Here is proof of the vacuum in which the Germans have been living. So is Ribbentrop's letter to Mr Vincent (" . . . never could remember Christian names . . .") Churchill.

Unfortunately, the procedure for dealing with these major figures is still far from settled. Machinery for the lesser fry has gone ahead because it can be handled zone by zone. So far, civilian offenders against the laws and usages of war have been tried by *ad hoc* courts martial. Henceforth, military courts competent to try all local war criminals are being set up. In the British zone a Royal Warrant authorising these is now imminent, and regulations governing the trials have already been issued by the Judge Advocate's department. In the limited number of cases where satisfactory affidavits are already available these courts are competent to try the trained thugs who ran the concentration camps.

But the criminals on a broader scale, belonging to the Goering-Ribbentrop class, call for inter-Allied procedure. The present proposal, advanced by the Americans, is that they should come before a court established by agreement between the four Occupying Powers; that the four Chief Prosecutors should meet in London to frame the unprecedented charges, and that the trials should then take place on the Continent. Delay, with such procedure, seems un-

avoidable. It is perhaps poetic justice that Goering and Ribbentrop, who have always each been jealous of the other's capacity for stealing the thunder with foreigners, should be given time to realise that there is now none left to steal.

The Farrell Government Between Fires

The Buenos Aires Stock Exchange and the Argentine Chamber of Commerce are among 319 industrial and commercial organisations which last week issued an appeal to President Farrell to revise the Argentine Government's social and economic programme.

Criticism from such sources is not a new feature of Argentine politics. In particular, the Buenos Aires Stock Exchange has, since the 1943 *coup d'état*, shown some concern over the withdrawal of the country's financial leaders from the problems of government. Towards the end of 1943 it officially deplored Sr. Santamarina's resignation as Finance Minister. He was the last of the influential moderate element in the Ramirez Cabinet and had been chairman of the Bank of the Nation. His successor there declined to replace him as Finance Minister and in turn relinquished the bank chairmanship. Dr. Ameghino, an extreme nationalist, became Finance Minister. Other significant resignations at this time included that of Dr. Raul Prebisch, who gained an international reputation as General Manager of the Argentine Central Bank under successive Ministries.

Since these resignations, the military government has contrived to combine an anti-communist drive with what the manifesto calls "very advanced and dangerous" social policies, with the result that labour as well as capitalists have been alienated. Colonel Peron, Secretary of Labour and Welfare, and strong man of the Cabinet, has dissolved the Argentine trade unions, including the OGT, with 250,000 members, and has put into effect his plan for bringing workers and employers into a joint cooperative organisation under state control. Subsequent reports indicate that the unions have only been driven from public into underground opposition to the present regime. It appears an open question whether recent industrial disputes, such as the meat-packers' strikes, owe more to the encouragement of Colonel Peron (who as leader of the "young Colonels' group" in the Government openly sought the nationalisation of foreign-owned industries) than to the opposition of organised labour to his "co-operative" programme. The situation in Buenos Aires is obviously both confused and dangerous.

Research for the Services

The last report of the Select Committee on National Expenditure deals with the research and development of warlike stores. It does not particularise; but many examples which it has investigated, taken together,

conclusively show that the daily cost of this war, at least during the earlier years, was unnecessarily increased and the duration of the war prolonged because of three simple facts—

- (1) That research had for long been starved.
- (2) That adequate steps had not been taken to maintain during the years of peace a nucleus of skilled men which could be rapidly and efficiently expanded for the purposes of war; and
- (3) That the system of departmental responsibility was not sufficiently flexible fully to meet the changed requirements.

These are serious findings. They show that technical initiative has in the past been thwarted in a way which is all too familiar. Research has been not only inadequate in quantity and quality, but at the same time too closely controlled and inadequately co-ordinated.

This second defect is the one which closely concerns Governmental machinery, but its proper investigation would go well beyond the Select Committee's terms of reference. The Committee does, however, point out that inter-Service committees set up during the war have not prevented "a certain degree of overlapping" between the supply organisations of the three Services. There can be still less certainty that research into new weapons will be properly pooled and co-ordinated after the war, and the Committee urges an immediate investigation into departmental machinery.

It also repeats the demand for a select committee to inquire into public control of expenditure on research. It is on the financial side that research is too rigidly and too narrowly controlled. Money should clearly be voted in the form of block grants, guaranteed over a period of years

instead of continuing to be tied down by a detailed and rigid annual estimate.

The New Evangelism

The report of the Commission on Evangelism, presented this week to the Church Assembly, strikes a new note in its suggestions for combating the religious apathy of modern man. The Commission, which was appointed by the late Primate, Dr Temple, whose views it closely reflects, does not underrate the problem before it. This is nothing less than "the conversion of England to the Christian faith." It is admitted that scientific humanism has permeated the clergy as well as the laity, so that many of them have become more concerned with man than with God; but it is rightly emphasised that the full assistance of the laity as well as the clergy must be now recruited if there is to be any hope of a fundamental change of heart.

In undertaking this tremendous task, the Commission is willing to adopt scientific, and even commercial, methods. A majority of its members favour the use of a nation-wide advertising campaign, undertaken with the help of expert advice, to promote Christian education. It is claimed that "in the advertisement columns of the press we have a vehicle for a modern form of tract," and it is urged that wireless, television, cinemas and theatres should also be mobilised for the task.

To make Christian problems come alive by presenting them in modern terms through modern media was always one of Dr Temple's aims. Possibly the startling and interesting methods now suggested will promote an evangelical revival that will rival the Wesleyan. By both religious and historical standards, it is time for this to happen. And the modern way of going out into the highways and byways may well be to turn to the microphone and the printing press. But doubts, which are clearly shared by the Commission, will remain. It is recognised that while these new techniques will prepare the ground, they cannot sow the seed. Faith cannot be prefabricated; and for this reason alone the suggestion that small groups or cells of Christians should be formed to spread the Gospel of precept and devotion is probably the most valuable one in the report.

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As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so immediately upon receipt of a renewal notice. If they fail to do so, their subscriptions will be automatically cancelled on the date of expiry, and this may mean a gap of many months before the despatch of copies can be resumed.

Letters to the Editor

The Levant Crisis

SIR,—The question which you have manifested in all your articles on the Levant question about the paramount need for preserving Anglo-French concord, and your sensitive realisation of the delicacy of England's position *vis-à-vis* France in this matter, are perfectly understandable and right. But one cannot help feeling that your anxiety over your relations with France has led you to overlook or skate thinly over the facts, and gives the impression that you are defending a policy of appeasement towards the French. It is not by appeasement that the basis of a healthy friendship and genuine co-operation between England and France can be laid. If Britain needs France, France needs Britain just as much, and the situation calls not for appeasement but for an honest stand on the facts and rights of the case. In the first place, France declared and Britain guaranteed the independence of Syria and the Lebanon in 1941. In the second place, while Great Britain on more than one occasion in 1941 recognised a "special position" for France, this recognition was only hypothetical, not categorical. It implied that if any European power was to be given a special position in the Levant that Power should be France; it did not state that any European Power *had* to have a special position and it was clearly incompatible both with the promise of independence which the British Government had made to Syria and the Lebanon and with morality that Britain should concede to France something which was the primary concern of the Levant States themselves. It is clear indeed that the Lyttelton-de Gaulle agreement was not meant to be made at the expense of the independence of the Levant States, but at British expense. It was a self-denying ordinance, and as such could not infringe upon Syrian and Lebanese independence.

Your support for the French contention that the whole Middle East question (including Britain's position in Iraq and Egypt) should be dealt with at once does not offer the hope of a quick or practical solution. Any such move would only confuse the present issue. The basis of Anglo-French friendship and co-operation must be in Europe: it is Europe that really matters to France, not Syria and Lebanon, where her interests are relatively small. And the causes of Anglo-French misunderstanding are to be found not in the activities of British officials and officers in the Levant, but in the failure to establish a complete understanding over the problems which face France and Britain in the West. The Syrian affair was the occasion for de Gaulle's outburst: it was not its cause. Restore French confidence in British friendship in the West, and the Syria problem will be easily settled. But no good either to Great Britain or to the Arabs, nor for that matter to France itself, can come of seeking to establish Anglo-French relations on the basis of a bargain at the expense of the Syrians and Lebanese.—Yours faithfully,

EDWARD ATIYAH,

Secretary-General Arab Office, London

Coal Policies

SIR,—In the leading article in your issue of June 16th you say that Labour advocacy of nationalisation "has considerably less specific content" than the Government's proposals. In your issue of June 2nd you had described the Government's proposals as submitted to the House of Commons as a "generally agreed platitude" upon which the Minister was "simply wasting time." On the strength of a speech to the National Association of Colliery Managers, you appear to be converted to the Government's policy.

The new points made in that speech, which have led to your conversion, are (1) an emphasis on the "independence" of the Central Authority from the coal owners—relative independence only, which in any case was never in doubt, and (2) an apparent intention to proceed with amalgamation more quickly than seemed to have been contemplated in the original pronouncement. There is actually no material difference between the two pronouncements, and no light at all is shed upon a crucial question—whether the Central Authority will itself determine when an amalgamation is "necessary," or whether (as in the past) necessity must be proved. It is to be noted that the pledge is not that amalgamation will be effected where the Authority "sees fit," yet if that had been meant surely it would have been said. The Government, in short, have as yet no policy which could justify your conversion.

By comparison with the Government's proposals, the Labour policy of "nationalisation," with implementation of the Reid recommendations, simple as it sounds, is an almost complete policy; for it solves forthwith the four major problems in the way of rebuilding the industry:—

- (1) The problem caused by the existence of 1,000 separate undertakings, the vast majority of which have been shown to be unfitted for their responsibilities.
- (2) The problem of protecting the consumer without competition, and of fixing prices without fixing the profits of private enterprise.
- (3) The problem of obtaining the finance necessary for reorganisation, without security of tenure for the owners.
- (4) The problem of overcoming the deep distrust of the present owners by the miners.

The remaining problems are mainly problems of administration, and their successful solution will depend on the way the Board appointed to run the industry handles the situation, and on the general directions from the Government under which they will no doubt have to work.

It is, I suggest, only superficially profound to maintain that the solutions to the problems of the structure, ownership and organisation of an industry are immaterial in comparison with the technical problems. All we laymen can do is to advocate the creation of an environment within which the technical problems can be solved. They obviously cannot be solved in the present environment; they obviously can be solved if the mines are nationalised. Whether or not they will be solved is another matter, which falls within the realm of prophecy rather than of economics or politics.—Yours faithfully,

JOAN ROBINSON.

Cambridge

[We do not know why Mrs Robinson thinks *The Economist* has been converted to the Government's plan. The comparison of the Labour plan with Major Lloyd George's proposals was not intended as a compliment to the latter, but as a condemnation of both, as the word "even" clearly implied. Mrs Robinson's statements about the meaning of the Labour Party's policy are interesting; evidently she has information that is not generally available. We completely dissent from her last paragraph. *The Economist* has frequently said that the necessary reforms of the industry cannot be carried out with its present structure; but surely it would be an abdication not to insist that these technical reforms must be carried out, and not to condemn as meaningless any plan for the industry which does not clearly provide for them.—EDITOR.]

The Book Trade

SIR,—Since Mr Faber wrote the admirable letter which you published in your last issue, the so-called quota book-publishers have received a further considerable increase in their quotas. Few people will disagree with Mr Faber that "trade follows the book," and I have little doubt that Government Departments realise this too. I certainly wholeheartedly concur with Mr Faber in his claim that books are the embodiment of ideas, and the most important medium for the dissemination of knowledge. It is a great pity that at the same time as Mr Faber is propounding these ideas, the association in which he plays such a prominent rôle has become a standard bearer of most restrictive practices.

Your readers may be interested in the main outline of the policy of the Publishers' Association as representing the interests of the quota-publishers. According to present arrangements, no publisher who had not actually used paper in 1939 is entitled to purchase paper for book-publishing. In contrast, quota-publishers, through the economies which they have made in the use of paper, and most of which will stay for many a year to come, already manage to produce more than double the number of books in 1944 than in a pre-war year, and have trebled their turnover. The Publishers' Association is now trying to persuade the Board of Trade to accept a policy under which no publisher without a quota would get as much as a sheet of paper for books until the quota-publishers get 100 per cent of their pre-war consumption, that is, until they are enabled to produce about five times the number of books as before the war, and to increase their turnover sixfold. Does the Association, and Mr Faber, think that they would get equal public approval for such a policy, or do they not think that it largely destroys their own arguments for a specially favourable consideration?—Yours faithfully,

PAUL ELEK

AMERICAN SURVEY

Taxation of Co-operatives

(From a Correspondent in Colorado)

FARMERS' marketing and purchasing co-operatives in the United States in 1944 handled about four billion dollars' worth of farm products or farm supplies at one point or another along the distribution line. Consumers' co-operatives in the same year dealt in almost a billion dollars' worth. Farmers' co-ops had an estimated 3,850,000 farm families as members—with some duplication, since one family may belong to several varying types of co-operative—and consumers' co-ops claim a membership of about 2,500,000 persons.

Thus the US co-operative movement may be definitely said to have grown up and to have become big business, or at least middling big business, and on that score it is now drawing bitter attacks from competing "profit" business enterprises that until recently paid little attention to it. Attempts are now being made in Congress, and in many of the state legislatures, to take away special tax and other exemptions and privileges, which have allowed the co-operatives to grow, and further to penalise them (along with other businesses that do not in the ordinary sense make a profit) by imposing taxes upon patronage dividends, rebates, refunds and all other types of profit-sharing with customers.

The course of the struggle is a curious illustration of the "regionalisation" of the United States, both geographically and in its economic interests. In the big cities little is heard of it, but in many rural regions it is the subject of the hottest interest of any domestic issue. In Kansas, this spring, the Legislature was placidly preparing to withdraw tax exemptions from farmers' co-operatives, when its members were startled by an invasion of the farmers themselves, who came into town hundreds strong to attend a hearing, with so belligerent an attitude that the legislators hastily postponed the whole question for two years by naming a committee of inquiry.

Head and front of the movement against the co-operators in the United States is the National Tax Equality Association, with headquarters in Chicago, which claims to represent millions of small business-men suffering from the competition of the co-operatives, and is headed by Mr Ben C. McCabe, a grain commission merchant of Minneapolis. It is campaigning everywhere and energetically. Its general manager is Mr Loring A. Schuler, formerly an editor of the Curtis publishing firm of Philadelphia, and it has published many searching studies of co-operative finances and practices. To combat this organisation, the co-operatives themselves have organised the National Association of Co-operatives, also operating from Chicago.

The advantages the farmers' co-operatives enjoy in contrast with private business are of two kinds:

1. During the long agricultural depression which began early in the 1920's, Congress granted many special helps to farmers' co-operatives to aid them to help themselves. Among these were special income-tax exemptions; special exemptions from the anti-trust acts; a special division in the Department of Agriculture to aid co-ops; special credit facilities (at the end of the fiscal year 1943-44 the Bank for Co-operatives had \$144 million on loan to farmers' co-operatives) and special exemptions for their truck lines from the provisions of the Transportation Act of 1940.

2. These things have certainly helped farmers to organise co-operatively, and the opponents of co-operatives would like to see them repealed or modified, but they are not the big factor. That factor is the exemption from income tax enjoyed by all business, co-operative and non co-operative alike, on rebates, patronage refunds, patronage dividends or any refund handed back or credited to members at the year's end in proportion to their patronage.

It is probable the struggle might never have started had it not been for the high war-time rates of income-tax and super-tax on the profit of corporations. "Private" business men found themselves handing over to the tax collector from 40 to 95 per cent of the profits earned by corporations

as entities; and the income of the shareholder, derived from distribution of such earnings as remained, was then taxed as individual income.

Meanwhile the farmers' co-operatives are beginning to earn (or to save, in co-operative parlance) large profits, as in the instance of the Farmers' Union Grain Terminal Association of St. Paul, which in seven years has built itself to be the largest grain-handler in the United States and last year "saved" more than \$2,000,000 for members. This \$2,000,000 goes back entirely to them, untouched by the Federal income tax, and is taxed only once—i.e., as income to each individual member, and then naturally at a much lower rate than a corporation's profits are taxed.

Any law which would tax patronage dividends as income before distribution would strike a crippling blow at the further growth of co-operatives, because in practice such savings have furnished the "seed money," the large capital which has enabled the farmers' co-operative movement to grow so swiftly. Members in the overwhelming majority of instances have agreed to leave all or most of their annual earnings with the co-operative, protected by various evidences of the debt. To compel withdrawal of this money as cash dividends, or to tax the whole income of the co-operative before distribution, would pretty effectively limit co-operative growth hereafter, and both sides admit that in this point lies the crux of the struggle and to a large extent the fate of the farmers' co-operative movement.

But involved also are many types of business—some of it large business—not co-operative in the strictest sense, if at all. "Patronage dividends," under one name or another, are paid by the huge mutual insurance companies; by wholesalers and manufacturers to retailers; by "profit" businesses which hire co-operative services at cost, and by many others. Indeed, the classic case in which such dividends were held non-taxable was that of the Uniform Printing Co., which several big insurance companies had incorporated to do their printing business at cost. Thus, unless some form of legal verbiage can be devised which would tax farmers' co-operatives alone, the issue may split "profit" business right down the middle. And if such a form of law were to be devised, the powerful "farm bloc" in Congress would have plenty to say. It is not probable that for all their power and zeal, the opponents of co-operation will get anywhere in the present Congress.

Consumers' co-operatives are on the sidelines. They have never been given the special advantages and tax exemptions of farmers' co-operatives, but, on the other hand, their members enjoy an even more distinct type of tax exemption. A farmer's savings through marketing his produce co-operatively are part of his income and must be accounted for to the tax collector; his savings through co-operative buying of farm supplies likewise increase his income and his income-tax. But a member of a consumer co-operative makes savings in his cost-of-living and does not thereby increase his taxable income, and therefore does not have to account for these savings to the tax collector. Nor is "profit" business yet excited about the consumer co-operatives—at least, not to the extent of the excitement and hostility raised to the farmers' co-operatives.

American Notes

Treaties in the Senate

The prospects for ratification of the United Nations Charter and other international instruments brightened considerably when the Senate, the crucial and thus far recalcitrant body, rejected its Finance Committee's amendment to the Reciprocal Trade Agreements Bill. The Amendment would have emasculated the Bill quite thoroughly, since it deleted the provision to allow further reductions in tariffs up to 50 per cent of their present level.

THE WORLD OVERSEAS

Letters from Germany—II

Bavarian Roads (From Our Special Correspondent)

Munich, June

ONE of the traveller's most striking impressions in southern Germany is the sharp contrast between town and countryside. The towns seem to be waiting for a German Jeremiah to bewail their ruins. The placid countryside shows almost no trace of destruction. The solid, spaciouly built, sunlit houses of the farmers tell of well-being and prosperity that may survive both war and defeat. The fields look well cultivated, the grazing cattle are well fattened. In the Danubian grain belt, the ears of corn have grown high early in the season. It is a scene to gladden the eye and heart of a Virgil, though it would puzzle him also that so many women and children should be feverishly working in the fields, that so many women should be dressed in black and that there should be so few men.

It is otherwise on the Bavarian roads. There, even more than in the destroyed cities, one feels the effects of a deluge. Every major road here is a cross-section of the great problems of Germany and Europe. It is a chaotic picture—and unique, for history such as this will surely not repeat itself.

South of Munich, against the sharp background of the Alps, can be watched the last scenes of the *Wehrmacht's* surrender. Long convoys of lorries crammed with German soldiers, preceded by officers in staff cars, roll on to assembly points and prisoners' cages. The soldiers are disarmed, some officers—*Luftwaffe*, SS, infantrymen—still carry their side-arms, and shout loudly in the typical *feldwebel* fashion their last orders to the men. The discipline of the surrendered armies is still exemplary, at least in outward appearance. Here and there a *Wehrmacht* convoy becomes mixed with an American convoy rushing in the opposite direction. There is momentary confusion. Embarrassed German officers salute the victors. The soldiers of the two armies eye each other with curiosity or indifference or, correctly, they ignore each other, according to their individual moods. Along the roads in the areas allotted to the surrendering units, the German military police, either alone or with the American police, watches the traffic and keeps order. It helps to disentangle the convoys; it checks the credentials of passengers in military vehicles and thus, businesslike, it performs its last military functions. The act of capitulation is here translated into detailed traffic schemes and traffic regulations, and at a check point a sturdy youth from Texas may watch the traffic side by side with a thin *Luftwaffe* pilot from Hanover, who still wears his decorations for the *Blitzkrieg* on London and the march into the Sudetenland.

The Underdog

Somewhere by the side of the road a man in the striped uniform of the concentration camp is trudging slowly home. A short time ago he was stopped by an SS officer, travelling with his orderly in a car. A sharp exchange of words and threats accompanied by violent gesticulation takes place. As an American jeep approaches the quarrel stops, and the SS officer's car moves off. The ex-inmate of the concentration camp explains with some pride that he was an official of the Social Democratic party at Breslau. Yes, it is true. SS men occasionally bully people like this on the roads. But the peasants are kind and hospitable; they put the KZ man up for a night and fill his rucksack with food before he starts out on a long day's march. And yet life is strange—the SS man, even in captivity, still travels about in a car, while he, the underdog, will walk all the way from Dachau to Breslau. Will he still be among the underdogs at home? His home is in the Russian zone; and until he was dragged away to the concentration camp he had been a "Social-Fascist" in the eyes of the local Communists. Yet

he must walk home; and he has not heard of his family for many years. It is bad that Germany has not freed itself from National Socialism on its own. This has terribly complicated its fate; and it encourages an inferiority complex among German anti-Nazis. Oh, an American cigarette? With bows and smile of timid thankfulness the underdog goes his way.

A Hitler Legend?

On the roadsides released prisoners of war, bent under heavy rucksacks and with drooping heads, march home singly or in twos. They are released farmers, coal miners or transport workers. A hundred and thirty years ago marched the survivors of the *Grande Armée*, perhaps along the same roads, as in Heine's "Two Grenadiers"—"Und als sie kamen ins Deutsche Quartier, liessen sie die Köpfe hängen." Yet the two grenadiers on the Bavarian road are not, apparently, echoing the proud words: "I do not mind about my wife, I do not mind about my child, the Emperor, the Emperor is a prisoner." But it would probably be too early to assume that no seeds at all have been sown for the revival of a Hitler legend at some later time. Very few among the survivors of his army seem to believe that the Fuehrer is really dead.

On the roads to the north of Regensburg, between the Danube and the Bohemian Forest, can be seen another fragment of the present migration of peoples. Lorryfuls of Czech and Russian displaced persons, beflagged with Red banners and Czech national colours, move eastwards and northwards. There is joyful waving. There is also the tense expression of uncertainty and suspense on the faces of Russian, Ukrainian and Caucasian peasants. A friendly word spoken in Russian lights a gleam of hope in their sunken eyes. They do not know yet whether they are going straight home or are merely being shifted from one assembly point to another. The Russians are even more home sick than the others. But they are also ridden by fears. Their homes, near Smolensk or Poltava, no longer exist. Many had seen their families perish before they went to Germany. And now, will they be accepted in Russia as unfortunate members of the community returning home or will they be spurned as traitors? Will they be allowed to settle down in the old familiar places or will they be ordered to remote Siberian lands? Such questions are asked by Russians on all German roads. And then there are the Poles, most of whom—though not all—have shunned the Russians even in captivity and in DP's camps. Will they be compelled to go home? they ask. Is it true that the Polish Government in London has found territory for them in which they can settle now that Warsaw, Lodz and the rest of Poland already belong to Russia? "We need no such land," replies a Polish officer in our prisoners' camp. "Ninety-nine per cent of the people believe that Britain is going to fight Russia and to free Poland." All Polish officers present nod approvingly and look with scorn on an old peasant woman who wants to return home to her children and knows nothing about politics.

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Mr Truman has widely-based support in his wish to have the United Nations charter ratified before the Senate recess and Senators are already receiving a sample of public reaction in wires and letters from national organisations and individuals insisting that they finish the job before taking their summer holiday. Unquestionably, the accomplishment of ratification would be a support for the President at the Big Three meeting. Mr Walter Lippmann, in urging this view, added rather cryptically that the charter must be explained carefully when it is presented to the Senate. Possibly he was concerned with the opposition group, which is gathering its forces now, and will be only too eager to interpret the highly complex language as they want it to be understood.

The isolationist Senator from Montana, Mr Wheeler, who believes that peace terms should be worked out before the Charter is approved, is said to be compiling a report based on gossip he gathered on a trip to Europe about atrocities committed not by the Germans, but by the Americans, the British, and most importantly, the Russians. Senator La Follette, an isolationist who has not hitherto expressed himself on foreign policy since Pearl Harbour, insists that he is no perfectionist, but objects most violently to the veto power by which the five Great Powers can veto charges of aggression against themselves. Mr La Follette does not deny that if the United States were deprived of the veto power which he attacks the chances of Senate ratification of the treaty would drop abysmally.

While there are definite indications of the possible outlines the campaign against ratification will take, there seems to be agreement with the prediction of Mr Capper, Republican Senator from Kansas, and member of the Foreign Relations Committee, that the Senate will ratify the charter with few if any reservations. It is pointed out that the Senate has not just been a consultant, but has contributed to the formulation of the charter. Also, public opinion in the United States, shaped by months of radio talks, round tables, lectures, films and other forms of information, has rarely been more articulate on any issue.

The Transport Bottleneck

Americans are no longer being asked if their journeys are really necessary. The unparalleled movement of population and material over the railroads makes most journeys, unless essential, almost impossible. "Redeployed" soldiers alone, during the first three months after V-E Day, will move across the country at a rate of 280,000 a month, and will eventually reach a peak of 500,000. The armies which took almost four years to move into the European theatre of operations will transfer to Japan by way of the United States in ten months. Added to this, there are casualties—44,000 a month from Europe alone—furlough trips and trips for the estimated 2,000,000 men to be discharged.

Vast quantities of material must accompany the troops moving westward to ports on the Pacific Coast, while European rehabilitation supplies move eastward in steadily increasing amounts. The burden imposed upon a railway system already operating beyond capacity is intensified by the shortage of skilled workers, by deficiencies in equipment, and by industrial migration caused by cancellation of war contracts.

Meanwhile, satisfaction over a wheat crop for 1945, which the Department of Agriculture predicts will reach a new high record of 1,084 million bushels, is tempered by disturbing reports that the box car shortage has been so acute that farmers have been dumping freshly harvested wheat crops at depots. Goods wagons are being rushed to the area to carry the wheat from the middle west.

This is of grave concern to the European countries, to whom 285 million bushels will be sent if transport can be found. The War Shipping Administration has announced that present shipping levels to liberated Europe would be maintained, but has issued a warning that from July, when the war programme in the Pacific will be accelerated, a "tighter situation" would prevail. This presumably means less flexibility and less possibility of adding tonnage to meet emergencies.

Relations with Russia

Propaganda against the Soviet Union was reaching alarming proportions in the United States when Mr Harry Hopkins returned from Moscow after completing his successful mission. Twice in two weeks Mr Wallace, Secretary of Commerce, had found it necessary to speak out against "enemies of peace" who "would provoke war between the United States and the Soviet Union." He emphasised

that Mr Truman's policy toward Russia was identical with the policy of which Mr Roosevelt was the architect, designed to cultivate friendship in peace as well as under the stress of war necessity.

Responsible elements of the press, from left to right, seemed grateful for Mr Truman's generous praise of Mr Hopkins's mission, and for his statement that Russia has done "some very pleasant yielding." For out of this they could fashion strong comment on the brightening possibilities for friendship between the two Great Powers despite the differences in their economic and political systems.

Writing in the *New York Times*, Mr Reston listed "ten concessions by Russia which have contributed greatly to liberalising the proposals" emerging from the San Francisco Conference. True, they might be matched by concessions the other Powers have made, but insufficient attention has been paid to the fact that the Russians, like other countries, were willing to give up part of their programme to help keep the conference intact.

Other commentators have been recalling the all too ample justification for Russia's suspicions of her western Allies: the United States, not the Latin American countries, they said, now appears to be responsible for the admission of the Argentine; they pointed to Anglo-American dealings with Franco when even faintly justifiable reasons no longer exist; to sometimes implied, sometimes outright support of the right movements and hostility to the left in Greece, Italy, France, Holland, Belgium. The Soviet Union, with some justice, has been criticised for ignoring public opinion in America, but it is not unlikely that a study of some of the press commentary on the San Francisco conference has contributed to its attitude.

Meanwhile Mr Hopkins, who was always content to be an extra set of ears and eyes to the dead President, and was quite willing to disregard the almost contemptuous appraisal his years of service were granted by most American newspapers, must have rubbed his eyes incredulously when he saw attached to his name such words as "courage," "self-sacrifice," "loyalty," "skill." And by one radio commentator, Mr Swing, Mr Hopkins was called "one of our strongest war leaders."

Post-War Conscription

The issue of compulsory military training is now out of the realm of polls and talk, and is facing the cold, hard light of a hearing before the Post-war Military Policy Committee of the House of Representatives. Public opinion polls have indicated that a majority of Americans, who in the past have nourished a tradition opposed to the conscription of youth, would now vote for one year of military training for all able-bodied young men. But poll techniques do not encourage careful study of an issue of such complexity.

The Bill now in Committee is strongly backed by the Army and Navy, by veterans' organisations, the US Chamber of Commerce and other organisations. Army leaders explain, with almost disarming frankness, their haste to pass the Bill even while one-fifth of the male population is in service, with those who are overseas unable to influence legislation. Apparently they are convinced that conscription is necessary for national defence, and they believe from past experience that public interest in military affairs will inevitably fade after the war.

The discussions thus far have many of the elements of a selling campaign conducted in a vacuum and embellished with fine and totally undefined phrases like "adequate security," "vital for public defence," "contribution toward the effectiveness of the world security organisation." Many of those who oppose the Bill are saying that intelligent conclusions cannot be reached until the shape of the post-war military system of the United States, in support of its foreign policy and inseparable from its international relations, emerges. Moreover, they are inclined to discount the arguments that conscription would be good for health, discipline, leadership, and education, or that it would relieve unemployment, since none of these things is the proper concern of the Army.

Writing for *Harpers' Magazine*, Mr Hanson Baldwin, military analyst for the *New York Times*, who is uneasy about hasty legislation on a matter that will have a profound effect on the future political, economic and social life of the country, recommends that a fact-finding commission be appointed to study the place of compulsory military training in the context of the post-war United States. Military men would advise, but should not be members of this commission, which would be composed of the ablest judges, scientists, lawyers, educators and Congressmen. A sound decision on peacetime conscription, he says, would result from the findings of such a commission.

From the Bavarian Forest another sort of convoy descends slowly into the Danube plain. It consists of gypsy-like, horse-drawn carts crammed with human beings, bedding, sacks and wooden boxes. The gypsies are Germans. Some of them fled from Moravia before the Russian armies. Others have been expelled by the Czechs from villages near the frontier. They are resigned and apathetic. For themselves they expected no better fate. Some hope to settle down with distant relatives in Bavaria. Others have no straw to clutch at; they only hope that there will be less famine in Bavaria than elsewhere in Germany. They want to work; and the fatherland or the victors must provide employment for them. They are the torn branches and leaves of the blasted German tree, and they want to be grafted back again.

At the other side of the road, a tall, thin woman tries to explain something in broken English to two American officers. In her confused, unintelligible story two words keep on recurring: *Gas-kammer*. It turns out that seven years ago her child was classified by a Nazi doctor as mentally defective. The family doctor disagreed with the diagnosis, but his opinion was ignored. In accordance with the rules of "racial hygiene" the child would have to be thrown into a gas-chamber, the Nazi version of the Tarpeian rock. The mother hid the child in a remote place, some two hundred kilometres away. The last time she saw the child it was nearly starving. Could she now get a permit from the Military Government to go and fetch her child? There are no trams or buses, so she would go on foot. But it is so difficult to come into the presence of the Military Government to ask for a travel permit—the German Bürgermeister is powerless.

The sufferings and fears of half a score of nationalities have for a while met here, in the middle of the pleasant sunlit Bavarian road. Soon they will float away, each carried by a different wind and into a different country. But not soon, nor very easily, will they be cured and dispelled. Many peoples have such strained, shattered nerves that for a long time they will remain prone to phobias, hysteria and other mental disorders that may overhang the spiritual and political life of Europe. Not soon will the stench from the corpse of National Socialism be blown away.

If the roads of Bavaria could speak of the things they have seen in the last few months and weeks they would tell a story as broad, simple and stirring as Tolstoy's "War and Peace," more fearful than Dante's "Hell" or the phantoms of Edgar Allan Poe, and, at times, as tragicomic as Hashek's "Brave Soldier Shveik."

Development in West Africa

[FROM OUR ACCRA CORRESPONDENT]

WITH the publication last March of the Nigerian Government's "Preliminary Statement on Development Planning in Nigeria," it is possible to form some idea of the strategy which may be employed in West Africa in applications for assistance under the Colonial Development and Welfare Act. Under the Act of 1940 expenditure in the colonies was provided for at the rate of £5 million a year for ten years. Funds up to that annual amount not expended reverted to the Treasury. But under the new Act £120 million are provided over the ten years beginning in 1946; up to £17 million may be spent in any one year, and sums up to that amount not spent may be carried over into the next and subsequent years. Thereby, an important element of elasticity is introduced into the Act, for expenditure can be planned so as to have the optimum effect on each colony's national income and to coincide with the availability of men and materials to carry into effect the various development schemes. Capital investment assisted by the Colonial Development and Welfare Fund can now be used as a flexible instrument of long-term economic policy. The Nigeria Government has made an attempt to fit applications for assistance under the Act into a time schedule based on certain assumptions. Apart from the question of whether the schedule can be adhered to, the layout of the programme and the accompanying explanations should serve as an excellent model for the other West African Governments which are all faced with very similar post-war problems. The history of development and welfare schemes in West

Africa up to March 31, 1944, can best be summed up in the accompanying table:

Colony	Agriculture, Forestry and Vet'y	Communications	Education	Housing and Sanitation	Medical Services	Misc.	Total
Gambia.....	89,204*	£	52,521	£	30,000	£	213,299
Sierra Leone ..	303,500	...	48,500	...	37,674	3,900	396,400
Gold Coast.....	...	...	100,000	...	41,400	1,000	108,400
Nigeria.....	50,700	50,000	9,000	104,000	7,480	234,155	447,855
W. Africa†.....	...	...	...	...	...	128,270	128,270

* Shared with Sierra Leone. † Not attributable to any one colony.

Most of the schemes up to that time were of an isolated nature, submitted largely by the two smallest and poorest colonies where development had been retarded for years by lack of funds and for whom the Colonial Development and Welfare Act was a providential opportunity for effecting long delayed plans. Nigeria and the Gold Coast were slower to ask for assistance, after allowance has been made for their larger populations, partly through difficulties of staffing and co-ordinating development committees in war-time and perhaps partly through a wary scepticism of this "new deal" for the colonies. But in 1944 a development secretary was appointed in Nigeria and an economic adviser in the Gold Coast, and a development adviser was added to the Resident Minister's staff. These and other circumstances resulted in a more coherent arrangement of the planning committees and the discussion of development plans between the West African Governments as well as in the individual colonies.

The Importance of Timing

The difficulties involved in planning capital outlay under the Act of 1940 were seen in the Gold Coast development plan of 1944. The fact that Governments could rely on obtaining funds in only limited and approximately equal amounts each year over ten years was no doubt a factor in the Gold Coast's emphasis on the major rôle to be assigned in post-war development to its surplus of some £4,256,000 accumulated over the last few years. The Colonial Development and Welfare Fund was to be applied to for assistance only for a few specific schemes, fixed provisionally at £1,075,000. Applications were not related to a time schedule, nor was there, in the published programme, any discussion of the rôle which carefully timed capital investment might play in the expansion of the Gold Coast's national income on various hypotheses regarding the trend of exports and imports over the next ten years or so.

Yet such an approach to the problem is of the greatest importance if the four colonies are to deal with the problem of transition from war to peace satisfactorily. From the Nigerian statement on planning it would appear that the Government has taken into account certain broad facts regarding the possible trend of Nigeria's economy over the next decade. These can be expressed in general terms and apply to each of the four colonies in much the same degree. During the war large numbers of men have joined the armed forces, and have saved money or have given their dependants separation allowances which have had to compete with increased labourers' earnings for a limited supply of price-controlled consumer goods. Purchasing power has therefore been pent up in much the same way as in Britain. This purchasing power will help to stimulate activity inside the colony and to attract increased imports as controls are removed. Increased imports of machinery and of materials can also be expected as a result of the development schemes. To balance this, the colony must rely on an expansion of exports and on receipts from foreign loans, including assistance from the Colonial Development and Welfare Fund. This state of affairs may last for some time after the end of the Japanese war. Once wartime jobs and demobilisation are finished with, provided that capital investment has been on a large enough scale and that exports can be maintained to a reasonable extent, Nigeria's internal economy may be able to take up the slack. To quote the Government's statement:—

It is also hoped that the country will become more productive and consequently wealthier as the developments proceed. . . . If this does not happen, the development programme will not have fulfilled its purpose.

No one can disagree with this. It is only unfortunate that it has not been possible to include the agriculture and forestry development plans in the general framework as

yet and to publish a flexible import and export programme which must remain, to the public at least, a major unknown quantity.

The salient features of the Nigerian plan can be briefly sketched. The whole scheme, portions of which have still to be worked out in detail, is to cover the years 1945 to 1960, but attention is focused at present on the years 1945 to 1955. Development expenditure over this period is to be between £35 million and £40 million. Schemes already submitted from this total are to receive £6,598,000 from the Colonial Development and Welfare Fund as already approved in London. Clearly, this is only a beginning, and further extensive demands will be made on the Fund later. The following table sets out the estimated provisional cost of the principal schemes; plans for the vitally important departments of forestry, agriculture and veterinary have yet to be published.

Nature of Scheme	Approximate Development Period	Provisional Estimated Cost of Scheme
Road development	1945-60	7,000,000
Telecommunications	1945-57	900,000
Hydro-electric development	1945-59	1,800,000
Rural water supplies	1945-60	5,000,000
Urban water supplies	1945-58	5,000,000
Building programme	1945-55	9,000,000
Education	1945-55	1,688,000†
Medical Services	1945-60*	8,000,000*
100 Temporary officers to operate schemes	1945-51	400,000

* Very provisional. † Beginning of a £5-6 millions scheme.
§ Early stages to have C. D. and W. assistance. † Later stages to be financed by loans.

Assistance from the Colonial Development and Welfare Fund is to be concentrated, as far as possible, into the early years to stimulate Nigeria's internal activity sufficiently for it to finance the later stages of the schemes by increasing its external indebtedness in the London capital market. In this connection it will be noticed that a substantial part of the money for development is to go into improved communications and hydro-electric installations, two key plans for opening up the trade of the territory. The order of priority of the schemes and the outline of the strategy of finance have thus been arranged. The detail of the tactics can be left flexible to take account of changing circumstances.

Men and Materials

But, as has been stressed out here repeatedly, the crux of development is adequate staff, machinery and materials. Carefully timed schedules of investment and money from the Colonial Development and Welfare Fund are no more than blue-prints unless administrators and technicians can be found to carry them out. Constant reference to technical developments in Britain and America, and frequent discussions between officials in the United Kingdom and West Africa, are vitally important. The isolation, both administrative and technical, which money without men will bring can lead only to disappointment and disillusionment among Europeans here and strong resentment among Africans. The release of men and equipment for West Africa—indeed, for all the colonies—is an urgent matter of policy—now.

Swiss Trade and Finances

[FROM OUR GENEVA CORRESPONDENT]

DURING the first four months of the year, imports totalled 147 million francs against 483 million during the corresponding period of 1944, a drop of 75 per cent in value and of 90 per cent in volume, while exports reached 318 million francs, a drop of about 45 per cent in value and of 70 per cent in volume. The Government is, therefore, very concerned about the replenishment of the country, and the negotiations with the Allied Governments were keenly awaited. The Allies guaranteed, to a certain extent, that Switzerland would be able to obtain from overseas the supplies of essential foodstuffs and raw materials it now lacks. These imports depend on transport facilities through France. The port of Toulon has been put at Switzerland's disposal, and some ships have already unloaded goods which are transported by rail to Switzerland at the rate of about 600 tons a day. So far, Switzerland has concentrated on the importation of all sorts of goods which had long remained in the Portuguese and Spanish docks.

Despite these efforts, Switzerland's position will remain precarious for a long time to come as present imports are insufficient to replenish stocks, which are on the point of exhaustion. Thus, drastic rationing is being maintained, especially in regard to foodstuffs. The food situation has been further aggravated by the abnormally cold spell at the beginning of May when an overnight frost destroyed almost all vineyards, fruit trees and even vegetables, the result being a rise in the price of the few fruits and vegetables available. It is announced, however, that stocks of potatoes will enable the gap to be filled until the next harvest.

Industry is still severely hampered by the lack of raw materials, especially of coal, imports of which have almost completely stopped. Gas had therefore to be drastically rationed and the gas and by-products industries are at a standstill.

The result of the negotiations with the Allies are nevertheless felt in certain trade quarters. Several Swiss mechanical works are now engaged on repairing French rolling stock and motor trucks; some printing firms are working on orders placed by the Allied Armies; and the machine and textiles industries register a small rise in their exports. Nevertheless Switzerland is so deprived of everything that it is a ready market for anything that exporters can offer.

The Budget Deficit

The accounts for 1944 show a deficit of 144 million francs for the ordinary Budget, and of 1,032 million for the emergency Budget which mainly concerns war-time emergency expenditure. These deficits added to those previously accumulated reach a grand total of 6,750,000,000 francs, which represents the debt of the Confederation at the end of 1944. It is estimated that, by the end of 1945, the debt will rise to about 9 milliards, including the 900 millions reserved for the redemption of the Federal Railways' Debt.

It is a large sum for a small country of 4,500,000 inhabitants, but it has arisen from various factors: the defence of the country, which involved 2 million francs a day for the upkeep of the armed forces; the building of fortifications and armaments; the emergency measures resulting from wartime conditions; and economic and social measures carried out by the Government. But these measures enabled Switzerland to go on living and working despite all difficulties.

Books Received

- International Sea Transport.* By Sir Osborne Mance. Issued under the auspices of the Royal Institute of International Affairs. Oxford University Press. 198 pages. 12s. 6d.
There's Work For All. By Michael Young and Theodor Prager. Nicholson and Watson. 128 pages. 5s.
War and Unemployment. By Henry Clay. Sidney Ball Lecture. March, 1945. Oxford University Press. 15 pages. 2s.
Economic Stability in the Post-War World. Report of Delegation on Economic Depressions. Part 2. 319 pages. 10s.
Nation and Family. The Swedish Experiment in Democratic Family and Population Policy. By Alva Myrdal. Kegan Paul, Trench, Trubner & Co. 441 pages. 21s.
Rebuilding Family Life in the Post-War World. An Enquiry with Recommendations. Edited by Sir James Marchant. Odhams Press. 136 pages. 2s.



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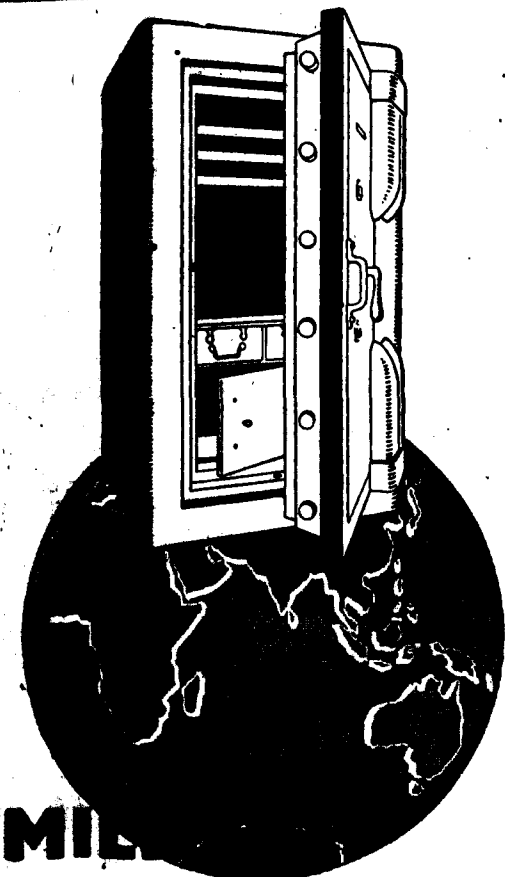


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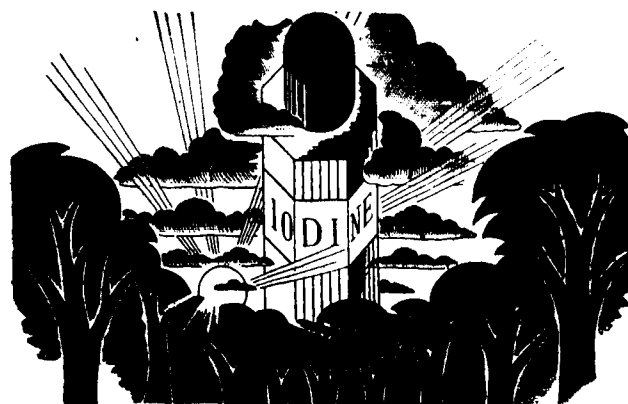
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THE BUSINESS WORLD

Reconversion Problems for Copper

THE copper industry has arrived at the crossroads. In this country demand began to slacken as long ago as the beginning of last year. After absorbing annual net imports at the average rate of 465,000 long tons from 1940 to 1943, compared with average retained imports of 262,000 tons between 1935 and 1938, the Ministry of Supply was able, in January, 1944, to order a cut in Northern Rhodesia's copper production. One year later, on January 31, 1945, the Ministry finally cancelled its wartime bulk buying agreements with the Empire copper producers. On both occasions, however, the heavy United States military copper consumption brought a postponement of production cut-backs. Now the position is changing in the United States also. A statement recently issued by the Copper Division of the War Production Board puts the immediate reduction in military copper consumption as a result of the change from the two-front to the one-front war at not less than 264,000 tons per annum. [The announcement that liberated and certain other countries will be able to meet their needs of copper—and of lead and zinc—by direct negotiation with producer is no doubt a reflection of the reduction in military demand.] The turning point in United States consumption may be regarded as an indication that the negotiations for a planned reconversion of the international copper industry cannot be far off.

Copper producers look at their prospects in the reconversion period with considerable apprehension. This does not mean that they doubt a revival of civilian demand in the traditional copper consuming industries. The uses of copper in civilian industry have always been dependent on three important factors—the excellent electrical and thermal conductivity of the metal, its great resistance to rust and corrosion and the ease with which it can be processed. These properties have secured for copper a strong position in the electrical industries, in building, motor vehicle manufacture, general engineering, household equipment, chemical plant, food processing and a multitude of lesser activities. The majority of these traditional copper consuming industries may in the next few years experience the greatest boom in their history.

Nevertheless, in the short and medium term, the copper outlook is not encouraging. World consumption of copper rose fourfold in the first three decades of this century, but the market was beset by a chronic surplus problem, which found expression in the introduction of a series of restriction schemes, the last of which was in force up to September, 1939. The chief reason for these surpluses, apart from the introduction of more efficient production methods and equipment, was the development of the rich copper resources of Chile, Canada and Central Africa. The two factors combined raised the potential output of the world's copper mines by 1939 to close on 2,500,000 tons a year, roughly five times the total in existence at the beginning of this century.

During this war the world output of virgin copper does not, on the latest evidence, appear to have been much in excess of 2,500,000 a year; but in Chile, Northern Rhodesia, Canada, Belgian Congo, Cyprus and Soviet Russia development schemes have during the past five years been initiated which, after their consolidation, may add a substantial tonnage to the industry's capacity. This prospective addition to productive capacity may give rise to difficulties. There will be some increase in civilian demand in countries such as the United States, Great Britain and the Soviet Union; but this is likely to be accompanied by a decline in the demand from the Axis areas, which before the war were in the front rank of copper-importing regions.

But the problem of restoring equilibrium in the post-war copper market is not confined to adjusting current production to the level of current absorption. At the end of this war the British and United States Governments

will be left with substantial reserves of new copper, which may total as much as 500,000 tons. There will be in, addition, a large reserve of copper scrap which, after retreatment, will be suitable for re-use in the majority of copper products. During the whole period of this war non-civilian consumption of copper appears to have been in the neighbourhood of 10 million tons and, while the amount that may be available after demobilisation in the form of scrap cannot be estimated accurately, it is not inconceivable that as much as one-fifth of the total war consumption may be recovered during the next few years. This would suggest that in addition to new production an amount not far short of a full year's potential output of the world copper mines will be available during the transition period in the form of Government holdings of new and secondary copper.

Moreover, apart from these rough edges in the short-term supply picture, the copper industry will have to face increased competition from other materials, especially from aluminium. Formerly, this metal competed with copper to a limited extent; today the aluminium industry is a far stronger competitor. Before the war the volume (as distinct from the weight) of the world aluminium output was somewhat smaller than that of copper; at the time of the wartime peak output of both metals it was almost three times as large, and the aluminium industry will have to make use of every opportunity to extend its civilian markets. In this it will be greatly assisted by the fact that aluminium prices, in contrast to those of copper, have been substantially reduced since 1939 and, on a volume basis, are now half those of copper.

The re-conversion of the copper industry will thus be no mean task. The industry itself will not be able to solve it without active co-operation from the Governments; some plan for the withholding or gradual disposal of Government surpluses of both new and old copper seems indispensable. The adoption of such a plan—towards which the United States' project of creating permanent reserves of strategic materials may make a considerable contribution—would not suffice to restore equilibrium on the copper market. Despite the impending boom in the electrical, building, motor-car and other copper consuming industries, world consumption of copper is unlikely during the next few years to reach or exceed 2,500,000 tons per annum; apart from the temporary limitation of consumption in the Axis countries (before this war these absorbed one-quarter of the world's new copper supplies) the destruction of fabricating facilities in Continental Europe and the possible encroachments of aluminium on markets formerly held by copper will put a brake on the expansion in world absorption.

In addition to the regulation of surplus stocks, steps will have to be taken to stimulate consumption and to adjust output to the capacity of the market. In the first direction the copper industry has already initiated extensive research and development schemes. As regards the regulation of future production, persistent rumours of negotiations between international copper producers and copper producing Governments were in circulation at the turn of last year, but, so far as can be ascertained, no definite moves towards this end have been initiated.

The introduction of constructive plans for the regulation of world copper supplies on a basis which does not penalise consumers is complicated by the artificial structure of the international copper market. The United States, the world's largest copper consuming region, is, in normal times, through its prohibitive customs barrier, a closed market for copper. There are no prospects that these conditions, designed to reserve the American market for the domestic producers, will be altered during the next few years; in the long run, on the other hand, the growing depletion of United States copper resources may force the country to re-integrate itself with the world market. Until this stage is reached, there can be no basis on which a world-wide regulation of copper production can be attempted. While United States producers will have to work at full capacity

to meet their home demand, the whole problem of surplus capacity is thrown back on to the rest of the world. Moreover, since United States producers are working at higher average costs than their foreign competitors, their only interest in any international scheme would be (as the example of Copper Exporters' Incorporated—the world copper cartel of the 'twenties—has amply proved) to raise the international copper price level. Such an arrangement, while perhaps not unattractive to individual firms in the copper mining industry, would not only hit the copper importing countries, of which the United Kingdom is the largest, but it would also delay, if not prevent, a gradual rise of copper consumption to the level of the industry's productive capacity. A low copper price is the best means of stimulating consumption. Since the advent of the aluminium industry to maturity this has become more indispensable than ever, and attempts at combining any post-war copper regulation schemes with designs of keeping

prices at the highest possible level would invite disaster. Fortunately the great copper producers of Chile, Canada, Rhodesia, and to a lesser extent of the Belgian Congo, which control the greater part of what must, within the present artificial market structure, be classified as excess capacity, are producing at low cost. This fact should facilitate the creation of conditions which permit a gradual normalisation of the copper market. In this the interests of consumers and of low-cost producers are identical, and any concessions which the British Government proposes to make to the copper industry as regards the disposal of its war stocks should be made subject to the acceptance by the producers of principles which guarantee fully adequate supplies of the metal for all needs at prices which are in line with the production costs of efficient suppliers. It would be the height of folly if the British Government, by sanctioning a high price policy, were to deprive British industry of a price advantage in one of the most important raw materials.

Responsible Stockbroking

THE stock markets of the country are from now on free to perform their function of bringing together those whom Government policy permits to raise money and investors desirous of finding suitable securities for their savings. It is the purpose of this article to set out recent changes in organisation and to see how far they contribute to the efficiency of the machinery for this purpose and for business ancillary to it. A second article will outline further projects already in contemplation and attempt to make suggestions for further improvement.

The market, if it is to render full service, must take account of the changing organisation of industry—which is, after the Treasury, the principal source of demand for capital—and of the altered distribution of incomes, from the unexpended portion of which the supply of capital must be derived. Much has been said of the changed attitude of the stockbroker towards his function in recent years, but it is by the degree to which the new circumstances have been met that the recent developments must be judged. Space must limit detailed consideration to the period since the regrettable new issue boom of 1927-29, but it will be useful, as a preliminary, to take a glance back to earlier conditions and to some earlier developments.

Forty years ago, that is, at a time when some of those who are to-day the leading figures of the profession were already in, or about to enter, the "House," competition between brokers was as nearly absolute as may be. Between 1905 and 1909, however, as a result of continuous pressure, the Committee was persuaded to introduce the scales of minimum commissions, which remain in force, with minor changes, until to-day. To a large extent, this reform substituted competition in service for competition in price, a distinction which has been of growing importance from then on. The principal classes of security dealt in at that period were home railway stocks, foreign bonds, and more frankly speculative issues, such as gold mining shares, American railway ordinary stocks and, later, rubber plantation shares. In the few years preceding the war of 1914-18 possibly the largest turnover was in purely speculative "Yankees," in which there was a huge arbitrage business between New York, London and several Continental centres. There were, of course, other more solid securities, but the list of gilt-edged stocks was restricted, while of long-dated Government stocks the supply was extremely exiguous. Many of Britain's leading industries financed themselves at long-term entirely out of funds ploughed back from profits, which were then subject only to income tax at a rate averaging some 1s. 6d. in the pound. Market business originated mainly from rich men, whose savings provided most of the "new money" coming into the market, and from institutions, many of which indulged in large-scale speculation on money borrowed from the market in the first instance through the means of the "contango." It is no exaggeration to say that two of the most important qualities in a good broker were ability to do exactly as instructed, and to do it more quickly than the next man.

The war of 1914-18 brought several great changes, some of which have their counterpart in the past six years. These included the creation of a large volume of Government stock; high taxation and larger capital demands from industry; a redistribution of income, with the result that the broker was much more frequently treated as an adviser

rather than a mere executant of orders; and finally, the disappearance of the "Yankee" market, at least for the time being. To these changes brokers voluntarily added two more: the evil practice of dealing in results of an allotment of a new issue before the allotment was made was forbidden; and most brokers refused to do "contango" business. That is, in effect, they told their clients that they must persuade someone else to finance their speculations if they had not the money to do it themselves. All these moves struck a blow, the first of several, at the more rabid type of speculator, and left the broker free to consider the more essential elements of his business.

Regrettably, for the next eight years or so, little more was effected. But throughout that period a number of men, some in the provinces, but most members of the London exchange, were working to secure reforms. While the House as a whole was prosperous their efforts gained little ground. But the character of the new issues in the 1927-29 boom and its culmination in the Harty scandal convinced all but the most conservative that substantial reforms were overdue. The method of the "Harty settlement" was itself a first step, for it abandoned the principle that, in all circumstances, each individual firm was solely responsible for its own losses. Instead, the committee of the London Stock Exchange appointed a body to prepare a scheme which allocated the bulk of the cost of covering the balances necessary to effect a full settlement between the various groups involved, including country brokers, and provided that contributions should be forthcoming to fill the gap from those not directly involved.

This sub-committee reported on January 15, 1930. Eight months later, the London Committee had greatly extended the information which a company must provide when seeking permission for dealings in its securities. These changes some of which followed from the new Companies Act greatly increased the protection of the investor. Since that time, the sub-committee charged with the examination of applications has always considered it has a duty to the public to see that the position of the company is made reasonably clear. Very properly, it assumed no right to refuse permission on the ground that a security was "speculative." It did insist that the character of the security should be apparent to an intelligent reader who took the trouble to inquire. The definition of how much information was "reasonable" to expect has changed as the years passed, and will, it may be hoped, continue to expand. The last important step was taken in 1939, when it was made obligatory for the voting rights to be specifically stated in the case of preference issues, and when the publication of consolidated accounts was made a condition of any new issue.

The modern technique applied to the "vetting" of new issues, including the fullest use of the new central Record Office of the Stock Exchange, which contains all available information about the status of those through whose hand the business of application for permission to deal is likely to pass, has been of great service to the investor and should render valuable aid in the approaching period of reconstruction. Despite the fact that any deterrent placed upon new issues means a reduction in business, at least for the moment, the very stringent rules now applied have aroused very little opposition among members, although, as is shown

by a case recently decided, the duties assumed by the sponsors of a new issue toward the sub-committee which deals with them and to the Council are still not universally appreciated. According to the ruling then given, the applicant broker is in the position of one engaging in a contract *uberrimae fidei*, in that he must disclose any information in his possession which is detrimental to his principal, and he may be censured if he does not take reasonable care to obtain such information as is available. The London market has still no control over the conditions in which a provincial exchange grants permission to deal on its own floor. But this is not a serious breach in the arrangements.

While the control of new issues in the public interest is probably the greatest service that the London market has rendered to the investing public, there is another matter of prime importance which has received much attention in the past fifteen years and in which the London market has done a great deal. This is the cost, and the improvement, of the facilities which it affords. The controllable cost is made up of two elements: the broker's fees and the jobber's turn. The contention of London in this respect is that the greater the proportion of the total business transacted that passes through its market, the lower both of these will be per unit. (Exception is allowed for certain securities for which the best market is in one or other of the Associated—that is, provincial—exchanges.)

With this object in view the Stock Exchange has developed three lines of attack on practices considered undesirable. These are: the limitation of full commission rebates to members of recognised institutions; the revision of commissions paid to agents; and the conclusion of arrangements with recognised institutions for a common policy and for the elimination of certain practices held to limit the efficacy of the London market. The whole question of the absolute cost of services rendered by brokers will be dealt with in the subsequent article. But a word may be said here about the limitation of competition which these changes appear to involve. The only cases in which business could be done more cheaply than through the London market were those where a house could collect, usually by advertisement (which it is an article of faith to forbid), a large volume of business in a few selected securities—the list being changed as speculative interest shifts—and could "marry" the bulk of these orders. It is to be observed that, in these cases, the marriage price is based on the London quotation, and that the house in question can only adopt this method if it has the assurance of being able to sell or acquire any balance of stock left over, or required, on the London market.

As for the sharing of the London brokers' commission with other brokers and agents, the development of the Committee's policy has proceeded by stages. Originally, everybody who brought in business received half the commission, but there was a ban on brokers who advertised and on members of institutions within the London area, whether they advertised or not. At the beginning of 1933, the percentage was cut to 33½ for everybody but bankers, stock exchange clerks, and recognised brokers who, for all practical purposes, were members of provincial exchanges, and those on the Somerset House list. Four years later, the London exchange substituted a much reduced "White List" for that of Somerset House, but recognised all members of provincial exchanges as such. Again in mid-1941 the "White List" was abandoned and its members had to apply individually for admission to the General Register. At the same time, the rates of rebate allowed were cut from 50 per cent to 33½ per cent, and those previously fixed at 33½ per cent to 25 per cent. Thereafter members of the Associated Stock Exchanges (those exchanges which provide a trading floor of their own) and the Provincial Brokers' Stock Exchange (an association of recognised brokers not members of any exchange)—to which was later added the Oldham exchange, which is not a member of either body—were charged 50 per cent, banks, remisiers and clerks received a return of 33½ per cent, and all others 25 per cent of the full commission. Each class had to obtain admission to a special list, and this list is revised yearly. This not only removed the need for a rise in the London broker's charges; it also made it possible for London to force outside brokers to conform to the standards of conduct laid down for the London Stock Exchange, and to concentrate agency in the hands of those who make a business of it and can render some service to their clients, to the brokers or to both. It is only fair to add that the reduction in rebates to agents was also an element in a general scheme of securing common practice as between London brokers and others,

for in the past many provincial brokers had given no rebate whatever, the agent being left to find his remuneration where he could. Since June, 1941, members of the Associated exchanges, of the PBSE, and later, of Oldham, have for the most part adopted similar rules. In September, 1941, the advantages of half commission were extended to a long list of Dominion, Indian and Colonial exchanges recognised by the London Committee.

The position as regards other dealers in stock and shares is still not ideal, but the arrangements concluded with the Associated Stock Exchanges and the Provincial Brokers' Stock Exchange in June, 1941, mark a great advance towards the ultimate objective of common practice throughout the profession. Briefly, the Consultative Committee of the Council of the Associated Exchanges agreed to recommend regulations as to commissions, the treatment of non-members and general professional etiquette towards members in order to bring their practice into line with London. *Mutatis mutandis*, the Committee of the PBSE agreed to put forward recommendations designed to promote the same aim. In the following year there was set up a Joint Advisory Committee of the three bodies, London, the Associated Exchanges, and the PBSE, before which all questions of common interest could be ventilated. The deliberations of this body are not made public and it is difficult to claim that its existence has greatly influenced the actual regulations of any of the three bodies. But its effects in securing the ventilation of grievances, real or supposed, in explaining the different needs of members, and in promoting smooth working and the adoption of a common standard, have exceeded the hopes of the most sanguine.

It will be observed that all these developments have two main effects. They tend to a standardisation of practice within the business of stockbroking, and they tend equally to limit the full rigour of competition by restricting the devices permitted. In the case of dealers in stocks and shares outside the three groups named, there is definite discrimination, since they do not enjoy the benefit of dealing with members of the groups at less than full commission. The intention of London in this matter was, and is, definitely to achieve the former effect and to prevent the unfair use of the London market by people who do not observe its regulations and make no contribution to its maintenance. The Stock Exchange quite genuinely does not consider that its object is to limit competition, and it points out that no new limitation is placed upon competition so long as the would-be competitor will bind himself to pay his share and observe the rules. Further, it is maintained that the restrictions placed upon members of the three groups can be, and are intended to be, used in the public interest. These are all familiar arguments of those who practise association price-fixing and limitation of the field of competition. But there is this difference. Whereas the trade association normally makes it more difficult for new entrants to get a start, the stock exchanges are making it easier, at least on the financial side, for new blood to get in, whether as new firms or as partners in established ones. Further, competition in service remains unrestricted.

All these changes add up to an altered mentality among brokers, which is the counterpart of similar movements in many other fields. It is a mentality which prefers reasonable, but secure, profits to long risks with the alternatives of a brilliant success or equally striking failure. The business of stock broking is becoming a service industry, and the members are behaving in a way which tends to limit the possibilities of speculation both for themselves and for the public. There is not necessarily any danger in this change. Everything depends upon the energy and acumen with which the new objective is pursued.

There have to be added to these major changes a number of others, each possibly of minor importance in itself, which collectively account to a great deal. These include the publication of stock exchange accounts; a realisation that the public—and therefore the press—has a right to know what the Stock Exchange is and what it does, and that the officials of the Stock Exchange have a duty to spread this knowledge; and a number of other efforts to obtain and provide accurate information, such as the insistence that announcements of dividends and preliminary statements shall not be misleading. Whereas even ten years ago almost every decision of the Committee was considered a domestic matter concerning which it was impertinent even to enquire, to-day there is scarcely any body in the country so willing to discuss and explain its action as the Council—to give its new title—and the appropriate officers of the London Stock Exchange.

Business Notes

Canadian Dollar Rumours

Rumours of an appreciation of the Canadian dollar, which have recurred—and subsided—at intervals for some time past, have become unusually persistent this week. They seem to have originated in New York, and have been accompanied by such substantial demand for Canadian securities from that centre that the effects have been noticeably felt in the London market as well as Canada. The markets readily assume that such buying must be “knowledgeable” but on such matters as these the secrets of the leading monetary authorities have usually been extraordinarily well kept. On purely economic grounds, it is no easier now than it has been for months past to forecast that a rise in the Canadian dollar to parity with the American is, rumour would have us believe, imminent, for the normal economic criteria have long pointed to substantial undervaluation. When, on the eve of the war, sterling was depreciated by 13½ per cent against the US dollar, the Canadian dollar, previously at parity with the US, followed this movement to the extent of 10 per cent. As Canada was at war but the US was not, this depreciation from a position of presumed equilibrium was designed to give the Canadian authorities elbow-room for the meeting of wartime stresses without putting undue strain upon the pegged exchange rate. But the subsequent trends, especially since America entered the war, so far from wiping out this apparent undervaluation, may even have increased it.

Canada, with her wartime system of physical controls, wage-stops and subsidisation of the cost of living, has kept her price and cost structure more tightly in check than the US has done. Thus, farm products since 1939 have risen by 63 per cent in Canada, but by 95 per cent in the US; raw materials by 55 per cent compared with 65 per cent; foods by 37 per cent compared with 49 per cent; and manufactures by under 20 per cent compared with 26 per cent. Over the same period, the Canadian cost of living, rigidly stabilised since the end of 1941, has risen by only 18 per cent, whereas the US rise has been 27 per cent. Official price indices are not particularly unreliable guides to purchasing power parities, but in this case it is safe to assume that any inflation in the uncontrolled sector will certainly not be greater in Canada than in the US. At the same time, Canada's external position has been transformed by the war. In 1944 her export surplus (including mutual aid) reached \$1,850 million, easily the largest ever attained, and contrasting with \$436 million at the peak of the prewar decade.

These wartime trade movements are not, of course, indications of a corresponding flow of international payments. Still less are they sure pointers to post-war trade. But the evident strength of Canada's economy, the under-valuation of her currency, and fears of postwar inflation in the US have combined in the past two years or so to stimulate an increasing inflow of American funds. Quite apart from purchases of securities and direct investments, there has been a growth of nearly \$300 million since 1940 in the foreign deposits of the chartered banks, and one-third of this increase has occurred in the past year. Evidently, the pressure of natural forces against the stabilised internal price structure is increasing, and the mere expectation of a change in the rate accentuates it. The question whether to alter the exchange is, of course, entirely one for the Canadian authorities to decide, but it seems reasonable to infer that, having held the peg for so long, they would prefer to maintain it until post-war trends become more clearly discernible. As there is no likelihood of any early change in the sterling-US dollar rate, an appreciation of the Canadian dollar against the US, if it were to occur, would be accompanied by a similar movement against sterling.

Local Authority Loans

Last week the decision was taken to bring into effect the Local Authorities Loans Act, 1945, on August 1st, and in this connection there have been issued three SRO's, Nos. 678 to 680 Treasury Minute and an explanatory letter to local authorities. It is the last only which contains any new elements, and these concern procedure. Consent for any loan under the Act will normally be required from the

appropriate Government department and from the Public Works Loan Commissioners. It may also be necessary to obtain sanction from the Capital Issues Committee. The arrangements are such that it will normally be necessary for the borrower to make only a single application, that to the Department concerned. This is a great improvement on the rather cumbersome procedure applicable to issues through the market, and there would appear to be little reason why a similar simplification should not be adopted.

It is worth while to put on record the rates to be charged on loans advanced out of the Local Loans Fund under this and other Acts. Under the Local Authorities Loans Act, loans to territorial associations will bear interest at 2 per cent, if for not more than five years, rising to 2½ up to 10 years, 2½ up to 15 years, 3 per cent up to 30 years, and 3½ per cent for longer periods. Loans to housing associations under the Housing Acts will bear interest at 3½ for any period up to 50 years, and the same rate will be charged to companies and persons limiting their profits for all periods up to 40 years. If profits are not limited the rate is 3½ per cent. For loans under the Harbours and Passing Tolls Act, 1861, the rate is 3½ per cent with collateral and 3½ per cent without for all periods up to 50 years in each case. For all other loans and for any period the rate is 3½ per cent. The rates under the Housing Acts apply only to the provision of houses for the working classes.

So far as Local Authorities are concerned, these rates are no doubt an advantage to the borrower of little standing, and especially to the very small authority who is accorded access to this method of borrowing for the first time, but they are definitely the reverse of favourable to those of the highest status. The regulations limit borrowing on mortgages, which are not marketable, to the highest figure of the pre-war period and ban optional conversion to stocks carrying a higher rate than 4 per cent, while permission must be obtained for those not thus banned. The sole consolation for the efficient Local Authority of high standing is that, at present, the provisions of the Act expire at the end of 1950.

Market in Doldrums

The principal development in the stock markets over the past few days has been a progressive decline in the volume of business. This has been accompanied by a minor recovery in industrial equities, and a tendency for fixed interest prices to fall. Both these movements, however, owe something to dividend and interest payments. According to the figures of *The Financial News*, the yield on fixed interest stocks is unchanged, while the fall in the yield on equities is only about one-twelfth as much per cent as the rise in the price index. Nonetheless, it is rather surprising that equities should stand, amid the dust and fury of an election campaign, at less than 5 per cent below the peak figure of end-April. It is also interesting to note that, insofar as any conclusions can be drawn from the figures of bargains received, the fall in activity appears to have been significantly less in the industrial and commercial section than in the list as a whole.

Following on the short-lived activity in gold mining shares, there has been a distinct falling off in interest in all the more speculative sections, including even some of the foreign stocks. In market parlance, the investor is very definitely off his feed, and, although there is plenty of time for a number of developments before the result of the poll is known, it seems that the attitude of the investor towards the possible outcome is apathy rather than alarm. One section which remains active is that for the so-called internationals, that is to say, mainly Canadian Pacific, Nickels and Brazilian Traction, with a few other stocks of minor importance. It is suggested that a substantial amount of these stocks has been sold to North American buyers, the purchases being based on the supposition that the Canadian dollar is shortly to be raised to parity with the US currency. This point is discussed in detail in a preceding Note.

Shipping Profits

The Select Committee on National Expenditure has published the conclusions of its investigation into the war-

time profits of shipping companies resulting from the rates of hire paid by the Government for requisitioned vessels. The rates of hire include 5 per cent for depreciation and a 5 per cent return on capital, together with an allowance for certain costs based on average operating expenses. Although the basis of remuneration for war work varies as between manufacturing industry, rail transport and shipping, the Committee has found that, in terms of capital employed, the earnings of shipping companies have not been disproportionate to those of other enterprises engaged on war work; the Government's financial arrangements with the shipping industry have proved “fair and reasonable.” For example, statistics submitted to the Committee by the Financial Adviser of the Ministry of War Transport showed that on an average, liner companies whose financial years ended between September, 1940, and March, 1941, earned 3.6 per cent (taking account of the Inland Revenue allowances) on the capital values used in the calculation of wear and tear allowances; two years later earnings averaged 4.5 per cent. The experience of individual companies, inevitably, has varied, as has the rate of equity earnings which, obviously, depends on the ratio between fixed interest and equity capital.

The Replacement Problem

The Committee also inquired whether the tonnage replacement scheme, which envisages a seven-year replacement period, was likely to help towards the speedy reconstruction of the British Merchant Navy. By this scheme owners receive in cash the basis or pre-war value of the ships they lose; an additional payment is made to owners in respect of the difference between the basic value and the value at the time of the loss, but this is deferred until the equivalent of both amounts is used for the replacement of lost vessels.

Shipping witnesses have declared themselves in favour of the spread-over of seven years; the losses sustained cannot all be made good at once, and a rush of orders, like that after the last war, would merely drive up prices. On the whole, liner companies are eager to replace their ships as quickly as possible in order to maintain their goodwill and their crews. Tramp-owners are less anxious to rebuild unless “there was some guarantee that freights would be maintained on a paying basis”; to this end they favour the conclusion of an international agreement. This apparent conflict of views is largely a reflection of the probable supply of ships at the end of the war; liners and specialised vessels will be scarce, while cargo vessels are likely to be more plentiful. The Committee did not consider the implications of the probable disparity—at any rate during the immediate post-war period—between the cost of replacement and the amounts paid in compensation for losses; the problem of compensation for war damage, true, not only concerns the shipping industry, but it is of special concern to it if an official British Merchant Navy is to be re-created after the war.

Rising Note Circulation

To judge from the recent trend of the note circulation, the victory-in-Europe atmosphere and the relaxation of public restrictions are producing a significant increase in public spending. The jump in the circulation for VE-Day celebrations has not proved to be a purely temporary movement. The total has been rising now for eight successive weeks, and although this week's increase was small it compares with an actual reduction in the corresponding week of 1944 and 1943. Since April 25th there has been an expansion by over £42 million, in contrast with only £4 million in 1944 and with an even smaller change in 1943 if the incidence of Easter is allowed for. Of the recent expansion, however, some £5 million is attributable to the additional cover required, in consequence of a technical change, for the Scottish and Irish banks' note issues. In 1944 the rate of growth in the circulation was retarded after D-Day by the large exodus of troops, but in the earlier period of that year the expansion was substantially larger than that for the similar period of any previous wartime year. From the post-Christmas low point to June 21st there was a rise of £61 million. Yet this year, despite the fact that the post-Christmas nadir came four weeks later, and despite the calling-in of notes of denominations greater than £5, there has been an almost identical increase.

In these days it is particularly difficult to assess the implications of such movements. The effects of the return of

evacuees, prisoners of war and of demobilisation have to be set against those of the repatriation of emigré Governments, officials and others to liberated Europe, and of the outward movement of forces from overseas. But it does seem likely that the currency demands for holiday spending will this year reach record proportions.

Inflation in China

Main interest in the 1944 report of the Hongkong and Shanghai Banking Corporation, as in its recent predecessors, lies in the light it sheds on the internal financial situation in Free China. It is evident that the rampant inflation has been greatly accelerated in the past year. Regular indices of internal prices, if still published, now rarely seem to pass the Chinese censor. But in his statement for the annual meeting of the bank, the chairman, Mr A. Morse, reveals that the index of wholesale prices of domestic commodities in Chungking had by last March reached the astronomical figure of more than 1,200 times its pre-war (1937) level. In March of last year the multiplier was 230, and in June, 438. The Chinese authorities began in the early days of the war to rely upon note issue as a main source of finance, and thus grew accustomed to a geometric progression of prices. During 1942 and 1943, it was generally understood, they were well satisfied if the increase could be kept within the bounds of 10 per cent per month. In the past year or so, as the above figures show, this rate has been far exceeded. The cost of living—if indices have any real meaning in such conditions—seems to have risen somewhat less steeply, but even this has been multiplied by 3.7 times in the twelve months to March last.

Meanwhile, the official exchange rate for the Chinese dollar has been maintained at 3d. Despite the concession of a 50 per cent discount on this rate (giving an exchange of 1½d., or 160 dollars to the £) for certain foreign remittances, the official market has become even more widely out of touch with the realities of the price situation, and only a nominal amount of business passes through it. The real market is the outside market, where US dollar notes and gold change hands at widely varying but huge premiums over the nominal official parity. In consequence, the Hongkong and Shanghai Bank, which at Chungking is an “approved” bank for exchange control and consequently must deal at official rates, has been virtually debarred from any exchange business.

Not until the military situation permits of an increase in the supply of goods will it be possible to make any effective assault upon this financial chaos. While goods remain desperately scarce, even strong administrative measures, such as last year's introduction of the death penalty for hoarding, will not suffice to stop prices from rising. But, in allowing their fiscal and taxation machine to break down so completely, the Chinese authorities have greatly added to the difficulty of the task of restoring order.

Empire Trade

The system of imperial tariff preference is often discussed abroad as though it were an unclimbable fence built round the British Empire. The facts are given in the accompanying table; it shows the distribution of the imports of the Dominions and the Colonies in 1929 and 1938 (the latest year for which complete statistics are available). Both

	EMPIRE IMPORTS			
	(£ million)			
	Dominions, India, Burma	Colonies and Protectorates	1929	1938
Imports from:—				
United Kingdom	285	195	61	56
Other British countries ..	73	101	57	45
Foreign countries	427	270	111	110
Total	785	567	230	211

the Dominions (including India and Burma) and the Colonies and Protectorates obtained about half their imports from foreign countries in the two years. The proportion of the total imports of the Dominions purchased in foreign countries declined from 54 per cent in 1929 to 48 per cent in 1938; that of the Colonies, on the other hand, rose from

48 per cent to 52 per cent. In view of the heavy prospective demand for imports, the system of preferential tariffs is not likely to be a serious obstruction to the exports of foreign countries during the next few years. Ultimately, the absorptive capacity of the Empire is likely to be more important (though not the only) determinant of the scope of foreign exporters than a system of moderate imperial preference.

British and American Exports

The statistics of British and United States exports since 1938, given in the accompanying table, provide a significant contrast. (Although their definitions are not identical, the figures of commercial exports are broadly comparable.) Except for a slight improvement in 1944, British commercial exports have shown a steady decline in value since 1938, and an even more marked fall in volume to less than a third of the pre-war level.

EXPORTS STATISTICS									
UK					USA				
	Com- mercial Exports (excl. mu- nitions)	Average Price	Volume		Com- mercial Exports (incl. re- lease)	Lend- Lease Exports	Average Price (incl. Lend- Lease)	Volume (incl. Lend- Lease)	
1938	£ million	1938=100	1938=100	\$ million	\$ million	1938=100	1938=100	1938=100	1938=100
1939	471	100	100	3,094	...	100	100	100	100
1940	440a	93a	94a	3,177	...	99	105	105	105
1941	411a	87a	88a	4,021	...	105	112	112	112
1942	365a	77a	78a	4,408	739	112	147	147	147
1943	271	57	58	3,145	4,890	137	190	190	190
1944	233	49	50	2,608	10,105	151	274	274	274
1945	258	55	56	3,000b	11,300b	...	...	...	...

In the United States, on the other hand, commercial exports rose by more than two-fifths in value between 1938 and 1941 (America's pre-war year), and by about a third in volume; the entry into the war of the United States brought a decline, but in 1944 the value of exports was still almost as high as in 1938, though its volume was then probably less than two-thirds of the 1938 level. Significantly, but not



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“When I was a much younger man, a colleague gave me a useful tip. It was, simply, to keep an eye on ‘The Yorkshire Post,’ as a golfer does on the ball. Through the years I’ve proved the wisdom of his advice. You see, we business men need to have a broad vision of men and affairs. We can’t afford to have blind spots through lack of inside knowledge, as it were. Experience has shown me how important it is to understand what

the North of England is thinking, not only of finance and politics, but of matters in everyday living. After all, Yorkshire is not only the heart of industrial production, but a big slice of our National consuming market. “The Yorkshire Post,” you will find, gives just that ordered and detailed knowledge of the North that is essential to guide your judgment. That is one reason so many people outside Yorkshire read it.”

The Yorkshire Post

Voice of the North

unexpectedly, average export prices rose faster in this country than in the United States. A substantial proportion of lend-lease exports consists of goods other than munitions; a reduction in the volume of goods delivered on lend-lease terms would not, therefore, involve a corresponding fall in total exports, but, at least in part, merely transference from the category of lend-lease to that of commercial exports. In other words, the British starting point for post-war exports is well behind that of the American.

Higher Coal Profits

Although coal output is falling, the profits of colliery concerns seem to be rising. Powell Duffryn's net profit for the year ended March 31st, at £688,643, is higher by £86,000 or 14 per cent. At the same time, Pease and Partners consolidated trading profit (which excludes East Hetton Collieries, acquired in August, 1944), for the same period, at £713,419, is up by £133,000 or 23 per cent. The chairman of the latter company, Mr Andrew Whyte, points out that production of disposable coal has declined by 21 per cent since 1939, although miners' earnings have increased by 87 per cent. Absenteeism during the last year is described as “abnormal, after making full allowances for all unavoidable causes contributory thereto.”

The only inference that can be drawn from this picture is that prices have risen substantially more than costs. The White Paper on the Coal Charges Account, published two months ago, confirms this impression. The difference between total costs and proceeds per ton of coal supply is given in it as 11d. in 1943, 2d. at the beginning of 1944, and 2s. after taking into account the increases in wages and in prices authorised up to August 1, 1944. The difference in 1939 was 1s. 7d., so that the profit margin is now apparently higher. Although further declines in output may reduce still more the advantage to be had from this fact, it is at least clear that colliery profits per ton for the last six months have improved very considerably indeed.

But whatever satisfaction this gives to the mineowners, the rise in profits can be no compensation to the nation for the fall in output. Mr Whyte, like other colliery chairmen, roundly blames the miners for this situation, but he also adds a second villain to the piece in the form of “the cramping and unimaginative”—and, in another context, “inexperienced”—“control of a Department of State.” He concludes that

until the direction of operations is handed back to the colliery technical managements and essential discipline restored no amount of planning will produce coal at economic prices and in sufficient quantities to meet the nation's requirements.

This is grossly unfair. The state is the one party of the trilogy concerned—owners, miners, and state—which is not to blame for the falling output, except indeed insofar as it has failed to drive the other two parties into any sort of energy or efficiency.

Polish Coal for Sweden?

Negotiations between Sweden and Poland about the delivery of Polish coal to Sweden seem to have started in earnest. A Swedish delegation consisting of one representative of the Swedish Foreign Office and two delegates from the Fuel Commission are empowered to conclude a coal purchase agreement, and to make the necessary arrangements for putting it into operation. It is understood that the delegation will also be able to discuss “in principle” with their opposite numbers in Warsaw the possibility of providing Poland with a number of Swedish goods that Poland is anxious to obtain. Preliminary negotiations have already taken place between the Swedish Legation and Polish representatives in Moscow. They showed that while the Lublin-Warsaw Government were willing to supply coal to Sweden, they could apparently only sell it at the pits, leaving the solution of the transport problem to Sweden. In other words, Sweden will have to provide both coal waggons and coal barges to move the coal from the mines to a Baltic port, and shipping space to transport it from there to Sweden. The necessary waggons and barges would in that case be loaned by Sweden to Poland; it is rather fortunate from the Swedish point of view that, while most of the Polish railway net was changed to the Soviet gauge, the lines connecting Silesia with the Baltic remained untouched.

Sweden, of course, is not the only Scandinavian country short of coal; they are all dependent on supplies from abroad. In 1938, Sweden imported 7,700,000 tons of coal, of which 2,680,000 came from Britain, 2,400,000 from Poland, and 660,000 from Germany. Out of a total of

1,939,000 tons of coke, 577,000 came from Germany, 198,000 from Great Britain, 153,000 from Poland, and 140,000 from Czechoslovakia. Though the Swedish Coal Commission had accumulated large stocks of coal, the fact that since August all coal imports came to a standstill, meant that the present allocation to “priority” industries is down to 15 per cent of the industries' normal requirements, and will have to be cut to 7 per cent failing an agreement in Warsaw.

During the recent negotiations of the Anglo-Swedish trade agreement in London Sweden was informed of the difficulties in the way of an early and substantial resumption of British coal exports to Sweden which, according to the last pre-war Anglo-Swedish Trade Agreement, were stipulated to amount to 47 per cent of total Swedish coal imports. A similar clause in the Anglo-Norwegian Trade Agreement of 1933 fixed British coal supplies to Norway at 70 per cent of the Norwegian coal import, amounting to 3,300,000 tons in 1938. Since very little British coal will be available for export during the current year, and since the prospects of early and substantial coal exports from the Ruhr are not promising, Scandinavian supplies, and, by implication Scandinavian employment, will depend in no small measure on the size and distribution of the Polish coal surplus.

Aviation Petrol

An outstanding technical achievement which has played no small part in the European victory is the remarkable increase in the production of aviation petrol. The intensified air activity in the vast field of Pacific warfare is now calling for still larger supplies of 100-octane petrol. Since Pearl Harbour some \$900 million has been spent in the construction and enlargement of aviation petrol refineries and their supplementary plant in the United States; and according to recent official information from 65 to 70 refineries within the US are now producing from 400,000 to 500,000 barrels of finished 100-octane petrol per day—compared with 22 refineries at the end of 1941, producing just over 40,000 barrels daily.

The security blackout concerning aviation petrol production outside the United States has lately been lifted by Mr Ralph K. Davies, US Petroleum Administrator for War, who states that the most generous estimate of extra-United States production of 100-octane petrol at the time of Pearl Harbour was not more than 15,000 barrels a day; there were then three refineries at work in the United Kingdom and a fourth at Abadan in Iran, whilst a fifth plant, in Trinidad, was just about to begin production. Since that date an expansion programme (estimated to cost about \$200 million) has been almost completed. The Abadan refinery has been twice enlarged, and a third extension will soon go “on stream.” The Trinidad plant has attained capacity production. The refinery at Bahrain has been adjusted to production of 100-octane petrol; and two small plants in Canada are now producing aviation fuel. In the Dutch West Indies, three major projects have been completed in Aruba, and four others are now operating in Curaçao, where a fifth is still under construction. In Mexico also, plant is being set up for the production of high octane petrol. With the completion of these last two projects—probably in December—programmes for the increased production of aviation petrol outside the United States (exclusive of the Soviet Union, for which no details are available) will be complete. The combined capacity of aviation petrol plants constructed by the United Nations outside the United States has not been revealed, but Mr Davies affirms that by the end of 1945 over 14 per cent of the aviation petrol produced for the Allied Air Forces will be coming from these refineries. This would suggest that extra-United States output may, at full capacity, be in the region of 100,000 barrels a day, or nearly seven times as much as at the time of Pearl Harbour.

The world's peacetime demand for civil aviation has been estimated by Standard Oil experts at 150,000 barrels per day. After the defeat of Japan, therefore, this great increase in the production potential of high octane fuel may present a surplus problem of some magnitude.

VOC Developments

The preliminary statement of Venezuelan Oil Concessions, dealt with on page 746 of *The Economist* of June 2nd, showed a considerable increase in earnings without explanation. The full accounts for last year contain

once more a reasonably full profit and loss account, whose publication was suspended during the war, and incorporate a number of improvements. The better showing is associated with a rise in proceeds of oil sold and stock in hand from £6,336,954 to £7,701,421, which appears to be the highest ever achieved. There have been roughly proportionate increases in field expenditure, including drilling, and in office and general expenses in London and Venezuela, but the tax provision absorbs a considerably higher proportion of the total at £1,585,000 against £1,077,278. The amount remaining, after making a slightly increased depreciation provision, is £938,329 compared with £892,262, and, as previously stated, £250,000 is placed to exploration and general reserve against £400,000 to deferred maintenance. After paying the higher ordinary dividend, it is possible to make a rather larger allocation to carry forward than was the case last year. It is difficult to regard the specific allocation of either year as additions to free reserves.

The principal development this year is the acquisition of new concessions in Lake Maracaibo. An initial payment of £1,174,174 has been made for these out of net liquid assets, which at the balance-sheet date were slightly in excess of £1,900,000. The modest balance has to be considered against a total of reserves for exploration, deferred repairs, taxation and general reserve of £3,368,117. Exploration in the new concession means drilling in 100 feet of water, which will be expensive. The company will also have to undertake more extensive exploitation to make good the decreased drilling of 1943-44, when the average yearly footage fell to 141,500, against 469,000 feet average over the four preceding years. As to costs, those of wages were increased in November last. The position appears to be that there are good prospects of increasing output, but that very large expenditure will be necessary, and that costs are still on the up-grade.

British Coal Distillation

On Friday of last week the Council of the Stock Exchange withdrew permission to deal in the 2s. ordinary

HONGKONG AND SHANGHAI BANKING CORPORATION

(INCORPORATED IN THE COLONY OF HONGKONG.)
One Hundred and Twenty-eighth Report of the Board of Directors, to be submitted at the Ordinary General Meeting to be held on Wednesday, 27th June, 1945, at the Offices of the Corporation, 9, BILLS PAYABLE, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 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shares of British Coal Distillation. This company, formed during the 1928 boom, has so far paid no dividend on its capital. The shares, which stood at 1½d. at one time last year, were run up to 1s. 5d. in May on a progress report and had fallen to about 10d. at the time the suspension was considered. On the report that action might be taken, they fell further to 6d. The action of the Council does not necessarily imply any criticism of the company's officials, but is quite certainly based on a belief that the market was being "rigged."

In such circumstances, it is always desirable that the board should take the shareholders fully into their confidence at the earliest possible moment, but almost a week after the event nothing has been heard from them beyond a letter from the chairman, Mr Wakefield Adam, in which he states *inter alia*:

There has been no prior complaint from the Committee (sic) of the Stock Exchange whose action I consider unwarranted, unjust and definitely harmful to the interests of the company, and I register my protest against their hasty and misjudged attack.

This letter shows a complete misunderstanding of the whole position, but if Mr Wakefield finds that the company is, in fact, prejudiced by the action taken, he has only to publish an interim statement of the company's position, fully backed by his auditors, to make it reasonably certain that the quotation will be restored.

Actually the latest information is nearly a year old. In the last balance-sheet, dated July 31, 1944, there were no net liquid assets and the auditors were unable to express an opinion as to the value of patents, rights and trade marks or of interests in subsidiaries which constituted the sole assets of the company. In the circumstances, it is not clear how finance was arranged for the purchase of a Welsh anthracite colliery which was the main point of the progress report published last month.

Kaffir Dividends

Any minor effects which the declaration of dividends by the companies operating on the Rand may have had on quotations were submerged in the general swing in prices

on the raising of the price of gold, and the subsequent disappointment about the very meagre benefits to be reaped by the companies. Actually, the changes were few and small. Of the 28 companies in the four main groups, nine reduced their dividends as against six months ago, while the rest merely maintained them. There were also nine reductions compared with the payments of June, 1944, and three increases as against that time. The rate of decline in new distributable profit slowed down, but had not ceased, and it is by no means certain how far the modest improvement in the position occasioned by the rise in the gold prices will suffice to halt the downward swing. As was stated last week, the immediate outlook is largely conditioned by the findings of the Committee appointed to examine the question of gold mining taxation and the action taken by the Government of the Union on their report.

Cocoa Research Conference

It has been recognised for many years past that one of the major cocoa supply problems is the widespread incidence of diseases and pests among cocoa farms, and during the last fifteen years research has been going forward in both Eastern and Western Hemispheres, with the double object of fighting these pests, and of discovering breeds of cocoa which might be immune from the more virulent ones. Since about 60 per cent of the world's cocoa crop is grown within the British Empire—the higher qualities in the British West Indies, and the ordinary qualities in British West Africa—certain recommendations upon this subject made by the Cocoa Research Conference which recently met at the Colonial Office are important. Whilst it was recognised that the Research Institutes of both regions should concern themselves with questions of general cocoa research, it was emphasised that the West Indies would do well to give special attention to the "witch-broom" disease which is so prevalent in that area, whilst the West African Institute might most profitably concentrate upon "swollen shoot"; the Cocoa Research Committee in London to exercise a general co-ordinating function. It was further suggested that the British chocolate industry might collaborate in research directed towards the improvement of cocoa quality; and that the Department of Agriculture in each of the producing colonies should accept the responsibilities of surveying the cocoa areas; of educating peasant cultivators to apply the results of research and of economic and sociological surveys based on the need to adapt their product to a long-term agricultural policy; and of enquiring into means of improving the packing and storage of the crop.

These recommendations usefully clear the ground for a long-term cocoa research policy; but as the Conference indicated, there is urgent need for staff to carry out such a policy. Two other requirements are essential to success: that the surveying and organisation of the industry should keep pace with research; and that the co-operation of other cocoa-producing areas, particularly Brazil and French West Africa, should be obtained in prophylactic and therapeutic measures.

Post Office Engineers

One of the civilian services which has inevitably suffered seriously from the war is the telephone. This is not surprising in view of the call up of Post Office engineers—of the Post Office Engineering Union's 46,000 members, about a third have been engaged in the Forces, mainly in the signalling and engineering branches—and in view of the priority requirements of the military and of Government departments for telephone facilities. It is indeed creditable that the civilian services should have been maintained as well as they have been, especially throughout the air-raids.

But praiseworthy though the wartime record of the Post Office may be, the British telephone service is in need of technical improvement. The chairman of the PO Engineering Union at the union's annual conference at Morecambe this week claimed that

The State-controlled telecommunications industry of this country is now the most efficient in the world and would be the cheapest if only it were free from the tentacles of the monopolies upon which it must depend for its equipment.

It would be interesting to have more details of the ramifications of the telephone equipment industry, for it is certainly in the public interest that telephone services should be cheapened and extended. Those who have had occasion to use the telephone in the United States, moreover, might be inclined to challenge the claim that the British service is the most efficient in the world. In this country the tele-

(Continued on page 870)



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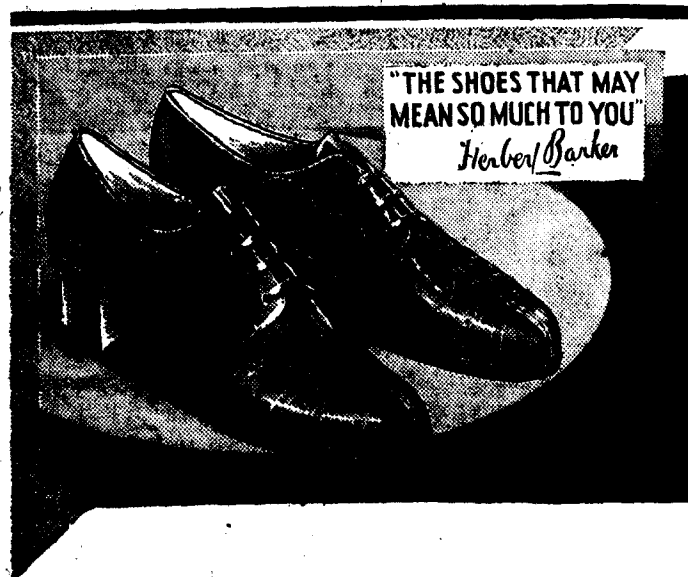
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HONGKONG AND SHANGHAI BANKING CORPORATION

POSITION IN CHINA

MR A. MORSE'S STATEMENT

The ordinary general meeting of the Hongkong and Shanghai Banking Corporation will be held on June 27 at the offices of the Corporation, 9, Gracechurch Street, London.

The following is an extract from the statement of the chairman, Mr A. Morse, C.B.E., circulated with the report and accounts:

Until the enemy has been ejected from the territories which he has invaded, we cannot, with any degree of certainty, even commence to measure the extent of the havoc he has created, but much time and thought are already being devoted to the problems of reconstruction which will have to be faced and solved before the Far East again enjoys freedom and prosperity.

I am confident that with our long experience of banking in the Far East, our organisation, and the goodwill which attaches to our name throughout the world, we will not only surmount our own difficulties but will play an important part in the rehabilitation and reconstruction of those centres with which we have been so long connected.

SURPLUS MAINTAINED

It will be observed that the position we present is again one of strength.

The profit and loss account, which includes only the results of offices under our own control, shows that the surplus for the year to December 31, 1944, amounts to £214,063, which is substantially the same as the surplus for the previous year. With assets amounting to many million pounds under enemy control, it is, of course, impossible even to estimate the profit and loss position of the bank as a whole, and in the circumstances the board have again transferred the profits of the free offices to contingencies reserve. In doing so, the board regret that they are again unable to recommend the payment of a dividend, but they feel that in the circumstances the course they have adopted is the proper one, and that it has the support of shareholders generally.

Thanks to the enterprise of the Allies under United States Military and Naval command in the Pacific and the successful campaign under British command in Burma, the outlook in the Far Eastern theatre of war has vastly improved since my last statement. Manila has been liberated, and we have been able to send a skeleton staff to prepare for the reopening of our branch there. Unfortunately, our building has been seriously damaged, but repairs are now in hand, and I hope that before long our office will be ready for use.

Of our staff who were interned in Manila, all except one are safe. They have had a very trying time in the hands of the Japanese, but all pay tribute to the hospitality of our American allies after their release from the internment camps. I regret to say that our accountant, Mr O. J. Shannon, and his wife have been reported killed. How exactly this came about we do not yet know. Their death is indeed a tragedy, and to their relatives we extend our deepest sympathy.

THE CHINESE PROBLEM

The economic and financial situation in China has continued to cause anxiety. The picture differs entirely from that seen elsewhere, and for this reason those who have not studied the situation carefully would be rash to draw comparisons with other countries. The problem is a Chinese one, with its special distinctive features. At the present time such measures as are feasible to check the growing inflation are, in the main, little more than palliative measures.

Amongst these, the most important are the sale of gold and the importation of small amounts of key commodities. It is hoped that such steps, coupled with the psychological stimulus of the favourable war situation, will be sufficient to tide over the interim period until more radical measures can be taken. As I said last year, the Allies with their immense resources are standing by to help, but, of course, the greater part of the effort will have to be made by China herself.

That the task will be a difficult one may be seen from the fact that the index of wholesale prices of domestic commodities in Chungking in March this year was over 1,200 times the pre-war (1937) level, while the cost of living there increased 3.7 times between March, 1944 and 1945. Fortunately, Dr. T. V. Soong, as President of the Executive Yuan, has been applying his outstanding abilities to the problem. This is a good augury. Moreover, as Dr. Soong himself said recently: "All the principal factors are working in favour of China." Another cause for optimism is the appointment of Dr. Wong Wen-hao, the able Minister of Economic Affairs, as Head of the War Production Board.

FLUCTUATING MARKET RATES

Although the official rate of exchange still remains at the nominal figure of 3d. per dollar, open market rates, which fluctuate widely according to the type of currency held, are in normal use for remittances from overseas, except through the "approved" banks. Our Chungking branch, being an "approved" bank under the freezing arrangements introduced in 1941, is still unable to operate except at the official rate, and its duties are thus largely confined to routine work for depositors, maintaining contacts with the official and commercial community, and keeping in touch with such developments as may arise in regard to foreign trade and interests.

In this connection it may here be useful to draw attention to the services we are able to offer to our customers and friends in providing information about the various aspects of economic, financial, commercial, or industrial development in China. Our manager in Chungking, with the help of our Chinese adviser, Mr K. C. Lee, is in an excellent position to follow the trend of day-to-day events there, and we are thus kept fully informed.

POST-WAR DEVELOPMENTS

Recent reports about China's policy in regard to post-war economic developments confirm what I said last year about the improbability of restrictive Chinese legislation being imposed on foreign capital and foreign companies. Dr. Sun Fo, the President of the Legislative Yuan, has made several important pronouncements on this subject. In November last, the Chinese Supreme National Defence Council adopted some important "guiding principles for economic enterprises," and as recently as March of this year two other authoritative statements were made in Chungking on foreign investments in China.

In all these cases the tendency has been to encourage foreign investment and to welcome the establishment of foreign enterprises in China. However, no new legislation applying to foreign companies and banks has yet been enacted, although it is believed that such is under the consideration of the Legislative Yuan. We ourselves—and I think that British firms in general also—are anxious that any new legislation of this kind which is under contemplation should be published at an early date, in order that we may know just how we stand in the light of Chinese laws and regulations.

SMITH'S POTATO CRISPS (1929) LIMITED

SIR HERBERT MORGAN'S SPEECH

The sixteenth ordinary general meeting of Smith's Potato Crisps (1929) Limited was held on the 14th instant, in London.

Sir Herbert E. Morgan, K.B.E. (the chairman) in the course of his speech, said: The net profit for the year, after provision for taxation, amounts to £88,967 as against £84,148 for the previous year. This is a result with which I feel the shareholders will be well satisfied, though adjustments in our tax position are partly responsible. The directors have no hesitation in making the same recommendation as last year for a final dividend of 20 per cent. and a cash bonus of 5 per cent., making a total distribution of 32½ per cent. for the year, for the eighth year in succession.

The year just passed has been subject to conditions which have affected the prosperity of many businesses. There has been a constant drain on manpower for war purposes. The drain on our manpower is not the only factor; we have had higher wages, and an increased cost of raw materials to face. Nevertheless, myself and my colleagues were never more optimistic with regard to the future of the company than we are to-day. One of our reasons is that the shortage of supplies has brought to light masses of consumers of Smith's Potato Crisps whose endeavours to obtain them is a great tribute—and a well deserved one—to our product. Our popularity is a living thing; the shortages have disclosed friendships and enthusiasms, and a knowledge on the part of the public of Smith's Potato Crisps, which one never quite realised.

HIGH PERCENTAGE OF FOOD VALUE

Give us the labour and material, and we shall soon eclipse our pre-war turnover. We deserve friendly popularity, which I consider firmly established for all time. But such a reputation does not just happen. It is based on the solid foundation of the quality of Smith's Potato Crisps, with their high percentage of food value. It is also the result of cooking the right potatoes.

We greatly regret that we have not been able to meet the persistent and sometimes clamorous demands for Crisps, but have done our best. The future of this business lies in that demand being maintained, and we are sure that not only will it be maintained, but will be increased as soon as we are in a position to supply it. I do not think our old friends will ever desert us, but I foresee in the future, as I have already indicated, a demand above that of pre-war days. In the future millions of new housewives who will be faced with the responsibilities of home-keeping will wish to take advantage of the use of Smith's Potato Crisps, because they are a prepared product of real food value, appetising, economical, easily served hot or cold, and conveniently packed.

TWO NEW CENTRES

We are making plans to create two new centres of our industry and build factories for that purpose. Our plans at the present moment cover the erection of new buildings in the Newcastle area and the South Wales area, both great hives of population hitherto supplied from others of our factories.

I must again pay tribute to Mr. Frank Smith, our founder and managing director. He is approaching the completion of the first 25 years of his brilliant leadership. During that quarter of a century he has never ceased to apply the whole of his resourceful capacity and energy to the furtherance of this famous enterprise. To the whole of our executive and staff, appreciation is due.

The report was adopted.

LEYLAND MOTORS, LIMITED

PRODUCTION OF TANKS, SHELLS AND BOMBS

MR C. B. NIXON'S REVIEW

The twenty-sixth annual general meeting of Leyland Motors, Limited, was held, on the 20th instant, at Leyland.

Mr C. B. Nixon, the chairman, said, in the course of his speech: At the outbreak of war, without hesitation, we placed the whole of your company's resources at the disposal of the nation. A programme was agreed for the production of tanks, high explosive and incendiary bombs and other instruments of war to the complete exclusion of commercial type wheeled vehicles.

During the early stages of the war, whilst preparing for this complete change-over, wheeled vehicles were built in the greatest possible numbers, and, in that short time, over 8,000 medium and heavy four- and six-wheeled service vehicles were produced—a number greater than our total production during the whole of the 1914-1918 war.

DESIGN AND OUTPUT OF TANKS

From the outset this company was involved in tank manufacture, and first of all a Leyland diesel unit was selected as standard for the Matilda. Tank production proper began with the manufacture of the Covenanter and assembly of the Churchill. Later, in addition to manufacturing, the company was appointed by the Ministry of Supply to collaborate with them in the control of design and the co-ordination of production, throughout the country, successively of the Centaur, Cromwell and finally the Comet, which, equipped with its high-penetration 77 mm. gun, played a major part in the advance from the Rhine to the Elbe and beyond and the final disintegration of the German forces.

The output of tanks from the company's own factories represents by far the greatest number of heavy cruiser type tanks produced in the country and is greater than that from any single organisation in the whole of the British Empire. Your staff and workpeople have given unstintingly of their services to make this achievement possible.

OTHER WAR STORES

Other units and components produced for war purposes were so varied that it would be impracticable to give full details in this short report, but it may be stated that the following major items were manufactured and delivered:—Wheeled vehicles prior to tank production, over 8,000; heavy 10-ton six-wheeled Government vehicles, recently placed in production, over 1,000; tank engines, over 10,000; tanks (medium and heavy), over 3,000; high-explosive bombs of heavier types, over 7,500; incendiary bombs, over 11,000,000; 20-mm. shells, over 5,000,000; and light alloy castings (mainly for aircraft engines), over 10,000 tons.

Due to the world-wide area of operations and to the necessity of providing against loss by enemy action requisitions for spares have been on a colossal scale, often exceeding 100 per cent. of the value of the new production.

FIRE ESCAPES, ETC.

The company has also manufactured motor fire-escapes, independent pumping units, power units for dealing with magnetic mines, land mines and aero engine mountings. Many tanks have been rebuilt, and at the same time there has been maintained an ever-increasing output of spare parts to meet the demands of the operators of commercial vehicles employed for essential civil purposes, many of which vehicles have been maintained in service with road mileages exceeding the million mark.

When the terms for research grants were announced, twelve months ago, your directors immediately submitted a scheme for new research laboratories. There have been many conferences and authority to proceed

has only been received within the last few weeks, but we are now informed that no labour can be made available. A year has already been lost; such delays are most regrettable when the need for re-equipment is immediate.

STAFF

The war created many varied problems far removed from the normal. Your company's staff has benefited from a wide experience here and overseas and achieved outstanding success. With this unique experience and up-to-date equipment new models will be evolved, which, if the Government succeeds in bringing into being favourable trading conditions, should find ready markets at home and abroad.

The war in Europe is at an end. The company still has, however, a considerable volume of war contracts to complete. Civil, as well as Government, production is still under control. The change-over to our normal peacetime manufacture will, therefore, be spread over a number of months. We have already produced a series of prototypes, and have authority to manufacture a limited number of public service vehicles this year, and are assured that this authority will be extended in the very near future to a very much greater quantity and variety of vehicles in both the passenger and goods ranges.

THE FUTURE

The basis of an expanding, mechanised war was, and, if the need again arises will be, the motor industry. The country must never be allowed to forget that it is essential to have a prosperous British motor industry, which employs a large number of experienced, trained technicians and constitutes the first line of defensive preparation. Safety depends upon it. The motor industry should become the largest single industry in this country. Its potentialities to ward off unemployment, to provide well-paid regular work and to sustain the export trade are unlimited.

Though the need for export is declared to be essential, for twelve months the heavy vehicle manufacturers have asked in vain for authority to build, as standard in this country, the types of vehicles acceptable overseas. The Minister of War Transport refuses this authority on the grounds that to make this concession would be "the thin edge of the wedge" and because it must be many years before our roads will be safe for the passage of omnibuses which are not more than 6 inches wider than those now permitted and no wider than the overall width of many loaded goods vehicles. The operation of some tip-wagons of a width of 10 feet has recently been authorised. Operators and builders are prepared for temporary local limitations where obviously necessary.

EXPORT HOPES

Our export trade was not inconsiderable in 1939, and it will be our endeavour to extend this trade to the greatest possible extent as soon as civil vehicles can be produced in quantities again. By that time we hope that handicaps imposed by Government control will have been removed.

It can now be stated that during the five war years taxation amounted to £3,379,889 (E.P.T. £1,210,108, N.D.C. £36,387, I.T. £2,133,394)—which figure includes provision for the estimated amounts payable on all profits earned at the date of the accounts. This may be contrasted with a pay-roll of £13,092,648, and a gross distribution on the ordinary shares of £630,000 for the same period. At the date of the balance-sheet, cash, Tax Reserve Certificates and Government securities at home and abroad amounted to £1,378,294.

The report and accounts were adopted.

MILNERS SAFE COMPANY, LIMITED

PRODUCTION OF ARMoured FIGHTING VEHICLES, ETC.

SOUND FINANCIAL POSITION

Major G. A. Frost, R.A., the deputy chairman, presided at the annual general meeting of Milners Safe Company, Limited, held at the registered offices, 21, Hampstead Lane, London, N., on the 14th instant.

The following is his statement circulated with the report and accounts:—

Your chairman, Lieutenant-Colonel Sir James Ritchie, is still absent from this country on military duties, but I am pleased to say that his early return is anticipated. You will, I am sure, be delighted to hear that Major Dodge has safely returned to us after five years as a prisoner-of-war in Germany.

ACHIEVEMENTS DURING WAR YEARS

Your company has again been employed throughout the past financial year on Government work and continues to be so engaged. With the relaxation of restrictions, shareholders will learn with interest some of Milners' achievements during the years of war. Our main concentration has been on the production of armoured fighting vehicles, and it has been a source of pride to us to see tanks of our manufacture leaving our works for the fighting forces. In addition, we have carried out contracts for modifying and converting heavy tanks and other fighting vehicles and generally adapting them to the changing conditions of battle. Tanks fitted by us with ducting apparatus landed in Normandy on D-Day, where, in addition, units manufactured by us helped in the construction of "Mulberry." We also made and fitted the "flail" devices to tanks, the success of which in clearing landmines has been made public. For a time we were also producing armour-piercing shells, and in many other directions we have been actively engaged in providing equipment for the Army.

For the Navy and Merchant Navy, apart from providing large quantities of storage equipment, we have been engaged in the manufacture of special protective armour, which has proved its efficiency against enemy attacks at sea. To the Air Force, too, we have contributed, many aircraft factories having been fitted out by us with specialised storage equipment. Shareholders will, therefore, appreciate that our veiled annual remark that "the works continue to be employed at high pressure" has been no under-statement.

EQUIPPED FOR EXPORT AND HOME TRADE

As has been previously pointed out, our ability to pull our weight to this extent during the war was only made possible by the facilities provided by the works we built just before the war. Our low E.P.T. standard limited our available profits, and has not permitted us to add greatly to our reserve account, but we are hopeful that the promised rebate—though its form of application still remains obscure—will be some compensation. Shareholders can, however, be assured that the productive capacity of our works at Speke has been fully tested, and we are confident that when we are able to return to the manufacture of the products for which we are renowned we shall be well equipped to compete in both export and home markets. Our plant and machinery has been brought up to date, and the extra expenditure incurred will in due course prove its worth.

During the year we have acquired the century-old undertaking known as "Whitfields Safe and Door Company, Limited," which explains the increase in the figure of investments in subsidiary companies. That concern has freehold premises and works in Birmingham, and your directors are confident that when their plans for modernisation are effected it will prove a valuable acquisition. Our London head

offices after their sojourn at Highgate, following two disastrous visitations by the enemy in the City, will be returning to 58, Holborn Viaduct, E.C.1, in the course of a few weeks.

SOUND FINANCIAL POSITION

Finally, although problems of rehabilitation may be vexing, we can face the future with confidence. I think shareholders will agree that the balance-sheet shows us to be in a sound financial position, and we are glad to be able to maintain the dividend and bonus at the rates of the past few years. All employees of the company have contributed to this satisfactory state of affairs, in particular your managing directors, Mr Dyer and Mr Hitches, and to them our thanks are due.

On behalf of the board I send greetings to our chairman and to all employees of the company in the services, with a hope that their return will not now be long delayed.

The report and accounts were adopted.

ASSAM RAILWAYS AND TRADING COMPANY, LIMITED

An extraordinary general meeting of this company was held, on the 18th instant, at Winchester House, Old Broad Street, London, E.C., for the purpose of submitting resolutions reducing the capital of the company from £1,160,000 to £615,000, divided into £315,000 "A" stock and £300,000 "B" stock by paying off the whole of the capital paid up on the pre-Preference "A" shares 1886; paying off the whole of the capital paid up on the 15,000 new 6 per cent. Preference shares; and paying off £315,000 of the capital paid up on the "A" stock.

Mr E. A. A. Joseph (the chairman) explained the resultant position of the company assuming the resolutions were passed. The resolutions were then put to the meeting and passed unanimously.

F. FRANCIS & SONS, LIMITED SATISFACTORY RESULTS

The forty-fourth ordinary general meeting of F. Francis and Sons, Limited, was held, on the 14th instant, in London.

Mr John Ismay (the chairman), in the course of his speech, said: The profit for 1944 at £65,383 shows a reduction of £8,394 on the previous year. Against this, however, the taxation provision at £41,000 represents a reduction of £7,000. Your board recommends the payment of a final dividend on the ordinary share capital of 10 per cent., less tax, which, together with the interim dividend of 4 per cent. already paid, makes a total of 14 per cent. for the year, being the same distribution as the previous four years. I think you will agree, having regard to the very trying circumstances pertaining during the last half of 1944, that the results are very satisfactory.

Our main works are all situated in the areas most severely affected by the flying bombs and rockets, and naturally production was considerably interrupted as a result of these attacks. During this period, however, our works did not suffer any permanent damage, although naturally production was affected.

Whilst we are still engaged to a large extent on Government work, your directors have given considerable thought and taken active measures to provide for the change-over to full peacetime activities. We are, perhaps, fortunate in that our peacetime production is on very similar lines to that of our wartime manufactures, and, therefore, the change-over does not present any great difficulties on the manufacturing side.

Whilst it is very difficult to forecast at the present time, your board is of the opinion that your company can look forward to a busy period in view of the undoubtedly heavy demand for the company's products for civilian and domestic use, a world shortage of which has to be expected.

The report was adopted.

UNITED KINGDOM GAS CORPORATION, LIMITED

REMARKABLE EXPANSION IN GAS SALES

The tenth ordinary general meeting of the United Kingdom Gas Corporation, Limited, was held, on the 19th instant, at Shell House, 55, Bishopsgate, London, E.C.

Mr Bruce Ottley (chairman of the company), in the course of his speech, said: The European victory has relieved the strain upon industry in so far as this country is no longer subject to enemy attack; but it must be borne in mind that the war is not yet over, and wartime conditions, exigencies and priorities still exist, which must be promptly and efficiently met. Anxieties in respect of the supply of coal, labour and materials are everywhere apparent, and in the sphere of public utility in which we are engaged the difficulties are considerable.

I believe that they will be satisfactorily overcome, and that we shall be able to devote our efforts to improve and expand our services to the public in those areas we are privileged to serve.

During the past year, as you know, the Minister of Fuel and Power has set up a Committee of Inquiry whose terms of reference are:

"To review the structure and organisation of the gas industry, to advise what changes have now become necessary in order to develop and cheapen gas supplies to all types of consumers, and to make recommendations."

And pending the completion of the report of this Committee and its consideration by the Minister, a virtual embargo is placed upon acquisitions and amalgamations; consequently, schemes of integration, most of which were initiated prior to the commencement of the war, are held up.

This presents a serious and dangerous aspect in that the provision of gas supply is suspended in relation to new houses, new factories and, in some instances, to the requirements of factories changing over to peace-time production, with the result that the gas service will not be available in some instances in time to meet the demand of the new houses and factories when completed.

GAS SALES FIGURES

The expansion that has taken place in gas sales during the period of operation of your corporation during the last nine years, more than five of which have been years of war, has been truly remarkable.

The total gas sold for all purposes in the year 1944 amounted to 10,863 million cubic feet, exclusive of 3,200 million cubic feet sold in bulk by the West Yorkshire Gas Distribution Company to gas undertakings as compared with 7,029 million cubic feet in the year 1936, an increase of no less than 54.5 per cent.

The sales of gas to domestic consumers have increased by 1,822 million cubic feet, or 32.2 per cent.

The sales of gas to industry have, on the other hand, increased from 939 million to 3,140 million cubic feet, or no less than 235 per cent. At least 90 per cent. of this increased industrial load has taken place in bakeries, engineering, copper, chemical, glass and other works existing and operating prior to the war, and the survey of potential loads over the whole of the areas supplied by the corporation indicates that this load will not only be maintained but, in reasonable time, will be doubled.

Considering the corporation's subsidiaries as a whole, the average price received for all gas in 1938 was 9.3d. per therm and in 1944 10.4d. per therm.

A REMARKABLE ACHIEVEMENT

I submit this is a remarkable achievement if one considers the great increases in prices of coal, labour and all materials. It

has been made possible by the improvement and cheapening of the services resulting from the operation of your corporation, the structure of which, I repeat, provides all the advantages of central control and co-ordination while de-centralising and developing to the full advantage the individuality and initiative of the managements of its subsidiaries.

I suggest that this is something that could not be achieved by any other system, and certainly not by bureaucratic control, which invariably results in multiplication of officials and the stifling of individual responsibility and enterprise.

DOMESTIC SUPPLIES

Our domestic tariffs, on the other hand, have been suspended during the war, but it is our intention to reintroduce them by means of a simple tariff common to all our subsidiaries.

This tariff will provide for a weekly payment of one shilling to meet standing charges, and gas consumed will be charged at one-half the declared price; that is to say, in undertakings where the declared price is one shilling, the commodity charge will be sixpence per therm.

A further new development we propose to introduce in connection with new housing sites is a complete fuel service for the home, involving the use of gas and coke for room heating, cooking, domestic hot water, washing, clothes drying and refrigeration at an inclusive charge of from seven shillings to eight shillings and sixpence per week on present values, depending upon the area—truly a low cost for the fuel service of an ideal smokeless and labour-saving home.

Our immediate future policy is to complete the integration in so far as may be economic in the areas in which we are operating, and we are pressing forward our surveys and investigations to this end.

Here I would like to repeat once more what I have so constantly stressed in my previous speeches to you, namely, that the interests of the consumers must rank first, and our shareholders will appreciate that the value of their investment is entirely dependent upon our being able to offer a cheap and efficient service that will meet the competition of other fuels.

Your directors look forward with high confidence to the future of this great corporation, which has made such good progress in integration, cheapening and improving the gas services in the areas it serves, and which has such a great contribution to make in the conservation of our coal resources.

MANAGING DIRECTOR'S VIEWS

Col. W. Moncrieff Carr, OBE, TD, MInstGasE (managing director), said: I would emphasise the future potentialities of the corporation, provided always that we are permitted to proceed with our schemes on the lines which we have proved to be sound and in the best interests of the public we serve.

Replanning of the gas industry to succeed must be based on the existing structure; that is, if it is to come within the terms of reference of the Heyworth Committee—"to develop and cheapen gas supplies to all types of consumers."

The work that has so far been done by this corporation, in spite of war conditions, is only an indication of what benefit the public can and will receive if we are not unduly hindered by bureaucratic control. In short, the planning can only be done by people who are wholly employed in the industry and thus are equipped with the necessary ability and experience.

The report and accounts were unanimously adopted.

FORD MOTOR COMPANY, LIMITED

GREAT WAR EFFORT

The sixteenth ordinary general meeting of Ford Motor Company Limited was held, on the 20th instant, in London.

The following are extracts from the statement by the Right Hon. Lord Perry, K.B.E., LL.D., circulated with the report:

The 1944 annual accounts disclose in detail the company's satisfactory financial position. Gross trading profits of 1944 were smaller, but the decline was offset by reduction in E.P.T. liability for that year, and as a consequence the net profit position has not only been maintained but slightly improved. We have continued the policy, which I am sure you approve, of strengthening the company's financial position to facilitate post-war reorganisation and resumption of peace-time activities.

The holding company has again earned a profit, which it has retained in preparation for the time—fast approaching—when assistance to continental associated companies may be possible and necessary. Information we now have about these companies makes us hope that, generally speaking, most of them may be in better condition than we had been led to expect.

The forces of the United Nations reached their peak war-time requirements during the year 1944. Our many employees—the figures rose to 22,640 men and 11,600 women—worked hard and consistently, with excellent results achieved in the face of danger, especially in the London area, from renewed and heavy enemy air attacks which, I regret to inform you, killed 41 employees and injured many others and members of their families. On your behalf I thank everyone for another year of fine achievement.

GREAT PRODUCTIVE ACTIVITY

Our great productive activity has placed at the disposal of H.M. Government a considerable volume, value and variety of products used by all the Services in every fighting zone, by agriculture and afforestation, and on essential civilian work. Vehicle production ranged from small vans to large four wheel drive trucks, most of the types having been evolved by us to meet special Service demands. We have been principal manufacturers of the invaluable Bren Gun Carriers—and we made and supplied caterpillar tracks for our own carrier production and that of other manufacturers. Nearly all Bren gun and similar carriers were powered by our famous V-8 engine, many thousands of which have, in addition, been supplied separately for use in a wide variety of ways, such as, for example, auxiliary motors for naval and air craft, generating sets, power units, de-gaussing merchant ships, and for maintenance purposes.

The call for intensified agriculture found us ready. Before the war started we had, by arrangement with the Ministry of Agriculture and Fisheries, evolved a plan for producing and speedily distributing tractors for augmenting and intensifying food production. At the outbreak of war we stepped up and maintained production of the Fordson tractor, and have since developed improved models and assisted in the advance of implement design. Long experience in these matters proved of vital help in feeding this country's population during its years of need. The Fordson tractor has been described as the "keystone" of the Ministry of Agriculture campaign.

The "civilian population" had its essential war duties to perform, and the company's products and dealer organisation were in great demand, including vehicles for ambulances, fire engines and essential industrial transport generally, engines for auxiliary pumps, and many other needs. Our output of parts has been vast, and our service and instruction classes for the training of men and women in the Forces have, we are sure, been of considerable assistance.

AIRCRAFT PRODUCTION

In the aircraft world we have been called upon to play another vital part. The aero engine factory which we manage on behalf of Ministry of Aircraft Production was built and equipped under our direction, and its management and supervisory staffs were supplied almost entirely from the Dagenham works. The product is the famous Rolls-Royce Merlin engine. When I tell you that, starting from scratch, our aero factory has, by the manufacture of tens of thousands of complete engines and millions of pounds worth of parts, achieved a quantity and quality of production comparatively second to none in the aircraft industry you will, I know, endorse my message of thanks and congratulations not only to the many thousands of workers concerned but also to its controller, one of our managing directors, Sir Rowland Smith, upon whom H.M. The King has been pleased to confer the honour of knighthood.

Our other activities away from Dagenham include specialised foundry work, assembly of imported vehicles, new methods of packing parts, and repair and reconditioning of Service vehicles, tanks, carriers and engines. We are proud to have received messages of appreciation from departments of H.M. Government and from generals and fighting men in the field.

ENORMOUS WAR OUTPUT

The following is a short statistical summary of our war output, which has a total value of no less than £179,420,000:—Vehicles manufactured, including carriers and agricultural tractors, 332,509; V-8 engines produced, 262,000; imported vehicles assembled (commenced February, 1941), 25,918; value of automobile, carrier and tractor spare parts, assemblies and components, £39,642,370; value of output from our separate and specialised foundry (commenced July, 1940), £4,434,440; value of repair work on Service vehicles, tanks, carriers and engines, £1,316,280; Merlin engines produced by the Manchester Aero Engine factory (commenced August, 1941) to equivalent brake horsepower of 36,741,000; value of spare aero engine parts, assemblies, and components produced (since August, 1941) £4,892,000.

To the great wealth of our pre-war experience we have added that gained by contributing to the needs of fully mechanised warfare.

The United Kingdom is faced with a hard post-war industrial problem, and to tackle it effectively manufacturers and traders must be freed as soon as possible from all unnecessary controls and restrictions both at home and, more especially, in the export markets. With greater freedom of action restored, this company faces the future with confidence, although it is proper for me to emphasise that many difficulties lie ahead.

SERVICE OF EMPLOYEES

I have already referred to the sterling worth of our employees, both men and women. On your behalf I congratulate the many who have received honours, decorations, and awards. We welcome those who have returned to us from H.M. Forces, and I know you will endorse my message that we hope to have back with us before long the 4,259 still serving to help to build a better post-war world.

We are greatly indebted to suppliers and dealers for their valuable support. To my colleagues and the executive staff I express my, and your, sincere thanks. I also record appreciation of the courtesy and consideration which has been extended to us by officials of H.M. Government.

The report and accounts were adopted and a dividend of 6 per cent. was approved.

DUNLOP RUBBER COMPANY, LIMITED

IMPORTANT WAR PRODUCTIONS

SIR GEORGE BEHARRELL'S STATEMENT

The forty-sixth ordinary general meeting of the Dunlop Rubber Company, Limited, was held, on the 8th instant, in London, Sir J. George Beharrell, D.S.O., chairman of the company, presiding.

The following is an extract from his statement circulated with the report and accounts:—The turnover in the tyre division and in aeroplane equipment was substantially increased, but there was an increase in costs, owing to the use of synthetic rubber and the continual necessity of employing inexperienced labour. In the general rubber goods division both volume and profit maintained the satisfactory levels of 1943, but the garment factory had a decrease in net profits through the reduction of the industry's labour quota, while the footwear and sports divisions continued to suffer from the concentration of their industries and lack of materials. The cotton mills still experience serious difficulties owing to general labour shortage in that industry.

The net profit for the year amounted to £2,615,700 compared with £2,765,797 for 1943. Included in the figure of £2,615,700 are abnormal items which result in a net credit of £74,114. Eliminating this net credit, the profit for 1944 is £2,541,586.

We have arrived at a point from which we can see the war receding and conditions approaching which will not be entirely those of war or peace. This period will have its difficulties for industry. For a time, no doubt, supply will lag behind demand, but, given materials and labour, such a situation can be quickly corrected. We are satisfied that there will be a permanently increased demand for the company's products, quite irrespective of the first period of shortage. Our firm intention is to return to and improve on the quality levels of 1939 immediately we can secure the necessary material and labour, and the technical experience gained during the war will materially assist towards this end. We have substantially completed the programme of replacement of natural by synthetic rubber in all products where the synthetic material can be used.

POSITION OF FRENCH COMPANY

Replying to questions, the chairman said: The situation in France has from time to time caused us a great deal of very careful thought. The claims for loss of stores have been met, and, with regard to the fixed assets, the basis on which we shall be paid for assets which have been damaged, as and when they are reconstructed, has been settled.

We have been treated with every possible consideration by the French Government. Arrangements have been made for the re-financing of the French company in a way that does not involve any money going from this country or from this company. I have every confidence that we shall see the matter brought to a successful conclusion. I wish to pay tribute to the great help which Mr Szarvasy has rendered in the financial negotiations with the bankers in Paris.

NEW TYPE OF TYRES

The whole of the services of the company and its staff were placed unreservedly at the disposal of the Government immediately on the outbreak of war—in fact before that. Our main developments during the war were in the manufacture of tyres. We produced two very specialised tyres—the bullet-proof tyre and the sand-track tyre. The former enabled a vehicle which had received a point-blank shot in a tyre to run for a very considerable distance in

perfect safety, and the latter proved to be the only tyre which would really facilitate movement in the desert. These tyres were so successful that after the battle of Alamein Field-Marshal Montgomery—or General as he then was—wrote specially to say how much he owed to our equipment.

We were, I think, the first company to make barrage balloons by mass production. We were asked to do that in 1938. It was very fortunate that we had proceeded with that development because after the battle of Pearl Harbour it was possible for this country to send 4,000 balloons at once to America for the protection of her coasts.

AIRCRAFT DEVELOPMENTS

We have had considerable developments in regard to aeroplanes. You would expect us to provide tyres and to some extent wheels for aircraft, and also some form of brakes. We have provided such things for nearly the whole of the Royal Air Force, and we have gone much further than that. We have provided many parts of engine-mountings. We have developed a gun-firing and cannon-firing mechanism to such an extent that every plane brought down in the Battle of Britain by British fighters was brought down through the use of our mechanisms, which became standard

throughout Fighter Command. That, I think, is a matter which reflects great credit upon the design, development and production staffs of this company. (Applause.) Then we made some of the buoyancy equipment for the pontoons of the floating piers of the great Mulberry Harbours. They were made in some of the shops where we were making balloons.

You can imagine that when we were making these things we had to invent reasons to explain why we were making them in order that not one person more than was necessary should have the slightest idea of what we were making. Then we were engaged in developments in connection with flame-throwers. We took a very big part in that, and, by and large, I think you can take it that we made a war effort which has proved very satisfactory. We have operated during the war no fewer than 32 separate factories for the production of munitions of war.

FUTURE OF RUBBER

A question has been raised about synthetic rubber and the quantity of it and also of natural rubber which is being, or will be, produced. I am one of the representatives of the British Government on a

convention at present confined to the United States, Holland and Great Britain. At the moment our title is "Rubber Study Group," which represents how far we have got at the moment. It is clear that some international arrangement will be called for to avoid chaos in this great industry.

The qualities of the two products, natural and synthetic rubber, are hardly comparable. I do not think that at present synthetic rubber can compare at all in quality with natural rubber for the manufacture of tyres, and I do not believe that any manufacturer would willingly use synthetic rubber to any extent if natural rubber were available. In fact, it is ever present in our minds that when more natural crude rubber becomes available we shall perform have to let the Americans have some, as otherwise they would be so handicapped that a very difficult situation might arise. When the two types of rubber are in greater supply the matter will have to be discussed in order that one country shall not be unduly prejudiced as compared with another. With regard to controls, at the moment I cannot see how they could be done away with, but I am in favour of their removal as soon as it is wise and safe.

The report and accounts were unanimously adopted.

of each class of capital express their views for or against the amalgamation. At present only rather more than half have done so, and all holders who are not attending the meeting are urged to send in proxies, for or against, without further delay.

Company Results

De Havilland Aircraft Company.

	Years to September 30,		
	1942	1943	1944
Net profit after taxation and depreciation.	£43,825	£52,937	£52,515
Fees	3,100	3,100	3,100
Ordinary shares:—			
<i>Earned</i>	40,725	49,837	49,215
<i>Paid</i>	40,000	40,000	40,000
<i>Earned %</i>	11.9	12.5	12.3
<i>Paid %</i>	10	10	10
Employees' benefit fund	10,000	10,000	10,000
Carry forward	29,982	29,819	39,034

	Years to September 30,		
	1942	1943	1944
Net fixed assets	543,264	516,949	403,978
Net inter-company items	501,869	398,397	448,375
Net liquid assets	584,849	714,473	786,671
Gross liquid assets	4,995,239	7,348,931	6,918,485
Stock and work in progress	2,094,865	2,915,261	2,562,875
Sundry debtors	2,892,174	4,415,163	4,340,105

* After charging taxation liabilities up to accounting date.
† After charging taxation liabilities up to accounting date and crediting E.P.T. recoverable.
‡ After charging taxation to April 5, 1945.

The £1 ordinary shares, standing at 38s. 9d. ex dividend, yield £5 3s. 2d. per cent.

Bleachers' Association.

	Years to March 31,		
	1943	1944	1945
Profits after taxation	516,504	659,596	757,057
Repairs and maintenance	150,614	188,464	209,112
Depreciation	140,000	140,000	140,000
Debit interest	101,250	101,250	101,250
Directors' fees	2,610	2,610	2,610
War damage insurance	40,000	20,000	10,000
Preference dividend*	68,406	205,219	273,625
Ordinary shares:—			
<i>Earned for Ordinary†</i>	Nil	90,459	157,273
<i>Earned for Ordinary†</i>	Nil	2.4	4.1
Ordinary dividend	Nil	Nil	Nil
Carry forward	94,486	96,539	116,998

	Years to March 31,		
	1943	1944	1945
Net fixed assets	6,691,472	6,577,959	6,462,637
Net inter-company items	2,189,909	2,279,613	2,385,991
Net liquid assets‡	693,883	697,426	704,156

Gross liquid assets‡ 1,399,617 1,669,268 1,997,159
Investments‡ 884,850 1,088,588 1,290,691

* Representing the payment of six months dividend in 1943, of 1½ years dividend in 1944, and of 2 years dividend in 1945. Arrears of payment have now been brought up to March 31, 1939.

† Calculated on assumption that only 1 year's preference dividend was paid.
‡ After deducting investments contingency fund of £54,652 in 1943, £55,413 in 1944, and £56,126 in 1945.

The £1 units of ordinary stock stand at some 13s. 3d.

(Continued from page 864)
phone is still regarded by most people as a luxury—in some cases a terrifying instrument—and Britain before the war was only ninth in the list of telephone users, with 5.4 telephones per 100 inhabitants, compared with 13.7 per 100 in America. There is, however, a considerable elasticity of demand for telephone services—as the experiment with cheap night calls showed—and the introduction of cheaper services would undoubtedly pay, in the literal as well as the broader sense.

The PO engineering union was mainly concerned at its conference with internal problems, and its members' wages and conditions, but it is interesting to note that they have expressed hopes about the prospects of a postwar expansion which would provide steady employment not only for its existing members but for newcomers to the industry.

French Economic Press

After a prolonged absence, the French economic and financial press has made its re-appearance in strength. There is now a quartet of them, all weeklies. They are *La Tribune Economique*, *La Vie Française*, *L'Economique*, and *Les Nouvelles Economiques*. The first has been sponsored by the Resistance press, while the third reflects trade union opinion; the other two are radical in their approach. The first three are traditional in make-up, but *L'Economique* not only closely resembles *The Economist* in appearance, but its editors have also adopted the principle of anonymity in respect of individual articles.

The re-appearance of an economic and financial press fills the urgent need of providing a platform for discussion and is to be heartily welcomed. Hitherto, *Le Monde*, the successor to *Le Temps*, has been the only journal devoting part of its space to the serious discussion of economic problems. The new economic press, inevitably, has still to find its feet. The journals give a great deal of information and are full of statistics; but most of the articles are descriptive rather than critical and constructive. They still have to develop consistent policies. Potentially, however, they could assist in canalising public opinion and policy towards a series of objectives designed to give the French people the opportunity of a fuller life.

Shorter Note

There appears to be some danger that the adoption of the scheme for the fusion of British Insulated with Callender's Cable will be held up by a technicality. Under the Articles of the former concern, the business of the meeting cannot proceed unless holders of at least two-thirds

RECORDS and STATISTICS

INVESTMENT Stock Exchange : London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. Shares*	20 Fixed Int.†	Old Consols	Ord. Shares
June 14	4,968	8,677	112.9	136.7	3.01	3.79
" 15	5,071	8,747	113.1	136.7	3.01	3.78
" 18	6,296	8,604	113.2	136.6	3.00	3.78
" 19	5,079	8,577	113.5	136.6	3.01	3.77
" 20	5,020	8,613	113.4	136.6	3.01	3.77

* July 1, 1935 100. † 1928 100. 30 Ordinary shares, 1945: highest, 118.5 (April 30); lowest, 110.4 (May 24). 20 Fixed Int., 1945: highest, 137.9 (April 26); lowest, 136.3 (Jan. 2).

New York

(WEEKLY INDICES) (1935-39=100)

	1945		May 29, 1945†	June 6, 1945	June 13, 1945
	Low Jan. 24	High May 29			
354 Industrials	108.6	122.1	122.1	121.2	121.1
20 Rails	116.1	140.58	140.4	138.9	140.5
28 Utilities	93.2	105.08	103.6	104.0	105.0
402 Stocks	106.7	120.3	120.3	119.6	119.8
Av. yield %†	4.63	4.09	4.09	4.13	4.14

† 50 Industrial Com. Stocks. † Market closed, May 30, Memorial Day.
(s) June 13, 1945.

STANDARD AND POOR'S CORPORATION INDICES DAILY INDEX OF 50 COMMON STOCKS (1925-100)

1945	Average	Transactions	1945	Average	Transactions
June 7	144.6	1,300,000	June 11	143.8	1,490,000
" 8	142.1	1,710,000	" 12	144.0	1,320,000
" 9	144.2	660,000*	" 13	144.6	1,590,000

1945: High, 144.4 (May 29). Low, 129.2 (June 23). * 2-hour Session.

Capital Issues

Week ending June 23, 1945	Nominal Capital	Con- versions	New Money
To Shareholders only	1,853,533	1,478,061	577,769
By Permission to Deal	1,092,115	65,788	3,081,583

Particulars of Government issues appear on page 872.
Including Conversions Excluding Conversions
Year (to date) 704,192,221 613,633,639
1945 818,806,444 807,707,963
1944

Destination* Nature of Borrowing

Year† (to date)	J.U.K.	Brit. Emp. ex. U.K.	Foreign Countries	Deb.	Pref.	Ord.
1945	608,107,919	4,385,267	1,140,453	602,785,115	3,607,250	7,241,274
1944	807,377,242	330,721	Nil	803,765,429	2,015,289	1,927,245

* Conversion excluded. † Includes Government issues to June 13, 1945, only. Above figures include all new capital in which permission to deal has been granted.

FINANCE AND BANKING

THE MONEY MARKET.—This has been an uneventful week in Lombard Street, with the credit position rather unexpectedly comfortable, and demand for bills at a low ebb. The absence of any substantial enquiry for bills from the banks is, of course, attributable to the approach of the half-yearly balance-sheet date, but an increase in the Treasury's requirements for new money had led to expectations of a distinctly tighter short loan position. The call for TDR's, which in the previous week had balanced nominal maturities at £120 million, was last Friday raised to £140 million. Nominal maturities were again £120 million, but pre-encashments had been smaller, leaving a net call of about £23 million, compared with £8 million in the previous week and £22 million a fortnight earlier. The nominal addition to the tender bill issue is again £20 million—this is the seventh week in which £130 million has been on offer—but the discount market secured a bigger share. Special requirements were apparently smaller, for total applications dropped by another £6 million, and the average allotment rate was slightly higher. Thus the market quota rose from 32 to 39 per cent., which is almost up to the high levels that obtained in May, and represents nearly £51 million of bills.

The Bank return indicates that the continued ease in the short loan market has been due to further Ways and Means borrowing. Government securities have risen by £13.5 million to £249 million, their highest level for three months. Thus, despite a small rise in the note circulation—the recent trend of which is discussed on page 861—and despite a slight recovery in public deposits from their low level of the previous week, bankers' balances have risen by £9.2 million.

There has been a good response to the new 2½ per cent. National War Bonds. The first week's subscriptions totalled £16.6 million, which is much above the rate at which money was flowing into them before the tap was turned off last autumn.

MONEY RATES, LONDON.—The following rates remained unchanged between June 13th and June 20th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%. Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, 1%. Discount deposit at call, 4%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between June 13th and June 20th. (Figures in brackets are par of exchange).

United States. \$ (4.861) 4.021-031; mail transfers 4.021-031. Canada \$ (4.861) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.221) 17.30-40. French Empire. Francs 1937-2004. Syria. p. 8.81-85. Sweden. Krona (18.159) T.T. 16.85-95. Dutch West Indies. Florin (12.11) 7.58-62. Portugal. Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama. \$ 4.02-04; mail transfers 4.02-04. Brazil. 84.56½ cr. (buying). Uruguay. 7.6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. Turkey. Piastres 520. Italy. L. 71.25 lire.

Market Rates.—The following rates remained unchanged between June 13th and June 20th.

Egypt. Piastres (971) 971-8. India. Rupee (18d. per rupee) 17½-18½d. Belgian Congo. Francs 1761-1. China. National \$ 3.35. Iran. Rl. 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

NEW YORK EXCHANGE RATES

New York on	June 13	June 14	June 15	June 16	June 18	June 19	June 20
Cables:—							
Cents	402½	402½	402½	402½	402½	402½	402½
London	90.930	90.930	90.930	90.810	90.810	90.930	90.875
Montreal	23.50	23.50	23.50	23.50	23.50	23.50	23.50
Zurich	24.84*	24.84*	24.84*	24.87*	24.87*	24.84*	24.86*
Buenos Aires	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Rio de Janeiro	4.07	4.07	4.07	4.07	4.07	4.07	4.07
Lisbon	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Barcelona	23.80	23.80	23.80	23.80	23.80	23.80	23.80
Stockholm	23.80	23.80	23.80	23.80	23.80	23.80	23.80

* Official Buying Rate 25.78. † Free Rate. ‡ Basic.

INDUSTRY AND TRADE

The "Economist" Sensitive Price Index.—There was no change in the index (1935 = 100) during the week ended June 19th. The crops component was 140.0, raw materials 200.6, and the complete index 167.6.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE

	Daily Average Sales Percentage Change			Stocks (at Cost) End of April
	1945	1945	1945	
	Jan.	Mar.	April	

(a) By Commodities

Non-food Merchandise:—				
Piece-goods	+ 1.5	+ 17.2	+ 4.4	- 40.4
Women's Wear	+ 4.1	+ 20.4	- 3.0	- 6.7
Men's and Boys' Wear	+ 29.4	+ 16.9	- 9.9	- 26.3
Boots and Shoes	+ 8.0	+ 20.4	- 6.3	- 25.1
Furnishing Departments	+ 0.5	+ 16.2	+ 18.9	- 26.8
Hardware	- 10.1	+ 7.7	+ 11.9	- 28.1
Fancy Departments	+ 0.7	+ 14.2	+ 2.8	- 1.9
Sports and Travel	+ 0.9	+ 16.2	+ 8.5	- 11.6
Miscellaneous	+ 7.2	+ 7.3	+ 4.3	- 24.2
Total	+ 4.7	+ 16.1	+ 9.3	- 15.2
Food and Perishables	+ 3.7	+ 7.8	+ 2.1	- 7.5
Total	+ 4.1	+ 11.1	+ 1.3	- 14.3

(b) Districts

Scotland	+ 5.5	+ 8.6	+ 5.8	- 14.7
North-East	+ 4.1	+ 11.8	+ 1.2	- 15.4
North-West	+ 3.8	+ 11.4	+ 0.2	- 17.6
Midland and S. Wales	+ 5.9	+ 10.3	- 0.8	- 19.0
South England	+ 6.8	+ 12.2	+ 2.7	- 12.9
Central and West-End London	+ 0.5	+ 14.8	+ 7.7	- 27.2
Suburban London	+ 0.6	+ 7.9	+ 2.0	- 31.2
Unallocated	+ 3.8	+ 19.3	- 1.0	...

Source: Board of Trade Journal.

COST OF LIVING INDEX (July, 1914=100)

First Day of Month	Food	Rent	Clothing	Fuel and Light	Other Items	All Items
Weights :	7½	2	1½	1	½	12½
Sept., 1939	138	162	208	182	179	155
1940	166	164	295	212	219	187
1941	166	164	380-385	228	230	199
1942	160	164	395-400	240	265	200
1943	166	164	345	244	291	198
Apr. 1944	168	164	340-345	252	291	200
May "	168	164	345	252	291	200
June "	168	164	345	253	291	200
Apr. 1945	168	164	345-350	266	291	202
May "	168	165	345-350	275	291	203
June "	170	...	...	...	...	204

GOVERNMENT RETURNS

For the week ended June 16, 1945, total ordinary revenue was £37,558,000, against ordinary expenditure of £101,341,000 and issues to sinking funds of £170,000. Thus, including sinking fund allocations of £1,976,993, the deficit accrued since April 1st is £576,445,000 against £731,699,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1945-46	Receipts into the Exchequer (£ thousands)			
		April 1 to June 17, 1944	April 1 to June 16, 1945	Week ended June 16, 1944	Week ended June 16, 1945
ORDINARY REVENUE					
Income Tax	135,000	134,049	159,851	11,877	11,466
Sur-tax	80,000	6,436	6,810	380	260
Estate, etc.	115,000	25,490	22,770	3,210	1,871
Stamp	19,000	1,052	2,446	400	400
N.D.C.	500,000	5,223	6,895	740	843
E.P.T.	1,000	88,758	73,786	8,212	6,700
Other Ind. Rev.	1,000	80	56	10	11
Total Ind. Rev.	206,500	261,088	272,614	24,429	21,551
Customs	589,000	120,034	115,895	9,026	10,815
Excise	541,000	94,300	98,900	2,400	3,300
Total Customs & Excise	1,130,000	214,334	214,795	11,426	14,115
Motor Duties	30,000	2,079	4,550	131	935
Post Office (Net Receipts)	1,550	2,300	Dr. 60	150	150
Wireless Licences	4,850	640	660	...	...
Crown Lands	1,000	210	230	...	...
Receipts from Sundry Loans	11,500	1,148	2,691	182	170
Miscell. Receipts	83,000	10,559	2,624	693	637
Total Ord. Rev.	326,500	491,608	500,464	36,810	37,558
SELF-BALANCING P.O. & BROADCAST	114,100	23,100	22,200	1,750	1,600
Total	337,900	514,708	522,664	38,560	39,158

Expenditure	Estimate, 1945-46	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to June 17, 1944	April 1 to June 16, 1945	Week ended June 16, 1944	Week ended June 16, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	465,000	100,262	96,678	3,440	5,641
Payments to N. Ireland	11,000	1,328	1,426	...	...
Other Civil Fund Services	8,000	356	274	...	...
Total	484,000	101,946	98,378	3,440	5,641
Supply Services	608,128	111,942	97,654	88,500	95,700
Total	556,928	122,137	107,492	91,940	101,341
SELF-BALANCING P.O. & BROADCAST	114,100	23,100	22,200	1,750	1,600
Total	567,938	124,467	109,732	93,690	102,941

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £139,911 to £2,706,192, the other operations for the week (no longer shown separately) increased the gross National Debt by £68,867,663 to £22,984 million.

NET RECEIPTS (£ thousands)		
Overseas Trade Guarantees	96	
NET ISSUES (£ thousands)		
P.O. and Telegraph	150	
Housing (Temporary Accommodation) Act, 1944	5,000	
	5,150	

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England
1944				
June 17	1340-0			
1945				
Mar. 17	1430-0			
" 24	1430-0			
" 31	1430-0			
April 7	1430-0			
" 14	1430-0			
" 21	1430-0			
" 28	1430-0			
May 5	1440-0			
" 12	1440-0			
" 19	1440-0			
" 26	1500-0			
June 2	1520-0			
" 9	1540-0			
" 16	1560-0			

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment	Per Cent. Allotted at Min. Rate
1944					
June 16	110-0	197 5	110-0	20 0 49	40
1945					
Mar. 16	110-0	236 1	110-0	19 11 77	27
" 23	110-0	225 3	110-0	19 11 85	25
" 29	110-0	225 6	110-0	19 10 06	30
April 5	110-0	235 1	110-0	20 1 86	20
" 12	110-0	244 4	110-0	20 2 28	24
" 19	110-0	244 3	110-0	20 2 24	24
" 26	110-0	227 3	110-0	20 0 17	34
May 3	130-0	256 2	130-0	19 11 85	30
" 10	130-0	226 2	130-0	20 0 13	40
" 17	130-0	218 0	130-0	20 0 24	44
" 24	130-0	222 7	130-0	20 0 37	41
June 1	130-0	244 4	130-0	20 0 12	32
" 8	130-0	238 7	130-0	20 0 04	32
" 15	130-0	232 2	130-0	20 0 39	39

On June 15, applications at £99 14s. 11d. for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday of the following week, were accepted as to about 39 per cent. of the amount applied for, and applications at higher prices were accepted in full. Applications at £99 15s. for bills to be paid on Saturday were accepted in full. (130 millions of Treasury Bills are being offered for June 22. For the week ended June 23 the banks will be asked for all Treasury deposits at a maximum amount of £140 millions.)

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	1½% Exchequer Bonds (1950)
1945				
Apr. 10	3,626	2,186	7,241	13,370
" 17	3,891	2,146	10,686	12,938
" 24	4,093	1,803	7,137	11,432
May 1	4,671	1,858	8,372	10,308
" 8	5,677	1,328	8,426	11,699
" 15	6,007	1,618	3,118	10,396
" 22	3,085	1,600	6,403	10,819
" 29	3,816	1,814	3,398	5,064
June 5	3,888	1,693	4,836	6,454
" 12	3,694	1,889	7,939	21,313
" 19	...	...	5,259	471
Totals to date	1,388,168*	819,286*	1,991,266†	326,843‡

* 290 weeks. † 233 weeks. ‡ 33 weeks. Including all Series.

Interest free loans received by the Treasury up to June 19th amounted to a total value of £71,330,826. Up to May 26 principal of Savings Certificates to the amount £29,470,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

Date	Gold		Silver	
	Rs. a.	Rs. a.	Rs. a.	Rs. a.
1945				
June 14	79 1	136 8	77 9	135 8
" 15	79 2	137 3	77 12	137 3
" 16	78 12	137 3	77 12	137 3
" 17	78 12	137 3	77 12	137 3
" 18	78 12	137 3	77 12	137 3
" 19	78 12	137 3	77 12	137 3
" 20	78 12	137 3	77 12	137 3

BANK OF ENGLAND RETURNS

JUNE 20, 1945

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt...	11,015,100
In Circul.	1,277,475,338	Other Govt.	
In Bankg. De-		Securities ...	1,288,225,512
partment	22,772,495	Other Secs.	749,605
		Silver Com	9,783

Amt. of Fid. Issue	1,300,000,000		
Gold Coin and Bullion (at 172s. 3d. per oz. time)	247,833		
	1,300,247,833		

BANKING DEPARTMENT

Prop's Capital	14,555,000	Govt. Secs.	249,007,764
Res.	3,297,725	Other Secs.	13,330,971
Public Depts.	10,125,624	Advances	3,868,676
		Securities	1,330,971
Other Depts.	210,572,915	Notes	17,199,647
Banks	51,682,953	Gold & Silver Coin	1,251,611
Other Accts.	262,255,168		
	290,231,517		290,231,517

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS (£ millions)

	1944		1945	
	June 22	June 7	June 14	June 21
Issue Dept.				
Notes in circulation	1128.7	1270.8	1276.0	1277.5
Notes in banking department	21.5	29.4	24.2	22.8
Government debt and securities	1149.2	1299.3	1299.3	1299.2
Other securities	0.8	0.7	0.7	0.7
Silver Coin	0.0	0.0	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2
Deposits	168.00	168.00	168.00	168.00
Public	9.2	18.2	8.4	10.1
Banks	179.9	181.2	201.4	210.6
Others	55.2	51.3	51.7	51.7
Total	244.3	250.7	261.6	272.4
Banking Dept. Secs.				
Government	222.1	219.4	235.5	249.0
Discounts, etc.	2.8	5.5	4.5	3.9
Others	14.8	13.0	13.9	13.3
Total	239.7	237.9	253.9	266.2
Banking depart. res.	22.3	30.6	25.4	24.0
" Proportion	9.1	12.2	9.7	8.8

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,200 million to £1,250 million on November 27, 1944.

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	June 17, 1944	June 16, 1945	June 17, 1944	June 16, 1945
Working days:	6	6	141	140
Birmingham	1,338	1,831	42,986	41,018
Bradford	1,764	2,036	42,755	43,953
Bristol	565	534	15,669	16,342
Hull	519	534	14,523	17,094
Leeds	1,015	884	28,123	29,005
Leicester	803	846	19,790	21,050
Liverpool	4,740	5,100	123,754	127,013
Manchester	2,723	3,057	81,794	81,438
Newcastle	1,956	1,943	41,955	42,280
Nottingham	358	407	9,638	11,508
Sheffield	693	575	23,003	23,124
Southampton	107	190	3,638	4,801
12 Towns	16,581	18,035	447,628	458,626
Dublin	7,165	8,023	187,830	194,731

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

	June 15, 1944		June 14, 1945	
	1944	1945	1944	1945
12 U.S.F.R. Banks				
RESOURCES				
Gold certifs. on hand and due from Treasury	18,663	17,416	17,412	17,421
Total reserves	19,314	18,360	18,357	18,109
Total cash reserves	269	248	247	249
Total U.S. Govt. secs.	15,001	21,023	20,896	21,103
Total loans and secs.	15,185	21,913	21,812	21,959
Total resources	36,714	42,178	42,105	42,563
LIABILITIES				
F.R. notes in circ.	18,738	22,845	22,860	22,865
Excess int. bank res.	1,100	1,100	1,180	1,380
Mr. bank res. dep.	13,715	15,371	15,452	15,771
Govt. deposits	154	425	352	170
Total deposits	15,896	17,416	17,350	17,491
Total liabilities	36,714	42,178	42,105	42,563
Reserve ratio	55.8%	45.6%	45.7%	44.9%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,211	20,270	20,268	20,268
Treasury & bank currency	4,104	4,141	4,145	4,146
LIABILITIES				
Money in circulation	22,333	26,500	26,513	26,533
Treasury cash and dep.	2,480	2,741	2,666	2,462

BANK OF FRANCE

Million Francs

	May 17, 1944	
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COMPANY RESULTS (June 6, 1945, to June 18, 1945)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Dutton's Blackburn Brewery	Mar. 31	402,724	16,000	24,050	35,072	14,000	10,000	5	£	£ 50	335,573	25,976	5
Greene, King & Sons	May 31	509,506	6,779	91,447	171,523	10,000	70,200	18	+	11,247	502,266	92,806	18
Taylor, Walker & Co.	Dec. 31	553,248	...	128,173	277,423	...	103,720	8	6,596	+ 17,857	475,043	113,732	7½
Coal, Iron and Steel													
Carlton Main Colliery Co.	Mar. 31	158,742	...	137,320	211,101	6,000	108,583	10	21,000	+ 1,737	126,129	105,964	7½
Lloyd (F. H.) & Co.	Mar. 31	130,552	17,768	39,150	47,991	1,250	15,000	10	22,854	+ 46	90,624	10,341	10
Financial, Land, &c.													
Forestal Land, Timber & Railways	Dec. 31	537,247	...	198,628	380,380	65,868	191,428	9	...	- 58,668	665,619	388,376	9
Mid-European Corporation	Mar. 31	90,866	...	21,912	127,176	16,637	5,225	1	...	+ 50	85,240	22,449	1
Olds Discount Co.	Dec. 31	64,759	...	19,612	36,510	3,500	6,484	12½	16,250	- 6,622	66,124	28,135	10
Rowton Houses Limited	Dec. 31	140,855	...	7,138	20,280	3,839	5,083	5	...	+ 1,784	133,379	15,389	4
Scottish Agricultural Securities Corp.	Mar. 31	37,359	...	2,882	7,476	...	1,750	3½	1,000	+ 132	35,787	2,472	2½
Scottish Drapery Corporation	April 19	74,193	...	65,401	170,674	26,250	29,250	9	...	+ 9,901	72,795	65,328	9
South-Eastern Gas Corporation	Mar. 31	280,360	...	99,396	177,698	43,877	50,574	4	...	+ 4,945	276,797	98,852	4
Motor, Aviation, &c.													
Albion Motors	Dec. 31	123,258	...	61,655	130,332	8,032	62,175	12½	...	8,552	128,420	76,899	12½
Currys Limited	Jan. 27	116,449	...	37,102	74,576	7,500	26,250	15	...	+ 3,952	105,150	28,699	10
De Havilland Aircraft	Dec. 31	52,315	...	49,215	79,034	...	40,000	10	...	+ 9,215	52,937	39,837	10
Ford Motor Co. Limited	Dec. 31	2,587,729	951,284	460,842	1,815,447	...	270,000	6	...	+ 190,642	2,329,857	435,795	6
Leyland Motors Limited	Sept. 30	996,169	119,405	169,403	376,964	34,125	67,500	15	...	+ 67,778	863,103	158,544	15
Rubber													
Badenoch Rubber	Dec. 31	999	...	Dr. 3,548	20,183	...	...	...	...	3,548	1,051	Dr. 3,571	Nil
Bandarapola Ceylon Co.	Dec. 31	18,383	...	3,238	6,069	...	3,600	6	...	362	6,410	3,470	6
Bruseh Rubber Estates	Mar. 31	275	...	Dr. 978	11,601	...	...	...	...	978	290	Dr. 442	Nil
Bukit Rajah Rubber	Mar. 31	2,169	...	506	13,031	...	...	...	...	506	1,946	845	Nil
Bukit Tumpah Rubber	Dec. 31	128	...	Dr. 872	5,394	...	...	...	...	872	152	Dr. 933	Nil
Caledonian (Selangor) Rubber	Mar. 31	654	...	Dr. 218	1,156	...	...	...	...	218	557	Dr. 3,486	Nil
Central Perak Rubber	Dec. 31	6,791	...	6,791	26,799	...	...	...	...	6,791	9,564	9,564	10
Ceylon Timber & Rubber	Dec. 31	1,568	98	511	2,520	...	...	...	...	511	10,918	4,771	10
Changkat Salak Rubber & Tin	Dec. 31	1,327	...	Dr. 206	2,876	...	...	...	...	206	1,172	Dr. 391	Nil
Cheviot Rubber	Dec. 31	2,846	...	1,089	43,018	...	...	...	...	+ 1,089	2,489	812	4
Devitt Rubber & Tea	Dec. 31	25,657	1,234	8,989	10,831	...	7,561	6	...	+ 1,428	28,645	4,862	6
Edinburgh Rubber Estates	Nov. 30	226	...	Dr. 470	1,039	...	...	...	...	470	242	Dr. 979	Nil
Harpden (Selangor) Rubber	Mar. 31	721	...	Dr. 842	6,680	...	...	...	...	842	710	Dr. 506	Nil
Heawood Tin & Rubber	Dec. 31	817	...	Dr. 455	2,232	...	...	...	...	455	746	Dr. 506	Nil
Hewagum Rubber	Dec. 31	47,537	...	10,649	11,670	...	10,500	5	...	+ 149	52,755	16,897	5
Kapong (Malay) Rubber	Dec. 31	3,675	...	Dr. 13,412	2,520	...	...	...	...	13,412	2,928	Dr. 14,076	Nil
Labu (F.M.S.) Rubber	Dec. 31	2,408	...	872	52,176	...	...	...	...	+ 872	2,109	645	Nil
Malacca Rubber	Dec. 31	5,465	...	2,245	62,282	...	...	...	...	+ 2,245	4,305	1,832	Nil
Malayan Para Rubber	Dec. 31	534	...	Dr. 2,800	2,988	...	...	...	Dr. 3,000	+ 200	295	Dr. 3,458	Nil
North Hummock (Selangor) Rubber	Mar. 31	1,131	...	Dr. 109	3,638	...	...	...	...	109	899	Dr. 245	Nil
North Malay Rubber	Dec. 31	18,863	...	8,216	38,865	...	...	...	...	+ 8,216	19,547	8,596	Nil
Rambutan Rubber Estates	Dec. 31	2,257	...	Dr. 37	11,445	...	...	...	...	37	752	Dr. 1,736	Nil
Rini (Java) Rubber	Mar. 31	288	...	Dr. 4,561	2,773	...	...	...	...	4,561	366	Dr. 1,024	Nil
Rosehaugh (Ceylon) Rubber	Dec. 31	31,242	1,585	11,902	16,002	...	10,219	5	1,500	+ 183	46,271	11,254	Nil
Simo Rubber Co.	Dec. 31	1,994	...	651	11,985	...	...	...	...	+ 651	1,015	Dr. 588	Nil
Sungei Puntar Rubber	Sept. 30	312	...	Dr. 2,118	925	...	...	...	...	+ 2,118	228	Dr. 2,492	Nil
Tremelby (Selangor) Rubber	Mar. 31	1,070	...	Dr. 461	5,379	...	...	...	...	+ 461	880	Dr. 184	Nil
Trolak Estates Limited	Nov. 30	229	...	Dr. 568	1,956	...	...	...	...	+ 568	344	Dr. 452	Nil
United Sna Betong Rubber	Dec. 31	12,275	...	5,349	162,132	...	...	...	...	+ 5,349	10,058	4,073	Nil
Tea													
Ceylon Tea Plantations	Dec. 31	212,005	12	46,243	83,241	10,578	37,600	10	...	+ 1,935	102,187	51,152	10
Nuwara Eliya Tea	Dec. 31	89,132	...	41,768	57,904	...	39,200	14	2,500	+ 68	66,596	44,866	14
Panawatte Tea & Rubber	Dec. 31	33,612	2,000	13,248	15,841	...	10,498	5	2,750	...	40,436	11,605	4
Pundaloya Tea Co. of Ceylon	Dec. 31	30,346	...	5,894	8,410	1,332	4,312	10	...	+ 250	14,178	5,632	10
Standard Tea Co. of Ceylon	Dec. 31	96,812	4,988	14,161	45,660	...	13,970	17½	...	+ 191	67,179	14,975	17½
Zaloni Tea Estates	Dec. 31	4,567	...	2,313	4,233	...	1,387	5	...	+ 926	6,836	2,600	5
Textiles													
Ballito Hosiery Mills	Dec. 31	114,477	11,437	12,183	17,983	4,981	5,063	12½	...	+ 2,139	111,987	10,081	12½
Bleachers' Association	Mar. 31	547,945	140,000	294,085	390,623	273,625	...	...	...	+ 20,460	471,131	301,757	Nil
Coats (J. & P.), Limited	Dec. 31	1,800,346	...	1,723,050	2,354,982	330,000	1,290,625	8½	...	+ 102,425	1,796,155	1,711,316	8½
Woodrow (John) & Son	Mar. 31	42,784	2,281	12,240	22,220	3,250	61	5,798	...	58	40,569	11,444	6
Tramway and Omnibus													
British Electric Traction	Mar. 31	779,608	...	323,736	2,584,944	83,708	177,919	45	...	+ 62,109	767,962	316,441	45
Maldstone & District Motor Services	Mar. 31	554,936	74,655	88,594	128,305	6,500	42,187	11½	20,000	+ 19,907	575,187	71,046	11½
Ribble Motor Services	Mar. 31	2,035,696	195,000	132,772	211,466	13,000	120,000	10	...	+ 228	1,951,546	133,672	10
Southdown Motor Services	Mar. 31	910,110	106,979	71,040	109,673	...	37,500	10	10,000	+ 23,540	851,812	56,369	10
Trusts													
Abbots Investment Trust	April 15	53,920	...	15,069	31,878	...	11,719	4½	10,000	+ 6,650	52,536	14,229	4
Canadian & Foreign Investment	Mar. 31	30,388	...	12,378	48,159	3,059	6,675	6	...	+ 2,644	27,309	10,689	5
First Conversion Investment	April 15	56,234	...	30,003	59,624	...	22,102	4	...	+ 7,901	51,496	26,537	4
Independent Investment Co.	Mar. 31	24,507	...	9,669	42,867	6,930	2,184	2½	...	+ 555	21,428	7,887	1
Investment Trust Corporation	May 1	431,676	...	138,709	357,468	45,630	83,662	11	...	+ 9,417	416,417	136,154	11
Nineteen Twenty-Nine Investment	Mar. 31	61,007	...	24,920	35,520	15,562	7,262	3½	...	+ 2,096	56,695	22,851	3
Perham Investment Trust	Mar. 31	31,178	...	14,804	22,023	13,075	5	1,000	...	+ 731	30,948	14,627	4
Second Guardian Trust	May 5	44,979	...	22,169	40,189	12,916	6,458	2½	...	+ 2,795	43,043	19,975	2
Trust Union Limited	May 15	116,752	...	46,205	109,668	11,137	24,732	10	5,000	+ 5,336	115,651	46,215	10
Other Companies													
Anglo-Ecuadorian Oilfields	June 30	296,347	101,210	180,853	294,800	56,250	7½	120,000	...	+ 4,603	255,625	152,499	7½
Boulton & Paul Limited	Sept. 30	137,942	12,043	34,916	56,128	6,750	12,500	10	10,000	+ 5,666	137,715	10,419	7
British Alkaloids Limited	Mar. 31	174,726	570	22,680	25,470	2,948	7,016	30	8,000	+ 4,716	190,731	20,892	30
British Drug Houses	Dec. 31	467,219	25,303	37,159	56,768	9,321	8,000	4	20,000	+ 162	388,528	36,423	5
Brownlee & Co.	Mar. 31	49,726	...	49,726	126,878	2,500	31,495	10½	15,000	+ 731	45,707	45,707	20
Callender's Cable & Construction	Dec. 31	606,742	80,000	503,185	819,069	56,000	224,783	20	175,000	+ 47,402	566,363	465,115	14
Cope Brothers & Co.	Mar. 31	36,484	...	27,884	99,849	...	26,250	14	...	+ 1,634	35,497	27,896	6
Craig & Rose Limited	Mar. 31	11,986	...	11,986	19,826	5,000	6,000	6	...	+ 986	11,938	11,938	6
Denny, Mott & Dickson	Mar. 31	175,993	...	72,956	122,480	26,400	10,200	6	30,000	+ 6,356	122,027	81,777	6
Derbyshire Stone Limited	Dec. 31	64,923	...	46,008	108,066	11,715	21,300	10	...	+ 12,303	51,663	38,250	10
Harland Engineering	Dec. 31	197,374	14,796	15,704	29,700	3,000	4,900	7	7,000	+ 804	158,559	13,88	
Harper (John) & Co.	April 1	81,457	...	27,666	35,594	2,219	16,250	16½	...	+ 9,217	104,412	11,538	7
Hart (Thomas) Limited	Mar. 31	8,726	232	1,530	6,330	...	1,200						

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(1944 Accounts)

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The College proposes shortly to elect to an Official Fellowship
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gether with the usual privileges and allowances, and is subject
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Universities.Applications made on behalf of candidates who are abroad will
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those who apply; nor will it refuse to consider applications from
those who are uncertain of their ability to take up the appoin-
tment immediately on election. Application forms may be ob-
tained from the Secretary to the Tutorial Board, Magdalen Col-
lege, and should be returned to him on or before 1st September
1945, together with the names of three referees. Late entries
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The Senate will shortly appoint an Assistant in Economics
to take up duty on 1st October, 1945. The salary offered will be
the rate of £275 per annum, and will be in the first instance
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sent to the undersigned, from whom further particulars may be obtained
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RICHARD H. HUNTER, Secretary.

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The New Charter

ON June 26th, the fifty nations assembled at San
Francisco to draw up a Charter for the new world
organisation signed the completed document. After nine
weeks of negotiation, after delays, hesitations, disputes
and several deadlocks, agreement has been reached and
it now only remains for the interim Commission, working
in London, to wind up the affairs of the old League of
Nations and to work out the methods whereby the new
organisation is to come into being.

In substance, the Charter follows the lines laid down
at Dumbarton Oaks. The only substantial modifications
are the introduction of an entirely new body, the Trustee-
ship Council, which will fulfil the functions of the old
Mandates Commission, and the very great elaboration
of the Economic and Social Council. For the rest, the
pressure of the Middle and Small Powers to reduce the
overriding authority of the Big Five has resulted in only
very slight modifications—for instance, the right of a
state-member, called upon to contribute armed forces to
the settlement of a dispute, to take part in the Security
Council's deliberations on the use of those forces.

Men who remember the mood and atmosphere with
which the first League Covenant was launched twenty-five

years ago will undoubtedly feel some sense of disappoint-
ment with the new effort to create an international peace
system. In the first enthusiasm of the Wilsonian ideal,
it was felt that the new methods of collective security, of
collaboration and peaceful settlement, represented a com-
plete and decisive break with a discredited past of power
politics and perpetual war. This League was indeed a new
heaven and a new earth and its sponsors launched it with
an almost messianic hope.

The new League starts its career in a more sober
atmosphere. The Charter cannot be accused of excessive
idealism. On the contrary, almost every article is marked
with the experience of two grim decades between the
wars during which, in Europe especially, politics,
imperialism and aggression grew up like tenacious ivy
within and over the brave new League. In the United
Nations Charter, there is no reliance upon better and
more idealistic methods of conducting international
relations. The dominant position is occupied by
those whose physical power would give them a dominant
position in any unorganised world society. Nor is any
attempt made to put them—for all the solemn emphasis
on "sovereign equality"—on the same footing as the

small states. They are above the law because they are the wielders of the power behind the law. The rest of the world may be compelled to good behaviour; with the Great Powers, good behaviour is a matter of sovereign choice. Again, the provisions justifying "self defence" in the event of aggression and allowing "regional agencies" great latitude in settling their disputes and maintaining peace can easily become mere licence to carry on separate defence policies with little or no attempt to co-ordinate them with any wider conception of security.

In a word, it is possible for the cynic or the embittered idealist to argue that the new Charter is only old expedients and separate nationalism writ large and covered over with a stucco facing of general good will.

No one can deny that there is force behind the criticism. The smaller nations which battled for nine weeks at San Francisco were obviously haunted by the same fears. Yet extreme criticism of this form goes too far and leaves on one side all the new and genuinely encouraging features of the new Charter. The first and obvious improvements on the old League is the presence at the San Francisco discussions and ceremonies of the two great absentees of 1919—the United States and the Soviet Union. There is, according to most observers, an excellent chance of the Charter passing the Senate; Senator Vandenberg, whose influence is strong with Republicans and isolationists, wishes to see the Charter accepted with reasonable speed. It is difficult, looking back, to imagine how statesmen came to have welcomed with so little misgiving a world organisation from which two of the greatest world powers were absent.

There is also, apart from this specific difference, the general question whether the approach of idealism was not in itself wrong. Did not the belief that the League transcended the Powers which were its members, that the Covenant was in itself a guarantee against war and that collective security was an alternative to national defence and not an extension of it—did not these illusions make the chance of keeping peace more, not less, difficult? Collective security, by making the checking of aggression the responsibility of all, left it the responsibility of none. The fact of power was whittled away and the need to put force behind pacific as well as aggressive purposes was lost to sight in a flurry of well-intentioned attempts on the part of the victors to reduce their armaments. The stress on a general international system drew the peoples' attention away from the need for each nation to pursue an effective foreign policy in concert with other peace-loving Powers. The League became first a substitute for defence and then a substitute for policy. Finally, the belief

in an all-provident system of collective security encouraged the victors to fall apart and break the coalition which had defeated aggression. It is, of course, true that the League was not in any way responsible for these misfortunes. It had no existence outside the policy (or lack of policy) of the Powers. But its existence in a rarified and idealised form certainly prevented people from seeing what was really afoot in the jungle of European and Far Eastern politics.

The new organisation, precisely because it has no Utopian élan, may keep the nations more firmly on the path of security. The responsibility for preserving peace is placed squarely where it alone can rest—on the broad shoulders of the Great Powers. General internationalist aspirations do not replace concrete regional groupings for defence. Finally, all Powers, great and small alike, have testified to the necessity of preserving the war-time coalition of the Great Powers.

It is true that by giving the international organisation greater reality, the Powers have brought it very much to earth and made it resemble in very many ways the expedients of alliances and defence systems which have, in the past, been the usual—and in the end always ineffective—methods of preserving peace. But to say this is not to deny any value in the international framework within which the old methods are to be fitted. It is almost certain that the acquiescence of the United States could have been secured on no other terms. The conference itself has already shown how powerful the effect of world opinion can be on the policy of great States and how salutary the public airing of injustice and heavy handedness can be. As a forum of world opinion, the international structure of the new League can play a direct part in checking wrongdoing and aggression. Equally the habits of co-operation and of contact—in every sphere, political economic and social—will certainly be educative and may also be fraternal and conciliatory.

Apart from these wider benefits, the new League offers the Powers, especially the Great Powers, an executive machine for their continuing alliance. It is now to the preservation and the deepening of that alliance that the nations must turn. As President Truman pointed out, the new Charter is only a beginning. It can be a foundation or a framework of better things, if the Powers within it so desire and so work. In spite of all the idealism of its framing and the aspirations of its founders, neither more nor less could in reality have been said of the old Covenant. The advantage of the new is that the obligation on the Powers themselves for good and pacific international conduct is so much more clearly underlined.

make itself responsible for the general economic climate and for matters of overall management, while detailed industrial administration is best left to the decision of individuals. Secondly, the severance of control from responsibility, the subordination of one set of men who have the initiative for action to another set who have to give or refuse permission without bearing the responsibility for the consequences, is always bad. Generally speaking, it is always better for the state to take an industry over completely than to "control" it. The final test of any state intervention should be whether it stimulates useful activity or curbs it. "Take the brakes off" should be the guiding principle, whether the means of applying it are by private or by public enterprise.

1. *National Efficiency.* Policy should proceed along six lines:—

- A great increase in the standards of technical education and in the volume of industrial research.
- A complete reversal of policy towards restrictive practices. The fixation of minimum prices or of maximum quotas of production, limitation of entry to a trade or deliberate restriction of productive capacity should be declared illegal and prohibited

except under licence in cases where it can be proved, in each instance, to the satisfaction of an independent tribunal, that the licence would be in the public interest.

- A substantial remission of taxation on profits retained in industry and genuinely ploughed back into extension or improvements of capital.
- A Treaty with the Trade Union movement, by which a lion's share of the benefits from any increases in productivity was guaranteed to wages, in return for a withdrawal of all restrictive practices by Labour, for consent to multiple shift working and for general support for the principle of maximum output.
- Planned reorganisation of key industries, of which coal, steel and cotton should be the first on the list. The reorganisation should follow strictly technical lines and questions of ownership should be settled on their merits. In coal, the element of public ownership and management would inevitably be large, in cotton small, with steel about midway between the other two. Transport and Power are two industries in which the benefits of a greater community of interest between what are now separate parts should be further canvassed; until the results of these enquiries are clear, mere changes of ownership or management of the separate parts would serve no useful purpose.
- The general economic policy of the Government should be designed to ensure that an adequate portion of the national resources is set aside each year for the extension of the community's productive equipment, with the aim of doubling productivity in a generation.

2. *Full Employment.* The essential requirement for a high and stable level of employment, apart from questions of foreign trade (dealt with below), is a smoothing out of the flow of funds into capital investment. To achieve this purpose, a whole armoury of instruments of influencing business decisions need to be developed. These should include the control of interest rates; an investment board, equipped to encourage as well as to check the flow of savings into capital; a flexible taxation policy, designed not only to foster the formation of capital but also to influence the timing of investment; the giving of guarantees for particular forms of investment at advantageous moments. A Public Works policy—that is, the deliberate unbalancing of the stream of government expenditure to offset fluctuations elsewhere, should be regarded as a policy of last resort. The responsibility of the Full Employment policy should be clearly defined and placed on one Minister.

3. *Social Security.* The chief remaining needs under this head are for rounding off the structure that is emerging from the Beveridge Report. The further steps needed are:—

- Acceptance of the subsistence basis for benefits as soon as possible.
- Development of benefits in kind, especially in connection with food.
- Simplification of the whole structure of financial relationship between the state and the individual, so that PAYE, income tax allowances and social security benefits and contributions are combined in a single simple scheme.

4. *Housing.* This is in the main a matter of energetic administration rather than of policy. The following measures are, however, needed:—

- A Housing Plan, district by district, to ensure that the numbers of houses of different kinds that are built, and their location, are not left to chance.
- Subsidies designed to carry out the Plan, rather than that the number and kind of houses should be left to the accidental products of the subsidy.
- A declaration of war on price rings, going so far if necessary as purchase by the Government of the whole output.
- A wage system for the industry which will put a premium on high, not on low, output per head.
- Legislation on compensation and betterment, following, broadly, the lines of the late Government's White Paper.

5. Food and Agriculture.

- Guaranteed prices sufficient to ensure a good living to an industry of approximately one million workers.
- Emphasis on products for which this country is best fitted.
- No part of the cost of guaranteed prices to be added to the retail price of food.
- No interference with the cheapness of imported food.

6. *Shipping and Shipbuilding.* The Government should take over the responsibility for ensuring that there is at all times an adequate, and adequately modern, Merchant Navy, and that there is regular employment for the shipyards. This can best be done by the Government itself building ships to a regular programme, and hiring them, on long charters extending over many years, to shipping companies. A reserve of 3,000,000 gross tons of shipping should be kept.

(b) Social Questions

7. *Birth Rate.* Full development of policy must await the Report of the Royal Commission. But the following interim measures should be carried out:—

- Adequate family allowances, free of tax.
- The children's allowance for income tax to be a proportion of income instead of a fixed amount.
- A Home Help Service to assist the mothers of large families, not merely in sickness.
- Acceptance of a single system of education for rich and poor as an aim of educational policy.

8. *Health.* The White Paper scheme should be amended to make the Health Service a national concern, nationally financed, independent of the local authorities. It is right to preserve the professional freedom of the doctor, but it is wrong in so doing to conceive of a National Medical Service as being no more than the subsidisation out of public funds of private practice and voluntary hospitals.

9. *Local Government.* The efficient operation of the social services depends on a reform of local government finance, which will otherwise exercise a crippling effect. The lines of action should be:—

- The removal from local authorities' financial responsibilities of the greater part of the health services, as proposed above.
- Standardisation throughout the country of rating valuations.
- A National Rate to be levied uniformly over the whole country, the proceeds pooled and distributed according to need. This to cover the greater part of local authorities' revenue (other than grants from the Government) but Local Rates to remain for any excess.

(c) External Policy

External policy lends itself far less than domestic policy to condensation into a programme. This is partly because it is a region where the issues are less sharply defined between the parties, partly because it is a matter of detailed administration from day to day rather than of sweeping decisions of policy and partly because it depends so much on the actions and attitudes of others. The following three paragraphs are therefore inevitably less precise than the preceding ones; but they contain the essentials.

10. *Foreign Policy.* The aims of British foreign policy should be:—

- To foster the growth of international institutions strong enough to enforce international law.
- In the meantime to ensure that enough strength remains in the hands of states that will use it to preserve peace and prevent aggression, and that are jointly committed to these policies.
- To foster the growth all over the world of liberal and democratic institutions, the best exterminators of aggression.

The means by which these aims should be pursued are:—

- The closest possible alliance, based on frankness and mutual respect, with the United States and Soviet Russia. How far these two nations will be willing

An Election Manifesto

In recent weeks The Economist has had little that was good to say about the election manifestos of all three political parties. Several correspondents have, in consequence, levelled the charge of purely negative criticism—a charge more wounding than any other to a journal such as this. Accordingly, herewith The Economist tries its hand at its own election manifesto—that is, an attempt to set down briefly but clearly what it believes could be accomplished in the lifetime of the next Parliament.

(a) Economic Policy

THE great issues of economic policy are to raise the standard of production of the worker, so that his standard of living may also increase (National Efficiency); to prevent depressions (Full Employment); and to prevent individual poverty (Social Security). In pursuing these aims there should be no exclusive dogmas either of private or collective ownership. Indeed, the fullest potentialities of both systems will have to be exploited. No rigid distinction can be laid down between the proper province of collective organisation and the proper province of individual enterprise. But two guiding principles should, as far as possible, be followed. First, the state can best

to go in constructive co-operation is beyond our control, but Britain should always be the most willing of the three to formulate joint policies and to act in common.

- (b) A close association—economic and cultural as well as strategic—with the nations of Western Europe.
- (c) The defensive strategy of the British Commonwealth should be conceived as a whole, even if it is carried out by each British nation on its own responsibility.
- (d) Maintenance at all times of a "Battle of Britain" standard in the defences of the United Kingdom—that is, armed forces and munition industries adequate to ensure the minimum defence of the country.
- (e) Fullest co-operation in building up the international bodies that emerge from the peace settlement. Britain should never be a laggard in pooling national sovereignties.

11. *International Economics.* Free Trade and the Gold Standard are to international economics what International Law and World Government are to international politics—the obvious ends of policy. But, equally obviously, they cannot be set up as practical policies overnight. The immediate aims for British policy should be:—

- (a) The reconstruction of an export trade large enough to pay for imports. In the short run, this is a question of production and supplies and can only be solved by the initiative and under the direction

of the state. In the longer run, it will be a question of prices and markets, and can best be accomplished by private enterprise, though assisted and, in some cases, organised by the state.

- (b) So long as there are in the world such things as trade depressions and unbalanced accounts, British policy should be directed towards ensuring that our imports and exports are preserved against catastrophic declines. This can be done by long-term bulk purchase contracts and by similar stabilisation agreements with other countries.
- (c) British co-operation should always be given for the elaboration of such schemes as those evolved at Bretton Woods and Hot Springs, and for co-operative effort in working towards the stable world in which alone they can hope to be effective.

12. *Imperial Policy.* A high standard of living should be set alongside self-government as one of the aims of British imperial policy and both should be pursued with full vigour. Rising standards of living in the colonial Empire can be secured by education, by welfare services, by technical assistance and, above all, by the provision of capital. Specific targets, to be attained by specific dates, should be set for economic and political progress.

No claim is made that this Manifesto is free from ambiguity, that it is complete, or that all the difficulties are explicitly faced. But the claim is made that it is far more precise and comprehensive—and no less practical—than anything sponsored by the political parties.

Western Association—IV

Stable Trade

THE preceding article in this series established the case for a series of agreements among the countries of Western Europe designed to foster and stabilise their trade with each other. Each of them is intent upon a policy of full employment, pursued under the purposive direction of the state; but none of them can hope to stabilise its domestic economy if its foreign trade is left to fluctuate widely. Fortunately, however, in every case a very large proportion of these countries' total foreign trade is done with each other. If this body of trade could be preserved against shrinkage in times of threatened slump, the Western European countries would be making a powerful contribution to the solution of each others' economic problems. The question of how this could be done, without creating an equivalent amount of disturbance in their trade relations with other countries, was left over for consideration in this article.

The traditional approach to such a problem would be by a mutual reduction of tariffs. Those of the Western European countries which were members of the pre-war "Oslo group" have fully explored this route, and Belgium and Holland got so far as to conclude the Ouchy convention in 1932 for the purpose. But all these attempts were blocked by Great Britain and the United States, citing the most-favoured-nation clause, and demanding, without contribution of their own, to share in any benefits that the Oslo countries conferred on each other. It is possible that this obstacle would not be quite so stubborn now as it was in the depths of the Great Depression. If Great Britain was itself a sponsor of the proposal, British opposition would *ipso facto* be withdrawn. The United States, under a Democratic President, is not quite so rigid as it was under President Hoover. In 1933, the year after the failure of the Ouchy convention, Mr Cordell Hull assisted in the adoption of the Montevideo resolution of the Pan-American Conference, which proposed to exempt from the most-favoured-nation clause "multilateral treaties which have as their general purpose the liberalisation of international economic relations, and which are open to the accession of all countries." Moreover, Mr Hull's own Trade Agreements policy has demonstrated how it is possible to subdivide a tariff classification so minutely that a concession given on one substance, though in form open to all, is, in fact, confined to

one or two countries—a practice clearly contrary to the spirit of the most-favoured-nation clause, but accepted even by the purists as being within its letter.

There are therefore some possibilities of loopholes in the most-favoured-nation barrier, and they should certainly be explored. But they are likely to be small; and long established interests in the different countries may prevent the governments from taking full advantage of them. And in any case a trade that has been relieved of its tariff obstructions, though it may be larger on the average, is in no way stabilised. What is necessary to prevent the import and export of unemployment is that the volume of trade, whatever its normal level, whether protected or not, should be prevented from crumbling away at the onset of depression. Let the volume of trade between the Western European countries first of all be expanded by such removal of protectionist barriers as is possible; but the further problem is then to find means of stabilising it at these high levels.

The most obvious way of accomplishing this is by the direct method of long-term bulk-purchase contracts. These have come into favour in the war years and the technique has been greatly developed. But they are not a new invention, and guarantees for the purchase of British coal figured in a number of the trade agreements made between this country and the Scandinavian countries in the early 1930's. These Scandinavian agreements also illustrate the fact that such bulk-purchase agreements can be made without involving any large measure of State trading, since the contracting Government need only engage itself to take up what private importers do not buy. There is considerable scope for the extension of such methods. Wherever, among the Western European countries, there is a regular trade in more or less standard commodities, quantitative arrangements can be entered into. Danish butter and bacon are obvious examples, as well as a great variety of primary products exported from the British, French, Dutch and Belgian colonies. The British Dominions have been the major beneficiaries of the long-term contracts of wartime and they will doubtless be anxious to continue this system of disposing of their produce—though, no doubt, it can be adapted to fit more closely into normal trading channels.

But bulk purchases are appropriate only for bulk commodities of a standard nature. Textiles, engineering

exports, and the multifarious products of an industrial country cannot be disposed of in this way. This is a difficulty that arises whenever an industrial country and a primary producer confront the problem of stabilising their trade. It has been most squarely faced in New Zealand, where the answer that is given to it is that every pound sterling earned by bulk sales of New Zealand produce in the United Kingdom will, by New Zealand control, be spent in Great Britain. Just how far this sort of arrangement comes within the new orthodoxy is a little uncertain. Lord Keynes has said, in the House of Lords, that, provided it is a voluntary arrangement—that is, that the control is exercised by New Zealand and not by the United Kingdom—it is permitted by the Bretton Woods Agreement. How far this interpretation would be accepted in the United States is uncertain.

In the interim period, however, the machinery for such arrangements already exists in the form of the financial agreements that have been negotiated with most of the Western European nations. In the Belgian agreement, which was the prototype, the two countries undertake to provide each other with such supplies as they need of their respective currencies, within a limit. As was pointed out in *The Economist* at the time, this limit could become a device reducing the trade in both directions to the level of the lower constituent. But if it were imaginatively used—if every time the Belgian debt approaches the limit the reaction is not to cut down British exports to Belgium, but to seek means of expanding Belgian exports to Britain—these financial agreements could become the means by which each country could stabilise its own purchases, secure in the knowledge that it would be fairly done by—and there is no reason why "fairly done by" should mean an exact balance between each pair of countries, but only that trade between each pair shall be continued in its normal proportions.

By these means, a considerable beginning could be made, within a very wide area of trade, with a new variety of commercial policy, designed to play a definite part in securing full employment. It is, of course, impossible to guarantee that American opinion would not be annoyed by such "bilateral" methods. But the Americans would have no right to be annoyed provided that two conditions are observed: first, that the trade to be stabilised is normal trade in normal volume and that its stabilisation does not therefore simply subtract from America's own trade with these countries (which would not, in any case, serve the object of stabilising employment); and secondly, that the stabilisation agreements are open to the accession of any country that will make its contribution. After all, in current American discussion, a planned volume of exports is expected to make its contribution to full employment, and it is very difficult to draw a distinction of morality between ensuring this volume of exports by making loans and doing so by promising to import. Indeed, the latter is preferable, since it results in a balance between imports and exports. If the doctrine of non-discrimination means that, when

one country allows its trade to fall off, all others must catch the infection and none must inoculate themselves, it will turn out to be the most powerful weapon for spreading the virus of depression and restriction that was ever invented.

Arrangements of this kind are probably the major contribution that can be made by mutual action towards the goal of full employment in Western Europe. They do not, however, quite exhaust the list and there may be other lines of policy that would be worth investigating. For example, a large part of the technique of economic stabilisation lies in presenting a balance between the saving propensity of the public and the rate of formation of capital. In theory, cases would arise when one country could provide savings for the capital needs of another, or possibilities of investment for the surplus savings of another. How far this sort of situation would be likely to arise in practice among countries so similar in their economic structure as those of Western Europe is perhaps open to doubt. But there should be many opportunities of mutual benefit to be found in such capital exchanges between the metropolitan countries in Europe and their colonies, and a co-ordinated policy of capital development of colonial territories might yield great advantages.

Nor should full employment be regarded as the sum total of economic policy; there are other departments in which mutual aid could also be organised. Is it, for example, entirely fanciful to see the possibility of a much higher degree of mobility of labour among the countries of the group, with a mutual extension of social security benefits? The productivity of industry is another matter that will increasingly engage the attention of these governments. The British Government, for example, will have to concern itself with the reorganisation of the steel industry. There is no doubt at all that a technical rationalisation of the steel industry of the whole of Western Europe would result in much cheaper production than if its purview were restricted to any one country—though it is doubtful how far defence considerations would permit a relaxation of policies of national self-sufficiency. Or, again, the planning of agriculture and food supply on the wider canvas could achieve results outside the reach of any one nation.

These articles are not a programme so much as an agenda—and not an agenda so much as an attempt to prove that an agenda could be constructed on which fruitful discussions between the countries of Western Europe could be carried on. Enough has possibly been said to establish this point. Together with the British Dominions, this group of countries is almost the only group that is of a mind to tackle the problems of economic policy in the way that they are being approached in this country. This fact by itself would be enough to establish a community of interest. When, in addition, it can be shown that they can substantially assist each other in the solution of their problems, the case for at least an exploration of the practical possibilities is complete.

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Middle Eastern Oil

THE end of the war in Europe and the intensification of air and sea warfare in the Pacific have greatly increased the immediate interest in Near and Middle Eastern oil supplies. There are two reasons for this. First, the oil requirements of the United Nations this year, at a daily rate of 7,000,000 barrels (equalling 1,000,000 metric tons) will be one-quarter greater than world oil supplies in 1939. Of the 7,000,000 barrels of crude oil produced by the United Nations since Pearl Harbour, all but 75 per cent have been supplied by the United States. After the heavy increases in production throughout the war, the United States oil industry finds it difficult to expand its output further at short notice, and the supply arrangements for this year have limited the contribution of the United States to the Allied pool to 69 per cent of the total. More oil must now be secured from other sources. Among these the Middle Eastern wells must pull an increased weight.

Secondly, the oil requirements of the Pacific war are increasing at an extraordinary pace. The amphibian forces engaged in island-hopping consume fantastic amounts, while every Super-Fortress attacking Japan consumes over 8,000 gallons of aviation fuel—the carrying capacity of a large railway tank car. Late last year it was officially stated in Washington that, even then, oil requirements for the Pacific front were exceeding the total which two years before had been the estimated potential maximum of military requirements throughout the world. This figure has since increased further and is likely to continue to increase during the next few months.

The oilfields of the Persian Gulf region, owing to their geographical situation, are predestined to play a particularly important part in the oil supplies for the Pacific war. They are several thousand miles nearer to the South-East Asia base, which is now being connected by pipe-line with China, than are the oil-producing centres of North and Latin America. Further, the sea lanes which connect them with the Pacific fighting zones are not nearly as exposed to enemy attack as are the trans-Pacific routes from the American Continent.

The oil industry of the Near and Middle East has in the course of the past three years been frequently upbraided in the United States for failure to pull its full weight in Allied war supplies. On a first view, these accusations may not appear unfounded. The five oil-producing areas of the Near and Middle East—Iraq, Bahrain, Saudi-Arabia and Egypt—together produced, as lately as 1943, little more than they were producing in 1939. Their output over the three years of the main Middle Eastern campaign was: 1941, 111 million barrels; 1942, 110 million barrels; 1943, 125 million barrels—an increase of 12.6 per cent. The reason for failure further to increase production is provided by the shortage of tankers on the one hand and by limited local refining facilities on the other. These two factors made it impossible to use the rich Middle Eastern oil resources to a fuller extent. Over the same three years, and for the same reason, United States production increased by only 7.8 per cent, and total world production, estimated at 2,249 million barrels, was a fraction lower in 1943 than in 1941.

By 1944 the output in the Middle East had begun to rise. Owing to important changes in the local refining situation and in the world tanker position, the five fields

between them were stimulated into producing 163 million barrels. The proportion they now represent of total world production has risen to 6.3 per cent.

In the course of the past twelve months tanker construction in the United States and the British Empire has overtaken wartime tanker losses. For the first time since 1940 the United Nations have enough tanker space at their disposal to meet all essential needs. Moreover, within the limits set by shortage of materials, Middle East refining facilities have greatly improved. The vast refinery of the Anglo-Iranian Oil Company at Abadan, at the head of the Persian Gulf, which entered the war with a capacity of less than 250,000 barrels daily, has been expanded in several stages. Late last year its daily throughput had been raised to 320,000 barrels, and a further expansion scheme, now approaching completion, will increase this figure to almost 400,000 barrels before the end of this year. In the course of this expansion, Abadan has been adjusted to produce the topmost grades of aviation petrol at a high rate. On January 9, 1945, the refinery was in a position to announce the production of its five-hundred-millionth gallon of 100-octane aviation spirit, a quantity large enough to sustain a force of 1,000 four-engined bombers on five night attacks a week over a period of one year.

The Bahrain refinery, which is controlled by two United States companies, handled under 25,000 barrels daily at this time last year. It is now capable of treating 56,000 barrels of Bahrain and Arabian oil. A new and modern refinery at Ras Tanura in Saudi-Arabia, with a daily capacity of 50,000 barrels, is being built by the Arabian American Oil Company and is scheduled to go "on stream" within the next three months. Like the expanded Bahrain refinery, it will be able to supply all types of "war oils," including 100-octane aviation petrol. Certain increases have also been carried out in the modern refineries elsewhere in the region, for instance, at the Haifa refinery belonging to Consolidated Refineries Ltd. and at the Suez refinery that is run by Anglo-Egyptian Oilfields Ltd. These expansions, though limited by the inflow of crude oil, have proved of the greatest importance during the war operations in the Mediterranean area.

Production in 1944 showed a particularly important increase in Iran, which reached for the first time an output of 100 million barrels or some 22 million barrels more than in 1939. Egypt, at over 9,000,000 barrels, was last year producing twice as much oil as in 1939, the direct result of the development of the new oilfield of Ras Gharib, while Saudi-Arabia, the youngest of the Middle Eastern producing regions, in 1944 produced 9,500,000 barrels against less than 4,000,000 barrels in 1939. These increases were in the main attained in the latter months of last year. This year the rate of expansion will be still greater, and if the refinery expansions now in progress are completed to time, the Near and Middle Eastern production in 1945 will not fall much short of 200 million barrels. Particularly important increases in supplies are, within the next few months, expected from the refinery expansions at Abadan and Bahrain and the completion of the refinery at Ras Tanura. The latter development will for the first time permit a freer flow of oil from the developed Arabian fields—Dimman, Abqaiia and Abu Hadriya—the output of which is scheduled to be quadrupled within the next twelve months.

These latest developments, though important, have been strictly limited by the available supplies of equipment. They do not nearly exhaust the potentialities of the region, the oil resources of which are estimated to account for three-tenths of the world's known oil reserves. For the duration of the Pacific war the overwhelming part of the newly developed oil supplies will be used to strengthen the offensive powers of the United Nations'

fighting forces in the Far East. After the defeat of Japan they will at once completely change the oil supply picture of the whole Indian Ocean area.

They could become an important influence on the European oil market, but the changes they will bring to it are still an open question. Middle East production costs are considerably below those in the great United States fields, but the discrepancy is offset by Suez Canal dues on tanker freight. It should be remembered that, with two exceptions, all the Middle East output is shipped at points east of Suez. The exceptions are Iraq's Kirkuk field, the supply from which is piped to the Mediterranean, and the Egyptian oilfields, which, though at present they ship their output chiefly at Suez, could without difficulty switch it to Alexandria or Port Said. Avoidance of canal dues was one of the arguments which prompted the American companies interested in Arabian oil to back Mr Ickes in his pipe-line project of last year. That plan

Safe Seats

(By a Correspondent)

IN the spring of 1940 a team of American sociologists trained in the operation of public opinion polls set out to study the determinants of peoples' votes in a Presidential election. Their observation post was Erie County, Ohio. Many months before polling day they found that the men and women who had firmly decided to vote Republican exhibited an almost constant set of characteristics—they were in the upper income groups, they were Protestants, they lived outside the big cities, and they were at least second-generation in their American citizenship. Conversely, those intending to vote Democrat were working class, Catholic, urbanised, and often naturalised immigrants. In between these two groups there were of course many citizens with conflicting vote-determining traits—and frequently these were the people who decided the local outcome of the election. But one of the most striking conclusions reached by the investigators was that almost invariably social characteristics determine political preference. After a while, all that the investigator needed to know about any citizen was his or her "constellation of social traits"; given this information, the voting behaviour of the informant was immediately revealed to the investigator. Very rarely did candidates, issues or propaganda upset the expected play of social traits.

No similar direct attempt to discover the how and why of political opinion has ever been carried out in this country. Even an indirect approach is difficult because of the very limited statistical information on the electorate that is available. All that is known with certainty is the size of the electorate in each constituency and its sex composition. Something, however, can be learned by starting from this latter point.

In 1935, in the total British electorate of 31 million, women exceeded men by approximately 10 per cent. This excess, however, was not uniform throughout all constituencies. At one extreme there were 139 constituencies—stretching from Torquay to Dulwich and Bury to Aberdeen—where women exceeded men by at least 20 per cent; the Conservative candidate was successful in 131 of these. At the other extreme—in terms of sex composition—were the 68 constituencies—from St. Helens to Nuneaton, and Merthyr—where men outnumbered women; Labour gained 53 of these seats; from this handful of districts the Labour Party won half as many seats as it did in the remaining 547 constituencies where women were in a majority.

As a first approximation, then, it seems reasonable to conclude that women have a predilection for the Conservative Party, while men prefer the Labour Party.

One can go beyond this only by using the vital statistics prepared by the Registrar-General for mid-1935 and those collected in the 1931 Census. For the most part, however, these figures in detail relate to administrative areas whose boundaries rarely coincide with those of the parliamentary

was worsted largely owing to the opposition of other American companies, producing at high cost at home and interested in marketing in Europe.

Nor are economics the only complications involved in planning the future of Middle Eastern oilfields. The suggestions of Anglo-American rivalry which arose in connection with the Ickes pipe-line proposal were largely, but not wholly, unfounded, and Russia's diplomatic clash with Iran about the oil concessions in Northern Iran provides a warning that the development of Middle Eastern oil wealth is likely to raise complicated political problems for the post-war world. It is fully possible however, that the arrangements of the companies of various nationalities will fuse and dovetail as neatly as they do at Kirkuk, where the Iraq Petroleum Company is happily run by a combine of British, American, French, Dutch and local interests. Here is the course to set for the rest of the area.

constituencies. The best one can do is to group the "feminine-Conservative" seats into the Registrar-General's regions and to analyse those regions where they bulk unduly heavily (unduly in relation to population). Such regions were Greater London, the Rest of S.E. England and South-West England. Between them these three areas contained half the safe "feminine-Tory" seats but only one-third of the total population of Great Britain. In each of these regions, as in their individual constituencies, the excess of women over men was unusually large—respectively 21 per cent, 20 per cent, and 19 per cent; in the rest of Great Britain the difference was only 5 per cent.

What was the identity of this unusual female excess? In terms of age they were primarily women who had passed the prime of life, had finished their schooling in the 19th century and married and started their families in the Edwardian decade; in the three "feminine-Tory" regions women aged 45 and over exceeded men of the same age group by 30 per cent; in the rest of the country their proportions were practically identical.

The economic character of the bulge, however, was not constant. The suburban Home Counties and South-West England formed one pattern and Greater London another; both differed from the situation in the rest of the country.

The following figures relate to 1931:

Females, 14 and over	Feminine-Tory Regions		Rest of Great Britain
	Greater London	Rest of South	
Percentage unoccupied or retired . . .	60	71	66
Percentage of all occupied females:—			
In commerce and finance	19	16	12
In professions	6	8	3
In personal service	32	49	20
Managers or on own account	6	11	7

Thus, the common special characteristic of the female population in all feminine-Tory regions was the concentration of servants, shop assistants and professional workers (mainly school teachers and nurses); the added peculiarity of the "Rest of South England" was a high proportion of women who either ran their own business (mainly small retail stores and boarding houses) or who had retired completely from earning a living.

The recipe for a safe Conservative seat (under pre-1939 conditions) seems then fairly clear: take a constituency where women are in a substantial majority; part of this surplus is made up of middle-aged women living on an unearned income, on the profits of a small business or on a small salary—offer them protection against threats to private enterprise and against policies that might lead to inflation. But the bulk of the surplus women are servants and shop assistants—reserve for their special appreciation the assurance that only the rich or the glamorous are fit to govern.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so immediately upon receipt of a renewal notice. If they fail to do so, their subscriptions will be automatically cancelled on the date of expiry, and this may mean a gap of many months before the despatch of copies can be resumed.

Means and Needs

One of the results of Labour's presence in the Government during the war is that the means test, which before 1939 was one of the bitterest points at issue, is not figuring in this election, although both Mr Bevin and his former Parliamentary Secretary, Mr Tomlinson, referred in their broadcast addresses to its "cruel operation" and the "humiliation" and "indignity" is imposed.

As soon as the Labour leaders entered the Government in 1940 they made it their first non-war object to have the household means test removed, and their efforts led to the Determination of Needs Act of 1941. This statute determines need in the case of persons applying for supplementary pensions or unemployment assistance. It removed the main grievance against the old means test, which was that a whole household's resources had to be aggregated and fall below a certain level before a member of it could qualify for assistance. The present test is based far more on personal needs. Assumed contributions from a non-dependent child to the expenses of an applicant's household are standardised, and inquiry into the resources of a householder, with whom an applicant is living, is very much reduced. Nor is an applicant allowed to be dependent on other members of a household for money to buy clothing or other personal necessities.

Nevertheless, though it has been watered down, renamed and the worst features removed, it is still not the personal needs test, pure and simple, that Labour used to call for before the war, and it is worth remembering that a Labour minority revolted against their leaders on this account when the Bill was given its second reading. If a Labour Government is returned, pressure may well be put on it for the removal of any trace of the old means test. All parties are committed to the Social Insurance White Paper, which rejects a subsistence basis for benefits and proposes national assistance, on proof of need, to bring insurance benefits up to the subsistence level, but how need will be determined was not specified. To ignore completely all third-party resources and to make no distinction at all between the different circumstances of applicants for assistance would certainly add another unknown, but considerable, factor to the Social Security Budget.

Second Thoughts on Syria

There are signs that internal politics in France are causing General de Gaulle's Government to see advantage in a move towards the settlement of its dispute with Syria. The turning point was the debate on the subject in the Consultative Assembly. This body is, as its name implies, without executive power, but no one present at its discussion could fail to note, first, that its mood was one of protest at past failure to pay attention to its advice, and, secondly, that Government spokesmen got no approval for intransigence or for blaming the whole sorry business upon British influence.

Monsieur Bidault is too good a republican to ignore such portents. Further, he has some weighty arguments to use with his more insensitive master. The elections are not far off. They cannot be postponed or they will happen in the winter's cold when human nature will out and the government's critics will be more numerous and more vocal. If, when they happen, the Syrian affair is not settled or shaping for settlement, it will be a gift to General de Gaulle's many critics in the Radical and Socialist parties—parties whose success at the recent municipal elections is not reflected in the composition of the present "caretaker" government.

Another reason for hastening a settlement in Syria is the internal situation in Algeria where Moslem tempers are on edge through the accident of a famine due to three of the worst drought years in living memory.

The first sign of a consequent shift in the Government's Syria policy is its silent abandonment of the strange idea of laying the dispute before the unborn Assembly of the new World Organisation. Instead it has proposed—through the mouth of M. Paul Boncour, to Mr Stettinius at San Francisco—that the World Organisation should send to Syria a fact-finding commission of three neutral states. This suggestion—though undoubtedly a good platform point at home—was turned down by Mr Stettinius on the obvious practical grounds that the World Organisation's Charter had not—at the time—even been signed, that no one yet holds the relevant powers of appointing commissions and that to take on such a job before the signatures are ratified is to invite hitches over ratification.

The French Government must therefore think again. Two courses are open to it. The first is to invite preliminary discussion in Paris between the three great powers principally concerned. The reasons why Britain, France and America are more closely affected than any other outside power are not simply the temporary considerations of the Far East War. They include other and permanent interests—particularly the common concern of British, French and American oil companies over security for their joint working of the Iraqi and Syrian oil fields and pipe lines. Another possible course of action would be to reopen direct diplomatic negotiations with Beirut and Damascus, though this would be even more difficult now than it was a month ago.

It goes without saying that a move along either line would cause enormous relief in London and earn a warm welcome from the British and American governments. But it also goes without saying that any such move would call for a real effort from the Syrian Government. At present, its statesmen are showing commendable moderation in their speeches, but there is every sign that they do not control their followers, particularly in the outlying centres—Homs, Hama, Aleppo, Deir es Zor—towns which have never cared for listening to Damascus. There are immense dangers in Arab over-confidence. It is a failing of the Semitic race. The Syrian premier must ward against it, for there is nothing to be gained by playing Shylock and demanding the full pound of Christian flesh. It behoves him to earn world respect by holding the extremists in check and by meeting any new French move in the spirit in which it emanates from some of Syria's old friends in Paris.

Anglo-French Relations

So much for the Franco-Syrian aspect of the crisis. As and when the situation improves upon that front, vigorous action must be taken by Great Britain to clear up the new misunderstandings that the affair has created in French minds about British motives and policy. A Foreign Office statement issued on June 22nd was, it seems, designed to do this job. It failed because it harped upon the theme that "the British authorities do not intend to prejudice" France's position in the Levant. This theme, once sincere, is now out-of-date and therefore open to charges of hypocrisy. Of course the spectacle of British troops shepherding Frenchmen out of Syria has prejudiced France's position in Arab eyes. To use wording which suggests otherwise provides M. Mauriac with grounds for writing, as he has written in *Figaro*, that "The England of the period of occupation disappears, giving place to the England we were too easily apt to forget although the face has been familiar to us for centuries." The old adjective *perfidie* peeps out of the wrapping.

The failure of the Foreign Office to forestall this charge is the more regrettable in that there is a good case for recent British action in the Levant:

(1) Britain in the Lyttelton-de Gaulle Agreement of 1941 recognised France's special position in the Levant. But it would be absurd to claim that this recognition bound the British Government to back France to the limit. That limit was exceeded when General Oliva-Roget ordered the bombardment of Damascus.

(2) British warnings that the landing of French troops, however few in number, would touch off an explosion were temperate, continuous and could not have been more insistently pressed. What more could a friendly Government do? It seems that nothing short of forcible stoppage in mid-Mediterranean—an unthinkable expedient—would have prevented the French Government from making the wilful and futile gesture which started the trouble.

(3) Once it had started, what was the alternative to intervention by British troops? The likely alternative would have been even more damaging to France than were the happenings of the last month. For into the secret sessions of the Arab League must be read a firm intention on the part of some of its members to march to Syria's aid. Both Iraq and Egypt have armed forces trained by British missions. Were the local British authorities to hold them down at home and so run the risk of riots and gunfire around all the foreign installations in the Middle East? Or were they to let them march, and be blamed by France for doing so?

These points are present not only in the minds of all informed British observers, but also in those of all Frenchmen in the Middle East outside Syria. They are realised, in particular, by the important French colony in Egypt. They must be brought home to, and thought over by, Frenchmen in France also, in order that the Syrian cloud may not mar the bright prospect of Anglo-French alliance.

Russo-Turkish Conversations

It seems that the Soviet Ambassador in Ankara has now outlined to the Turks the conditions in which Russia would like to discuss a new and improved Russo-Turkish treaty. When Moscow denounced the old treaty in March, the gesture was generally interpreted as a first step towards a request for revision of the Straits Convention. Current reports from Ankara suggest that not only was this forecast true, but that it is not the whole of the picture. The new Russian proposals are also said to cover frontier revision in Transcaucasia—to be precise: the return of the Kars and Ardahan districts ceded to Turkey under the treaty of October 13, 1921, between the Ankara Government on the one hand and the Soviet Governments of Georgia, Azerbaijan and Erivan on the other.

Either request might involve other nations. Kars is the fortress that commands the north-eastern escarpment of the Anatolian plateau, and is strategically as well as sentimentally valued by Turkey. What happens if the Turks call upon their British ally to remind Moscow of the pledge in the Anglo-Soviet treaty to the effect that neither party is "seeking territorial aggrandisement for themselves"?

Revision of the Straits Convention has even wider implications. For one thing, more powers are interested parties. The 1936 Convention was signed by nine states. But there is another and a more profound complication. All recent war experience has shown that the terms of any convention, however magnanimous, are in modern war a dead letter. To any Black Sea power which does not control the Aegean Sea and air bases. It appears that Russia has drawn this conclusion and is now demanding bases in the Straits. Such a proposal reopens the old "Eastern question" with a vengeance. It would surely be advisable to thrash the matter out at the Big Three Conference; otherwise there are possibilities of discord here almost equal to the Polish issue itself.

Local Authorities and Full Employment

Sir John Anderson's speech to the annual conference of the Institute of Municipal Treasurers and Accountants last week was a reminder that the local authorities will be the Government's agents for the execution of yet another, and the most important, part of domestic policy—the maintenance of employment. The Chancellor stated that he hopes soon to open discussions with representatives of local authorities

to see how far it will be possible to produce realistic forward plans of the capital works required, how far those works are such that they could be brought forward or put back as needs may dictate or how far they are of such urgent social value that their timing cannot be allowed to be influenced by the needs of employment policy. We shall also have to consider how far sanctions can be given ahead and plans prepared so that if it is decided to accelerate works we shall be in a position to start with a minimum of delay.

This is the first occasion, since electioneering began, on which a member of the Government, or any political spokesman, has taken full employment from its White Paper wrapping and attempted to give it some practical form. In pings and attempted to give it some practical form. But the such a barren election, this in itself is welcome. But the attempt did not go very far. Nor does it appear from the Chancellor's speech that the Government has advanced from the White Paper even on matters of theory. Its "minimum objective" must be "to maintain stability in the field of public investment." This alone would not prevent a depression, and though Sir John also said that, if possible, "we must go farther and so steer public investment that it commensates as far as possible for the ups and downs of private investment," he should have made this the minimum instead of merely a desideratum. And he appears as defeatist as the White Paper on the most important factor of all, whether any effective control can be placed on private investment. If all that can be achieved is stable public investment, with private investment fluctuating at will, there is little hope of a successful full employment policy when the war shortages have been made good.

Heavy Burdens

The financial problems which local authorities now face are complex and difficult—and potentially fatal to the local government system. The "block grant," which the Exchequer distributes among authorities according to

their need, will shortly be adjusted to take into account recent increases in their expenditure. But Sir John Anderson clearly intimated last week that the need to relieve the taxpayer of some of his burdens puts a strict limit on any extension of State aid; and that, this being so, such aid as can be given should be concentrated still further on relieving the poorest areas.

This eminently fair viewpoint does not, however, explain how the average authority is to discharge its burdens. The percentage increase in the education grant should soon be followed by parallel adjustments of other grants; but, on the most favourable view, these concessions will not suffice to ward off an average rate increase of the order of 40 per cent. It is doubtful if the small householder can afford to pay much more than he does now; and, hard as it will be for the Treasury to stomach, the only workable way may be to relieve local authorities of the whole cost of one major service—say, health.

Many local authorities, too, have special problems. The loans which some of them have received from the State in respect of exceptional wartime hardship should surely be partly cancelled. The financial difficulties of large and overcrowded cities were well analysed recently in a speech by Lord Latham, leader of the London County Council. Comprehensive replanning is handicapped by the fact that obsolete or "blighted" areas do not attract the grants available for redeveloping "blitzed" areas, which may in practice adjoin them. Removal of its surplus population inevitably leaves the authority with a top-heavy burden of public debt. Above all,

on the question of land policy . . . turn many of our financial as well as most of our planning problems.

Sites have somehow to be obtained and cleared in order to provide new schools, health centres, roads, and open spaces. It is hard to find suitable sites quickly without adopting the invidious method of removing existing houses; and at the same time to acquire sites in advance or to

Making the most of the NATION'S MILK

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acquire too many sites may stultify private and commercial development and discredit the local authority.

Local authorities in this position must walk as delicately as Agag and with considerably more skill. But, however great their ingenuity, they cannot at present afford to undertake the type of bold replanning schemes which may well pay for themselves over half-a-century but which involve heavy losses in the immediate future. If the Government attends local authorities to do much more than rebuild their rateable value as quickly and as haphazardly as possible, it must afford more positive and practical help than exhortations.

Conference at Simla

This week opened in India with the first day of the Viceroy's Conference at Simla. On the 21 Indian delegates rests the heavy responsibility of considering Lord Wavell's offer of interim self-government and nominating the members of the Executive Council reconstituted on a representative basis. Mr Gandhi is not among them, but he has talked at length to the Viceroy and remains in Simla within call of the official Congress delegates, who include the political leaders in the Assembly and the Council of State and the party president, Maulana Abul Kalam Azad, who, paradoxically, is well known as a Moslem divine. Mr Jinnah and Mr Hossain Iman for the Moslem League, Rao Bahadur Sivaraj for the Scheduled Castes, Dr Bannerji for the Nationalists and Master Tara Singh for the Sikhs, complete the party representatives. Beside them, provincial premiers will lend the experienced judgment of elder statesmen.

It is significant for the work of the Conference that Indian press comment has been concerned far less with the amount of power to be transferred from the British Government than with its distribution among different sections of Indians. Expressions of uneasiness over the Viceroy retaining his right of veto have gradually paled before the mounting discussion of the proposed parity between Moslems and Caste Indians on the Executive Council. The exact interpretation of the British intention is still in doubt. The definition, indeed, may have been deliberately left vague to enable the Conference more easily to reach agreement on a compromise settlement.

In brief, Congress claims to represent all religions and to be a political rather than a merely religious and communal organisation, and would like its nominations to include Moslems and other non-Hindus. But the Moslem League will not accept a situation in which Congress nominates the whole of the Hindu half of the Council and part of the Moslem half as well. On the other hand, if seats for the non-Hindu Congress nominees have to be found out of the Hindu half, the principle of Hindu-Moslem parity will be upset. In short, it is impossible to reconcile Hindu-Moslem parity with Congress-League parity. The situation is further complicated by the very vocal claim of the Hindu Mahasabha (the strictly religious Hindu organisation) to participate in the nominations. But by excluding them and laying the full responsibility on Congress, Lord Wavell probably hopes to avoid widening even further the religious cleavage so hampering to Indian progress. In fact, the success of the Viceroy's conference will depend very much on the calm-

ness of the Indian leaders and on their efforts to produce a list of nominations in which both sides can feel confidence. But even then the balance is bound to be precarious.

New Cabinets in Holland and Norway

The new Norwegian and Dutch Governments have several admirable points in common. Both are all party. Both have pledged themselves to a progressive reconstruction programme. Both contain a high proportion of young men. Mr Gerhardsen, who is 48, is the youngest premier in Norwegian history. Both have filled all the chief offices to do with home affairs with men of the resistance who command the respect, and understand the emotions, of the men and women who stayed at home. Both have had the prudence to re-appoint as their foreign Ministers the men who represented them while in exile. M. van Kleffens and Hr. Trygve Lie will provide, in the foreign policy of their respective countries, an element of continuity which could not be compassed by men who have for five years been insulated from the main current of world affairs.

The balance which marks both sets of appointments is an advertisement not only for national commonsense and a sound constitution but also for two monarchs who are in tune with their peoples. Both King Haakon and Queen Wilhelmina displayed, in 1940, instincts which tallied with those of their nation. They well deserve the harvest they are reaping in the shape of good will and stability.

A World Farmers' Union?

Mr Turner, the president of the National Farmers' Union, has announced that an international conference of primary producers will be held in London this autumn. Its aim will probably be to encourage strong farmers' organisations in each country, from which can be drawn a world body with enough power and prestige to influence international agreements over food and agriculture. Mr Hudson has often declared that the movement by primary producers to obtain better conditions will upset Britain's terms of trade; but with this country apparently in the van of the movement, and with political parties outbidding each other in offering price guarantees to home farmers, it looks as if the new organisation would serve to boost British food prices quite as much as imported ones.

With the general case of giving food producers, both farmers and labourers, everywhere, a higher standard of living, the townsman has considerable sympathy, but this general argument does not affect the relative advantages of agriculture in different countries. Further, when particular disadvantages are considered, it is probable that even now the farm worker has as much leeway to make up to attain urban conditions in this country as anywhere else. This point is well brought out in a recent pamphlet by Mr David Eccles,* who points out that "cheap living" in the country is not a compensation for lower wages, but a direct result of them, and that low rural rents merely reflect abominable rural housing conditions. He argues cogently that, if urban unemployment can be avoided, the drift from the land will in future be not sporadic but continuous. The lesson to be drawn is not, however, that urban drift should be actively discouraged, but that only the labour force for which a reasonable scale of agriculture can provide a satisfactory standard of living should be encouraged to remain.

Dying Together

The decision of the House of Lords last week in the case of *Hickman and Others v. Peacey and Others* is a reminder that if the law becomes involved in metaphysics the results are not always unfortunate. The case turned on Section 184 of the Law of Property Act, 1925, which, summarised, declares that if two or more people die in circumstances which render it uncertain which died first there is a legal presumption that the elder predeceased the younger. Such a rule is arbitrary but convenient. But what happens when the evidence suggests that two people die simultaneously?

The facts in this case were that two brothers (with three others) were killed by the explosion of a bomb in the basement of a house in Chelsea during an air raid on Septem-

* "Wages on the Farm." Signpost Press. 1s.

ber 14, 1940. The disposition of the elder brother's property depended on whether his younger brother survived him or not. The question was whether the brothers died simultaneously. The bomb exploded in the basement and all the occupants were killed by blast, and the evidence suggested that the gap between any one death and another could only have been infinitesimal. But metaphysically time is infinitely divisible. If it could be taken as certain that the two brothers died at the same instant of time the section of the Act did not govern the distribution of the two estates, for there was no uncertainty as to the succession of deaths. But if the metaphysical view prevailed, it was always possible for the deaths to have been successive and so the rule created by the Act applied.

The Court of Appeal held that there was no succession of deaths, the deaths being simultaneous. By a majority, the Lords (the Lord Chancellor and Lord Wright dissenting) reversed that decision and declared that the section applied. Practically, the decision is to be welcomed, for there is no rule of law for dealing with the case of simultaneous deaths, but theoretically the issue remains open. It is still possible for a judge to hold that there can be, and, in the case before him, have been, simultaneous deaths, but the chances of that ever happening have been considerably reduced as a result of this decision. If a bomb in a basement does not kill all the occupants at the same instant of time, it is difficult to imagine anything that will.

AMERICAN SURVEY

Taxpayers' Lobbies

(From a Correspondent in Iowa)

AS soon as the war took a favourable turn in 1944, a flood of private plans to reduce taxes began to pour from press and mimeograph. The flood is still on, and has by now begun to erode official resistance.

Associations of taxpayers have become a major pressure group in the United States, mostly in the last ten or fifteen years, as watchdogs keeping an eye on the 175,000 taxing bodies. Most such associations are automatically against any proposed increases, and for reductions when no increases are proposed. As a matter of strategy, many take no stand on particular taxes (which would divide their following) but confine themselves to checking overall expenditures. So specialised associations spring up to combat certain taxes.

Back in 1924 an American Taxpayers League (first known as the American Bankers League), supported by Tax Clubs in various states, helped Andrew Mellon, the multi-millionaire Secretary of the Treasury, abolish the federal gift tax and drastically lower the death tax and individual income tax. These clubs are gone now, and the present ones stem mostly from the Taxpayers' Association of New Mexico, founded in 1915. State taxpayers' associations have multiplied (especially during the 1930's) until now 36 of the 48 states have them. The endowed Tax Foundation in New York fosters their growth and development, publishing a monthly magazine and helping them in other ways.

County and city taxpayers' associations, private Bureaux of Municipal Research, Citizens' Tax Surveys, etc., have proliferated during the same period in parallel and often interlocking growth. Thus New Jersey has a state taxpayers' association and over 200 local taxpayers' associations, most of them affiliated with it. Iowa has a state taxpayers' association organised in 1935 to watch both state and local expenditures. Des Moines, the state capital, has a much older Bureau of Municipal Research maintained by some of the larger taxpayers and a much younger Des Moines Taxpayers' Association, to draw in small and medium taxpayers.

In many areas these associations do much really constructive work. Typically, they have a paid staff headed by a professional secretary with some expert knowledge, financed and officered by dues-paying members. They analyse, compare, and criticise budgets, publishing their

Football Pools

A judgment of the King's Bench Divisional Court has put in question the wartime practice of conducting football pools through newspapers. An appeal from the contrary decision of the Bow Street magistrate was allowed on the grounds that the advertisement of prize money for which participants compete was a direct contravention of the Betting and Lotteries Act, 1934.

Since the peacetime methods of sending out coupons by post has come under the axe of the Paper Controller, pool promoters have resorted to buying advertising space in the newspapers in order to continue their business. The decision affects football pools only so long as they cannot be conducted by post, and turns not on the legality of pools as such, but on whether they are judged as competitions (rather than betting transactions based on skilled selection).

The question, therefore, is a legal one. Pools may be attacked on moral grounds as a form of gambling, or on ethical grounds that large profits are made out of human weakness. But so long as a large number of people get amusement out of betting (or "skilled selection"—it is the same for horses, dogs or pools) the state cannot effectively impose a general ban or fairly impose a particular one. And so long as the feeling persists that the state must not directly concern itself with gambling, private profit on organised betting cannot be avoided.

findings in time for people to do something about them, and work for procedural reforms. They work closely and often quite amicably with appropriating and spending bodies. Because taxpayers' associations tend to attract mainly large taxpayers, they have a distinctly class point of view, and contribute materially to the recent marked conservatism of state, local, and federal organs of government in the United States.

Closely related to the anti-all-tax movement is the anti-property-tax movement. This is the stock in trade of most of the local (as distinct from state and national) taxpayers' associations. The present demands of the anti-property-tax movement are chiefly for a greater share of the tax burden to be borne by the state governments, as distinct from the local governments and for new types of local taxes, chiefly sales and excise levies.

For some years now Mr Harley L. Lutz, professor of public finance at Princeton University and darling economist of the taxpayers' associations, has been conducting a one-man crusade against the principle of progressive income tax rates, for which he would substitute a flat, proportional rate and a stiff general sales tax. His full programme is generally admitted to be politically impossible, but it heartens others enormously in pushing for little steps in that direction.

Only the personal insistence of the late President Roosevelt and Mr Morgenthau, Secretary of the Treasury, staved off a federal general sales tax several times during the depression and the war. But the increase in progression in the federal income tax brought about by the New Deal's "soak the rich" programme has been to a considerable degree offset by new federal excise and payroll taxes and by new state sales taxes. Currently some New Dealers are beginning to feel that perhaps steep progression can be overdone, and that high risks to create high employment justify high rewards. And in spite of great howls by the professional spokesmen for the lower income groups, the "common man" has taken the sales taxes, excises, and payroll taxes of the 1930's and 1940's with surprising grace.

The chief concern of the more elaborate and comprehensive proposals for tax reform now being put forward is to achieve a tax system which will thwart neither the in-

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centive of enterprisers nor the purchasing power of the masses, and yet raise twice as much in federal taxes as the federal government ever spent before 1939. The plans could be arranged in a neat continuum from those which put their main emphasis on mass purchasing power to those which emphasise mainly enterprisers' incentives. They can be split another way according to whether they think high corporation taxes or high personal income surtaxes are the biggest drag on enterprise.

The weirdest fiscal scheme to attract a large national following since the Townsendite heyday is the proposal, now happily waning, to limit federal income, gift and death taxes to a peacetime maximum of 25 per cent by Constitutional amendment, and make it hard to go higher in wartime. It got nowhere in Congress, so a never-used alternative procedure for amending the Constitution was attempted: getting the legislatures of two-thirds of the states to demand a Constitutional Convention to initiate the amendment. State Legislatures' memorials to Congress are easy to come by, being essentially heckling rather than responsible legislation; but it is very unlikely that enough will be forthcoming.

All these various plans form part of the whirlpool of influences in which American tax policies take shape. In 1938 the \$15 billion taken in taxes from the American people were collected by the Federal government (41 per cent), by state governments (26 per cent) and by local governments (33 per cent); after tax-sharing and grants-in-aid, the federal government got 35 per cent, the states 21 per cent, local governments 44 per cent.

The war has enormously boosted both the amount and the percentage taken by the federal government, and the more responsible plans call for a \$16 to \$25 billion annual tax bill for the federal government alone after the war. Meanwhile, the amounts spent by state and local governments continue their slowly upward course. Federal war spending, moreover, has brought such prosperity that state sales, excise, and income taxes have been bringing in embarrassingly large amounts, and even the cities, except those facing boomtown expenses) are faring better than usual. Most state governors told the 1945 legislatures that the war boom was levelling off, and urged no reduction in tax rates and caution in spending. But few legislators could resist the temptation to blow in the surplus.

Federal legislators are catching the same fever, in spite of large annual federal deficits every year since 1930. The 1943-44 congressional rebellion against requests by the administration for heavy new taxes was followed up in the summer of 1944 by setting the congressional tax experts to work drafting plans for post-war tax reductions. For some time, the Treasury Department sought to discourage such talk, but by this May, Treasury and Congressional tax experts had agreed on joint recommendations to President Truman for slight mitigations and prompter refunds under the excess profits tax starting in 1946, to be followed after the fall of Japan by lower excess profits, personal income, excise, and death taxes and, eventually, by complete repeal of the excess profits tax.

Congressional control over taxes is exercised almost entirely through the Ways and Means Committee in the House of Representatives and the Finance Committee in the Senate. Since 1926 the two committees have maintained a standing Joint Committee on Internal Revenue (i.e., all taxes except import duties) with a small paid staff of lawyers, statisticians, economists and clerks. Committee members never forget their particular home district, and it is a misfortune for a district to have no representative on either tax committee. In considering tax measures, high-minded men like Representative Doughton and Senator George (the respective committee chairmen) look out for the tobacco and Coca-Cola interests of their home states, North Carolina and Georgia, Senator Vandenberg for the automobile interests of Michigan, Senator Barkley for the whisky and horse-racing interests of Kentucky. That is what they are expected to do, and they would be blamed if they did not.

Out of this whirlpool of interest groups, congressional committees, and Treasury officials and their respective tax experts new federal tax policies are born, with the smaller

state and local whirlpools eddying roundabout. But while in much of the rest of the world the tax wheel is turning toward greater socialisation of wealth and income, the mighty United States whirlpool seems to be turning right, though probably not so far nor so fast as in the 1920's.

American Notes

Who Shall Succeed?

Mr Truman has officially raised the question of the succession to the Presidency. There have never been two deaths in a single term of office. But there might be, and Mr Truman himself will not have beside him, for almost a full four-year term, that peculiarly American institution, a Vice-President, without function save to be ready to accept the "powers and duties" of the Presidency in case of the President's death or removal.

The chief criticism of the Act of 1886, which at present governs the succession, is that it provides for succession by members of the Cabinet, who are appointed officers. In the present Administration Mr Stettinius, as Secretary of State, has hitherto been first in line, followed by Mr Morgenthau, Secretary of the Treasury. Neither of these men has ever been elected to public office. And the President, as Mr Truman has pointed out, is thus empowered to choose his own successor. Mr Stettinius has now resigned, to be appointed chief delegate to the new international organisation, and Mr Truman evidently finds it an embarrassment, in picking a successor, to have to keep his eye on the merits of the nominee as an eventual President. Party politics alone apart from personal considerations, would greatly complicate his choice, since a non-party man (such as Mr Stettinius himself), who might be an excellent Secretary of State, would be unthinkable as President, with all the powers of patronage and the duties of party leadership.

"In the interest of orderly, democratic government," the President has proposed to Congress the early enactment of legislation placing the Speaker of the House of Representatives, the legislative body most closely tied by electoral processes to the voters, first in order of succession. The President of the Senate would be next in line.

As the initial enthusiasm for this proposal subsided, political hazards and possible legal flaws in it began to appear. The constitutional qualifications of executive officers and legislators differ considerably (for example, a foreign-born American citizen can be Congressman, but not President); if the opposition were to win control of the House in mid-term elections, the Speaker would be of the opposition party; the one-party system in the South enables Southern Congressmen to perpetuate their own leadership, and both the present Speaker and the present President of the Senate are Southerners; thus a Congressman who was elected by a handful of voters in a poll-tax state could become President.

A Bill embodying the President's proposal has been reported to the House of Representatives by its Judiciary Committee. If the Presidency is vacated and there is no Vice-President, the Bill provides that the Speaker (and after him the President of the Senate) shall succeed, but that if the death occurs earlier than August in the second year of the term (1946, 1950, etc.), the Speaker shall serve only until the Congressional election of November in that year, when a new President shall be elected to serve out the rest of the original term. This change may be held to require a constitutional amendment. Some surprise has been occasioned by the fact that this Bill was approved by the Committee by only one vote. It appears, however, that the opposition was not to the substance of the Bill but to the haste of its passage. Mr Truman would like to get it through before he leaves for Europe—and presumably before he appointed a new Secretary of State. But if there is anything that Congress dislikes, it is being hurried.

Trade and Peace

As the San Francisco Conference drew to a close, the inseparability of world trade and world peace was emphasised by the passage by the Senate by 54 votes to 21, of the Reciprocal Trade Agreements Act. The Senate overruled its own Finance Committee by restoring the power to reduce tariff rates by 50 per cent of their present level, and the Bill goes to the President for signature short

of all crippling amendments. Thus the Senate, soon to be presented with the Bretton Woods proposals, has taken the first step toward relinquishing its power to return the United States to economic isolationism. And the President, who will present the United Nations Charter to the Senate on Monday, must certainly have felt that his presence and his words had a concrete meaning to the San Francisco Conference they could not otherwise have had.

The fifteen Republican votes in the Senate are significant not necessarily because, as some commentators have suggested, they indicate a lack of partisanship and a renunciation of sectional interest. An important branch of American industry, which formerly barricaded itself behind protective tariff walls, is realising now that its own interests lie not in avoiding competition, but in avoiding reductions in its own production. In an expanding economy, these sectional producer interests must have imports if they are to export.

Those in America who recognise that economic cure-alls cannot be found in Trade Agreements or in the Bretton Woods bank and fund, are keenly aware that about half the world's industrial capacity will lie in the United States after the war. Full employment would produce goods worth an estimated \$170 billion a year, at 1941 prices. A recent report by the Department of Commerce estimated that while full employment will require \$10 billion worth of exports, the United States could absorb only \$7 billion of imports. While this is double the pre-war figure, it creates an export surplus of \$3 billion which, since employment, not imports, is its object, might well be disposed of at prices set so low that other countries would be eliminated from the field. The management of this huge surplus market is, therefore, of the greatest concern to the smaller countries of the world—as it is, eventually, to the United States. For it could mean the difference between international economic co-operation and an even more extreme kind of chaos than existed before the war.

Full Employment

The United States, which has experienced full employment in a war economy, is now turning its mind to finding an equivalent of war to marshal its human and technical resources. Although the candidates for both major political parties in the last presidential elections advocated that the Government should create job opportunities if private industry does not provide sufficient employment, the decision about the means by which this is to be accomplished is expected to create a struggle reminiscent of the days of the National Recovery Act.

The Senate Committee on Banking and Currency is conducting hearings on the Full Employment Bill of 1945, the aim of which is stated to be full employment in a competitive economy through the combined efforts of industry, agriculture and labour, state, local and federal governments. The Bill provides that the President should transmit to Congress at the beginning of each regular session the National Production and Employment Budget. This budget would estimate the size of the labour force, the estimated volume of investment and expenditure, private and public, required to provide employment for the labour force and the estimated value of actually planned expenditures, private and public. If there were a deficiency between the volume needed to provide employment and the expected volume of expenditure, the Federal Government would submit a programme to encourage investment and expenditure by private enterprise and a programme for such Federal expenditures necessary to sustain what the Bill calls a full employment volume of production.

All this sounds very simple and scientific. But the question lies in whether American society is yet willing to incorporate into its structure the degree of central planning and control necessary to implement such a Budget: controls over investment of capital, over consumption, over the location of industry and to a certain degree over the mobility of labour.

American industry, which controls the most important ingredient if full employment is to be part of a competitive economy, apparently still believes that its investments will be most secure if government restrictions are removed. There is, however, a realisation among an increasingly influential segment of industry, represented by the Committee of Economic Development, that another period of unemployment could be fatal to the capitalist economy as it exists in America. The CED, along with the labour unions,

many government departments and private organisations, is among the sponsors of the Full Employment Bill.

A New Labour Bill

Three of the four Senators who achieved fame by their bipartisan advocacy of international co-operation, when that was still a contentious issue, have now turned their attention to labour relations. The new Hatch-Burton-Ball Bill is designed to replace the existing Wagner National Labour Relations Act, and the changes it suggests would seem to be in the direction of limiting the privileges that organised labour won during the Roosevelt Administration. The Bill seeks to preserve the right to strike, though it provides for compulsory arbitration of all disputes in public services and utilities and of all disputes arising out of conflicting interpretations of Labour-Management contracts. The Bill would ban unfair labour practices not only by employers, as the Wagner Act does, but by employees as well. The closed shop would be denied unless the union represented 75 per cent of employees, with a list of conditions so restrictive as to limit its practical extent. The scope of the existing Act would be further narrowed by provisions exempting small employers from obligations towards labour required of larger enterprises and by application of the Bill exclusively to employment directly affecting interstate commerce. Local labour relations would be left to the states.

While most of the press has joined together—some papers a little hesitantly, it is true—in acclaiming the Bill, the presidents of the three most powerful labour organisations have bitterly denounced it as an attempt to turn the NLRA into an instrument of oppression. Mr Murray, Mr Green and Mr Lewis are convinced that the Bill would be used to weaken the unions during the unstable reconversion period.

Furious debate is expected in Congress, for in addition to the above features the Bill would reconstitute the whole complex machinery of arbitration and mediation. A serious split in the Democratic ranks is seen as a distinct possibility.

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THE WORLD OVERSEAS

Rebirth of a Republic

(From Our Special Correspondent)

Pilsen, June

PILSEN, the city of the Skoda Works, is a border town. A few miles outside it the American zone of occupation ends and the Russian begins. The visitor cannot fail to sense the peculiar atmosphere of subdued tension that hangs over the demarcation line between the two zones. The Czechs are more or less free to move between the zones; and with them vague hopes, fears and rumours float across the lines of the two Allied armies facing each other on Czechoslovakia's soil.

One's first impression of Czechoslovakia is relief at the absence of the ghost-like ruins that haunt one over vast stretches of the Continent. The economic problems of freed Czechoslovakia are accordingly less serious than those of nearly all the other countries of the Continent. The towns are more or less intact. Pilsen itself has suffered no destruction, though heavy air-raids were made on the Skoda suburbs late in April (according to the Czech Minister of Industry about 70 per cent of the plant has been destroyed, an estimate which in the light of a superficial inspection of the works seems to overstate the actual damage). The railways too have suffered only slight damage. Trains are running almost regularly from Prague to Pilsen and from Moravia, Ostrava to Prague. Traffic can be restored to normal within a few weeks. The bottleneck of distribution, so desperately serious in all other liberated countries, need not arise here. Nor is there a shortage of coal. During the years of the German occupation brown coal mining has been pushed ahead through the installation on a large scale of up-to-date equipment for open cast mining. This equipment has been left behind intact, and the Ministry of Industry looks forward to an immediate resumption of normal output. The coalfields of the Olsa area, annexed by Poland in 1938, are back in Czech hands, though it is not yet quite clear whether the Lublin Government will not claim back some of them. Officially this has not yet happened.

During the years of occupation the Germans have also developed here a large, well-dispersed aircraft industry and plants of synthetic oil. These have greatly increased Czechoslovakia's industrial potential, though they are likely to become surplus capacity and an embarrassment to the country's economy. Against these acquisitions must be set the dismantlement by the Germans of the Bohemia-Moravia textile plants and of the once highly specialised pottery and china industries which were important in Czechoslovakia's export trade. But, on the whole, the Czechs have every reason to be satisfied with the industrial balance sheet of the last years.

Difficulties in Agriculture

The agricultural position is certainly more difficult. A complete picture cannot yet be drawn. What is certain is that this year's sowing was carried out in the circumstances of an acute shortage of labour—Czech farm labourers had to go to Germany. There was also a shortage of seed. Convoys of Czech displaced persons are now arriving daily from the Reich, but it is still feared that the repatriation of farm workers will be too slow to meet the demand for labour by the time of the harvest. The crop is expected to be below last year's. Meanwhile, the food situation is fairly difficult and is certain to become worse. A special burden on Czech farming arises from the fact that the Russian army is living off the land. The horse is still the typical traction power of the Red Army, and it competes with farming for feeding stuffs. Quite apart from political motives, this is one of the reasons why the Czechs are anxious to see the occupation of their country, which is said to be planned for six months, come to an end as soon as possible.

The chief troubles that have beset the reborn Republic are not economic but social, political and diplomatic.

Liberation was an act of social as well as political upheaval. The Protectorate administration has been swept aside by the local committees of liberation, a rather diluted 1945 version of Workers' and Peasants' Councils. Representatives of four parties—Communists, Social Democrats, Benes's National Socialists and Catholics—sit on the committees. The Communists seem to predominate in the committees in the American zone to the same extent as they do in the Russian. In the streets of every town in the American zone, one finds the patrols and sentries of the Revolutionary Guard, the Czech FFI, whose members (in civilian clothes) are still armed and wear Red Star badges. In front of official buildings and the headquarters of the National Committees both the Revolutionary Guards and the ordinary police stand on guard, which illustrates the virtual dualism of power. There are no open signs of any hostility between the two, neither are there any signs of mutual friendliness.

A purge is being carried out of Hacha's followers and three of the pre-Munich parties which provided the greatest contingent of collaborators—the Agrarians, the Nationalists and the Artisans Party—have been outlawed. This seems to have aroused bitter opposition among the conservative peasants who used to cast about a million votes for the Agrarians and now feel to be deprived of their representation. But the working class feeling against the outlawed parties is running very high; the huge crowd of Skoda workers in the Market Square at Pilsen greets with loud applause the Government's statements that the outlawed parties will not be allowed to raise their heads again.

The Business Man's Fears

This is clearly a "people's spring" which inspires no confidence in Czechoslovak business circles. Industrialists and bankers choose their words with caution when they are asked about political and economic prospects. Hardly any enthusiasm for the resumption of normal business activities is noticeable, a fact which causes the Left to accuse business men of economic sabotage and to demand the nationalisation of industry. The Prague Government is doing its best to ride the radical tide and at the same time to reassure the frightened middle classes. Its members promise a "60-70 per cent" nationalisation of industry but appeal to the radical audiences for patience and confidence in the Government's good will.

Meanwhile, state control over "masterless enterprises" has been established under a decree of May 19th signed by Benes, that is, over enterprises owned by Germans, Hungarians and Czech collaborators. The measure has had no immediate practical meaning since such enterprises are anyhow controlled by workers' committees. What the Government is now aiming at is the reinstatement of the directors and managers who would share responsibility with the workers' committees. The decree is certainly equivocal. The working classes have tended to welcome the decree as a final act of socialisation, while the Government has been at pains to explain that state control is provisional and that the decision about ownership lies with the legislative bodies that are to be elected. That the state will eventually retain the ownership of many "masterless enterprises" goes without saying. (This will probably be the case with the Skoda Works, which had been part of the Hermann Goering concern. The Ministry of Industry has given an assurance that foreign shareholders of Skoda whose shares had been taken over by the Hermann Goering Werke will receive an indemnity if full nationalisation is decided upon.)

The social and political tension is complicated by the division of the country into two zones of influence. So far as can be ascertained from Pilsen, the Russian forces of occupation do not intervene in Czechoslovakia's domestic affairs. But their presence in the country, apart from being an economic burden, is, in combination with the strength

of the Communist party, a means of almost automatic pressure, especially in matters of foreign policy. Jan Masaryk's conception of Czechoslovakia as a "bridge between the east and the west," which was so violently criticised in Moscow some time ago, is now treated as a most unrespectable heresy, and the members of the Prague Government vie with one another in denouncing it at public meetings. President Benes is clearly going out of his way to allay Russian suspicions. He has subscribed to the exclusively eastern orientation which has hardly been part of his political outlook in the past, apparently hoping that by paying this ransom he will be able to preserve Czechoslovakia's independence and freedom from drastic Russian interference in her domestic affairs. He has apparently resolved to yield all ground in the diplomatic field in order to gain or maintain some ground in the social and political fields. It is perhaps too early to judge the result; but so far his policy does not seem to have been quite unsuccessful.

Education for Export in Eire

[FROM OUR DUBLIN CORRESPONDENT]

INCREASING attention has been aroused in recent years in the problems connected with the emigration of university graduates. The number of students in the Irish universities has grown remarkably in the last twenty years. There has been no corresponding expansion in the Irish demand for graduates. The older professions are overcrowded, the new type of industrial professional employment has not developed and a falling population does not require a growing number of teachers. In these conditions it is inevitable that among medical and engineering graduates. The emigration of professional men from Ireland is nothing new, but it has grown recently to an extent that has increased its significance. Many people are beginning to doubt whether education for export is not economically wasteful and unsound.

The cost of producing a qualified doctor or engineer is considerable and rising. All this cost is borne by somebody in Ireland, mostly by the students' parents and partly by public funds. One of the difficulties in the way of obtaining increased grants for the Irish universities is the objection that the taxpayer should not be expected to subsidize professional services in other countries. On the other hand, it must be conceded that the opportunity to emigrate opens careers to many young Irishmen, some, at least, of whom send remittances to their relatives at home or retire to Ireland to live on their pensions. The widespread diffusion of Irish doctors and engineers gives the Irish universities extensive reputations and connections. If it were not for the outlets abroad the professional schools would have too few students to justify the expenditure necessary for modern education. The emigration is a variety of dumping in so far as it keeps up the output of education to a scale where increasing returns operate. If it were not for the external demand for doctors, the Irish home market would be very inadequately supplied.

When all these considerations are taken into account, the emigration of graduates is seen to contain elements of gain as well as of loss. It is generally agreed, however, that the movement is on too large a scale and that it could be reduced with advantage. There are two ways by which it could be reduced. Additional employment could be found for graduates in Ireland or fewer graduates could be produced. The provision of additional employment would require a shift from the older to the newer professional schools. There is room for considerable development in agricultural and industrial research and for the employment of well-educated men in agriculture, industry and commerce. The Irish business men are behind the times in appreciating the value of a good general education. The Irish Government also appears to underestimate the part that highly educated labour can play in the agricultural and industrial revival. But, even if a complete conversion of the Irish market official opinion is assumed, the capacity of the Irish market to absorb graduates is rather limited. The question arises, therefore, whether fewer graduates should be produced.

In so far as a diminution in the number of students is directed towards reducing emigration, the universities themselves cannot achieve the desired result. The universities cannot discriminate between students who will stay at home and those who will emigrate. Moreover, a student would

always, presumably, be free to change his mind. The mere indiscriminating reduction in the number of students admitted would do nothing to solve the problem. The proportion of graduates emigrating would increase, and there would be fewer well-educated people in Ireland. If the emigration of graduates is considered undesirable for national reasons, it should be regulated by the Government, which is the sole arbiter of national policy. The fact is that the Government has no considered policy in respect either of university education or of emigration or of the relations between them. Until some conscious policy is formulated the universities must continue to accept all students who meet the prescribed requirements, and every graduate who wishes to do so must be free to emigrate.

An emigration policy would need to take account both of the quantity and the quality of emigrants. In regard to the quality of persons emigrating there are two schools of thought in Ireland. It is argued, on the one hand, that the least possible outlay should be incurred on the emigrants. If the labour supply of other countries is to be subsidised, the cost of that subsidy should be minimised. The logical consequence of this policy would be that there should be two types of education for Irish children: an expensive education for children who would remain in Ireland and a cheap education for future emigrants. The conflicting opinion is that, if Irishmen are to continue to emigrate, they should be put in a position not to be mere hewers of wood and drawers of water abroad. If this view is correct, the emigrants should receive an especially good education so as to be able to start high up on the ladder in the countries of their adoption. The export of university graduates should, in this view, be not only tolerated but encouraged. A case can be made for either of these attitudes towards emigration. The existing arrangement under which the whole movement is entirely unregulated and uncontrolled is difficult to defend by purely economic arguments. It is defensible, however, on the ground of individual liberty, and any interference with it would meet with strong resistance. If *laissez-faire* is dead let *laissez-passer* survive, even if some of those who pass are those we can least afford to lose.

The Crown Colonist

FOR ALL CONCERNED IN THE TRADE AND DEVELOPMENT OF THE COLONIES, PROTECTORATES AND MANDATED TERRITORIES OF THE BRITISH EMPIRE

KENYA	N. RHODESIA	NORTH BORNEO	TANGANYIKA	CYPRUS
CEYLON	SOMALILAND	BRITISH GUIANA	SEYCHELLES	BERMUDA
BAHAMAS	PALESTINE	F. MALAY STATES	NYASALAND	TRINIDAD
BARBADOS	MAURITIUS	STR. SETTLEMENTS	ST. HELENA	LEWARD IS.
GIBRALTAR	SARAWAK	WEST PACIFIC IS.	ZANZIBAR	HONG-KONG
GOLD COAST	JAMAICA	BRITISH HONDURAS	NIGERIA	A-E SUDAN
FAKLAND IS.	UGANDA	TRANS-JORDAN	GAMBIA	WINNEDAD IS.
	F. I. J. I.	SIERRA LEONE	MALTA	A. D. E.

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ROUND THE COLONIAL EMPIRE

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33, TOTHILL ST., WESTMINSTER, LONDON, S.W.1

viding against losses by the public through stock market failures. The amount of these during the past quarter of a century has been small and could have been covered by a very modest annual levy on members. It is not certain, however, that the principle of compensating for every loss is good. It might be better to offer the assurance that no one dealing with London as a genuine buyer to hold, or a genuine seller of stock held, should be left without either stock or money.

*

Apart from such modest instalments of centralisation as may prove acceptable, there are a number of services which the Stock Exchange, as a central body, could render to its members, to other members of the profession and to the public. As a beginning, it is understood that there are plans to amalgamate the two lists published daily—the "Official" and the "Supplementary"—into one; to re-arrange them in a manner more readily intelligible, and to increase the information given. Similar plans are in being for the *Stock Exchange Year Book*. These are matters which are domestic to the Stock Exchange and which no one else can accomplish. So is the improvement of statistics of the actual turnover of the market. Nothing can be done in this matter until the marking of all bargains is compulsory, but that is, presumably, not an invincible objection. In any case it ought to be possible to publish the total number of bargains done and the total money involved for each main section of the list, setting out separately the figures for debentures, preference shares and those carrying the equity or any part of it.

A further service which would be extremely valuable would be the establishment of a central library and information section which would collect the mass of material which has an important bearing on securities dealt in but which cannot be handled by the normal services and which is too cumbersome to be collected by individual members. If the services of such an undertaking were made available to other institutions, including the press, the service would be all the more welcome and the cost be more widely spread. It is also the case that the Stock Exchange, in co-operation with the press and other users of the services, might well secure a further improvement in the cards on individual companies supplied by the two existing services and in the large volume of ancillary matter which ought to be in daily use in every broker's office.

Almost all these suggestions are designed to provide assistance to those who advise the investing public rather than to render service direct to the investor himself. It will be largely a waste of time to provide facilities and not to ensure that they are used intelligently and honestly. This remark can be applied to the press and to all agents as well as to actual members of the Stock Exchange fraternity. It has already been said that the London Council and its officers are doing their best to keep the press well informed; they have also

taken steps to exercise some supervision of such of their own members as contribute to the press. They have now to consider what training they are to demand as a preliminary to future membership of the House. This is a matter which cannot be discussed in detail here. Indeed, no one without a very long experience of conditions is competent to lay down a detailed plan. But the general outlines are clear enough. They are the same as for any other occupation which demands a practical understanding of affairs and a certain knowledge of the general principles of investment and the forces likely to affect the value of individual investments. It is no criticism of existing members to say that, if in the new context of a rising standard of educational qualifications in all walks of life, they do not insist on some improvement in the standards in their own profession, they will not attract the best men. True, these men must also have the other qualities which make a good broker or a good jobber, but that is true in any circumstances. What the formal education will give is breadth of outlook and an understanding that, in most human affairs, it is necessary to think in terms of years rather than to guess what will happen in the next six months.

In this connection it ought to be said once again that no efforts on the part of the present members of the profession will avail to attract good men, or to render improved service, while taxes are so burdensome that no broker or jobber can hope both to gain a fair return during his working life, and to pass on as high a proportion of what he makes, as if he followed another walk of life.

*

The above list by no means exhausts the reforms put forward by members of the profession, from whom most of the suggestions here advanced have come. The object has been to devise a general plan which will be helpful and, it is believed, practicable within the next ten or fifteen years, given normally prosperous conditions. To carry out this plan at all will call for a great deal of hard work, but the present machinery of a central council and numerous committees of its members seems adequate to the job. Possibly, additional assistance will be needed and this might be obtained by adapting the practice, already occasionally used, of calling on advisers within the Council, to co-opting to committees people outside the Council who are specialists, or particularly interested, in the matters under consideration.

None of these reforms will be of much avail without the co-operation of those in whose interests they are suggested: the investing public. Unless they realise that they have a duty, not only to themselves and to their families, but to the public, to take an intelligent interest in the investment of their savings and in what is done with them once invested, no efforts by anyone else can assure a good return either to the investor or to the country.

Housing Shares

IN this Election, in which candidates are having unusual difficulty in discovering what electors are really thinking, one thing at least is clear—constituents want houses. Of the triumvirate of post-war aims—homes, work and food—all are, or shortly will be, pressing, but in the electoral scale of priorities homes come easily, and quite properly, first. That this would be so has been evident for a long time, and not least to investors. Buying of the shares of companies with a stake in the post-war house building and repairing programme started anything up to three years ago, and to-day there are few sections of the Stock Exchange in which "recovery" prospects have been better discounted. Up to now, however, the buying has been general rather than closely selective. It is obvious that certain companies will be called on to play an indispensable part in the national rehousing effort, and that for some years to come, consequently, their available productive resources will be fully—and probably very profitably—employed. To that extent, their current earnings level is largely irrelevant to any estimate of the investment merit of their shares, and dividend yields have less than normal significance.

It is generally realised, however, that, once the Election is over and the next Government settles down to its job of carrying out its undertakings, the time will have arrived for giving much greater precision to contemporary ideas of the relative worth of "housing" shares. For one thing, the list of companies which, in one way or another, will be catering

for a housing programme is lengthy, and the activities they cover are wide. Again, not all of them have enjoyed the same wartime experience. Some have been actively engaged in the war effort, turning out their own products. Others have been equally busy, but have been producing different goods from those of peacetime. Others, again, have been unable to make the necessary metamorphosis, and their resources have been largely under-employed, particularly during the later years of the war. Their prospects, to-day, may be bright, but their immediate working capital position (and their prospective opportunities of replenishing it later by way of EPT refunds) may not be on quite the same footing as that of the companies which have been able to maintain, and even increase, their earnings power during the war years.

How wide disparities between the wartime experience of different companies have been may be inferred from the figures given in the table at the foot of the next page, which epitomises the financial results achieved by ten leading concerns whose products are extensively used, in peacetime, either outside or inside the homes of the people. The table shows profits, ordinary share earnings, dividends, and prices and yields for a pre-war year and for financial years ending at balance-sheet dates in 1942, 1943 and 1944. Supplementary figures at the foot of the table show how net liquid assets have varied during the last three years. It will be observed that the companies fall into two

sharply defined groups. Some have been extremely prosperous during the war; others have had quite a severe setback in earning power. The earnings of a number of companies have actually been running at a higher rate, in recent war years, than in 1938—on a gross basis, at least, before allowing for taxation. In virtually every case, these are companies whose products have been adaptable, with a minimum of alteration, to meet wartime demand. Striking examples are the cast-iron and other products of Allied Ironfounders, the heat-resisting materials produced by General Refractories, the paints, enamels, etc., of Pinchin Johnson, and the specialised but readily usable metal products of Crittall. At the other extreme is London Brick, which, once the urgent demands of shelter-building were satisfied, saw its sales decline to a disappointingly low level, owing partly to the cessation of new building, partly to labour difficulties, and not a little to the effects of a strict "zoning" system of distribution of brick supplies, which has borne especially hard on an undertaking whose sales were formerly nation-wide. The cement industry (represented in the table by the biggest producer, Associated Portland Cement) has had a less unfavourable wartime experience, because its output has obvious military usefulness under modern war conditions. But the rate of earnings on its ordinary stock has been at least halved since the war. Another inevitable sufferer has been Eastwoods, whose output of builders' materials has been directly affected by the stopping of normal building operations. The same applies, in greater or less degree, to those companies whose output normally goes inside houses when the roof is on—Wall Paper Manufacturers, Barry and Staines Linoleum and Twyford.

Almost without exception, however, whatever their earnings record during the war years, the companies in the housing group have followed a conservative financial policy. As many as eight of the ten shown in the table are paying lower dividends now than in 1938, and of the others one, General Refractories, was on an abnormally low earnings basis in that pre-war year. The companies which have been prosperous during the war have conserved their resources by deliberate choice, the others more of necessity, but the same element of prudence has been evident everywhere. In some instances, ordinary payments have been less than half or even one-third of the disclosed rate of earnings. Only one company, London Brick, drew on past earnings for part of its last ordinary dividend, and that can be accounted an act of courage, seeing that the chairman believes that the company will be fortunate if a full programme of construction is reached in less than two years. By contrast, Wall Paper Manufacturers have sharply cut dividends to a third of their wartime rate, despite the partial recovery of earnings after a severe setback at the beginning of the war.

What the bearing of this has been on the all-important

question of availability of working capital for peacetime demands it is not easy to say. Generally, the companies which have fared best under wartime conditions, like Allied Ironfounders and Crittall, have shown a gratifying recent increase in net liquid assets. Both the Crittall balance-sheet and the consolidated accounts of Allied Ironfounders disclose a 40 per cent rise during the last couple of years. Other companies have maintained, or slightly increased, their liquid resources, and even the concerns whose profits have been most significantly reduced during the war have apparently avoided any really dangerous drain on their working capital resources. That is reassuring so far it goes, but whether unconsolidated holding company balance-sheets, which are all the investor has to rely on in some cases, tell the full story, and how adequate existing resources will be to take the impact of post-war demand, on a price level anything, say, from 50 to 100 per cent above that of 1938, are questions on which the available evidence is far from conclusive. Presumably, some companies will have EPT refunds coming to them, but these, for the most part, are concerns whose liquid capital position ought, *prima facie*, to be already better than most.

On the other hand, under the new terms of reference of the Capital Issues Committee, the capital requirements of companies catering for the housing programme enjoy priority. The record and status of representative concerns in almost every branch should ensure public subscription of any offers of new shares needed to supplement existing working resources. The medium-term outlook for housing companies, all in all, is probably at least as satisfactory as that of any other section of the industrial field. Some of the companies, moreover, have important interests in the coming export campaign. On this argument, the existing level of equity share prices may not be excessive, and relative yield figures, based on wartime rates of dividend, may assume a different complexion if and when something nearer the pre-war level of distributions is restored.

A more immediate question is the extent of the change-over from war to peace production necessary in different cases, and the varying length of the interval before demand from the housing programme can take full effect. Obviously, in these respects, every company will have to be taken on its individual merits. A certain amount of guidance—but not a great deal—has been given to investors by different chairmen. Eastwoods, having suffered little main disturbance of its major interests, is described as having a very large unused manufacturing potential and as awaiting only essential labour and materials for reconditioning its works for early reopening. General Refractories has strengthened its strategic position during the war. Outside this country, its assets in former occupied territory have suffered comparatively little damage. On the other hand, the chairman of Twyford a year ago found it impossible to make any reliable forecast about future trading results, given prevail-

COMPANIES WITH "HOUSING" INTERESTS

Company (and Date of Accounts)	Allied Ironfounders (Mar. 31)	Associated Portland Cement (Dec. 31)	Barry & Staines Linoleum (Jan. 31)	Crittall Manu- facturing (Aug. 31)	Eastwoods (Mar. 31)	General Refractories (Dec. 31)	London Brick (Dec. 31)	Pinchin Johnson (Dec. 31)	Twyford (Mar. 31)	Wall Paper Manu- facturers (July 31)
Chief Products.....	Cast Iron Goods for Building	Cement	Floorcloth and Lino	Metal Windows, etc.	Builders' Materials	Heat Resisting Materials, etc.	World's Largest Brick Producers	Paints, Varnishes, Enamels	Sanitary Pottery, etc.	Wallpapers, Colours, Varnishes, etc.
Total Profits (£000)	1938..... 240 1942..... 322 1943..... 324† 1944..... 222†	1938..... 1,661 1942..... 1,143† 1943..... 1,192† 1944..... (a)	1938..... 229 1942..... 81 1943..... 78 1944..... 92(c)	1938..... 357† 1942..... 313† 1943..... 235† 1944..... 241†	1938..... 79 1942..... 61 1943..... 55 1944..... 38	1938..... 123(b) 1942..... 195 1943..... 182 1944..... 151	1938..... 587† 1942..... 263† 1943..... 236† 1944..... 137†	1938..... 301 1942..... 457 1943..... 558 1944..... 531	1938..... 72 1942..... 36† 1943..... 43† 1944..... 35† (f)	1938..... 647(c) 1942..... 513 1943..... 666 1944..... 734(d)
Earnings for Ordinary per cent	1938..... 12.0 1942..... 19.8 1943..... 32.3 1944..... 21.4	1938..... 22.2 1942..... 9.1 1943..... 10.5 1944..... —	1938..... 15.1 1942..... 6.3 1943..... 5.5 1944..... 7.2	1938..... 59.1 1942..... 56.3 1943..... 62.2 1944..... 62.9	1938..... 17.5 1942..... 8.8 1943..... 5.2 1944..... 5.3	1938..... 13.7(b) 1942..... 13.5 1943..... 18.2 1944..... 16.0	1938..... 20.2 1942..... 12.8 1943..... 10.1 1944..... 5.1	1938..... 11.0 1942..... 16.5 1943..... 16.7 1944..... 15.1	1938..... 20.0 1942..... 16.9 1943..... 20.8 1944..... 17.0	1938..... 17.4 1942..... 13.2 1943..... 11.5 1944..... 13.1
Paid on Ordinary per cent	1938..... 10 1942..... 12† 1943..... 12† 1944..... 12†	1938..... 20 1942..... 9 1943..... 10 1944..... —	1938..... 12† 1942..... 7† 1943..... 6 1944..... 7† (c)	1938..... 25 1942..... 20 1943..... 20 1944..... 20	1938..... 12† 1942..... 8 1943..... 5 1944..... 5	1938..... 5(b) 1942..... 7† 1943..... 7† 1944..... 7†	1938..... 20 1942..... 10 1943..... 10 1944..... 10	1938..... 12† 1942..... 8† 1943..... 10 1944..... 10	1938..... 15 1942..... 6 1943..... 8 1944..... 8 (f)	1938..... 12† 1942..... 4 1943..... 4 1944..... 4
Ordinary	Denomination Present Price Yield.....	£1 Stock 58/6 3.41	£1 Stock 52/9 2.84	5/- Shares 28/6 3.51	£1 Stock 46/3 2.16	10/- Stock 16/- 4.56	£1 Stock 58/6 1.71	10/- Shares 39/- 2.56	£1 51/3 3.12	£1 43/- 1.85
Net Liquid Assets* (£000)	1942..... 1,192† 1943..... 1,577† 1944..... 1,705†	1942..... 3,551 1943..... 3,805 1944..... —	1942..... 2,377† 1943..... 2,446† 1944..... 2,513†	1942..... 840 1943..... 1,093 1944..... 1,204	1942..... 325 1943..... 337 1944..... 330	1942..... 288† 1943..... 192† 1944..... 256†	1942..... 1,350 1943..... 1,371 1944..... 1,297	1942..... 1,807 1943..... 1,850 1944..... 1,659	1942..... 420 1943..... 473 1944..... 484	1942..... 4,494† 1943..... 4,799† 1944..... —

* Including balances with subsidiaries.

† After tax.

‡ Consolidated Balance Sheet figures.

(a) Accounts delayed by non-completion of negotiations with Ministry of Works.

(b) 1939 figures; 1938 abnormal.

(c) Year to August 31.

(d) Profit for 1944-45 increased by approximately £6,000; dividend 8½ per cent.

(e) All earned, paid, price and yield figures for deferred stock.

(f) Profit for 1944-45, £1,000 lower; dividend unchanged.

low-grade ores. This policy would involve the replacement of inefficient plants, and it might also lead to considerable social changes and migration of labour. The union states that its aim would be ultimately to produce 18 to 20 million tons a year, compared with an annual output of 10 to 12 million tons (on a nominal capacity of 15 million tons) which the union believes the British Iron and Steel Federation would support.

The union's main argument for nationalisation of the industry, in order to achieve maximum efficiency and modernisation, is that only the state could find the necessary finances. The Federation, as *The Economist* has frequently pointed out, exercises a restrictive monopolistic control over the industry, but whether the substitution of a state monopoly, as proposed by the union, would in fact produce the desired result of expansion and cheapness, has not yet been demonstrably proved.

Plan for Cotton Merchants

In his farewell address as chairman of the Cotton and Rayon Merchants' Association, Mr E. A. Carpenter put forward some suggestions for the improvement of merchandising in the cotton trade. Mr Carpenter rejects any plan either for vertical combination or for compulsory concentration in the industry and pins his faith on closer association between manufacturers and merchants and a greater knowledge by each of the work and possibilities of the other. He says that many merchants have never seen the inside of a mill and that many manufacturers have a totally wrong conception of what a converter merchant does. If Mr Carpenter's statement means that the merchant has no detailed familiarity with the produce of the manufacturers, a doubt necessarily arises whether he is infallible when it comes to deciding what his customers really want. In fact, is the atomisation of orders really necessary to ensure sales?

The converter merchant does not handle the whole of British cotton exports, but their number was recently given as 1,210 handling 1,050 million square yards of exports. Of these no fewer than 436 handled only 50,000 yards or less. It is very easy to underestimate the number of merchants required to cover the markets of the world, but it is also difficult to believe that all these firms are capable of providing really efficient service, or that it could not be improved by a measure of consolidation which would enlarge their scope and, incidentally, strengthen their financial position. In any case, what is required of the cotton trade is that all sections pull together to see that the overseas buyer is supplied with what he wants. If the present very complex machine, evolved to meet quite different conditions, can discover and create new markets, well and good. If not, then some new measures, whether of vertical combination, or the development of new and more energetic merchandising, or some other means, will have to be found. Mr Carpenter's suggestion may be a helpful step in that direction, and he does not claim more for it than that, but it is only one of several changes needed in the chain of processing and distribution.

French Railway Payments

The announcement, towards the end of last week, that the French Government is resuming service of the three blocks of sterling Railway bonds and of the Department of the Seine issue was in accordance with expectation. Since 1943 the Société Nationale des Chemins des Fer Français has been sole debtor in respect of these obligations. In the case of Seine and Nord issues, drawings have continued during the occupation and these drawings will be considered effective as from September 1, 1945, interest in full being paid on that date. On the Midi and Orleans issues, arrears of sinking fund will be made good on the same date. The following table sets out the amounts, prices and yields of the stocks concerned. It will be seen that, including bonds drawn during the occupation, the total involved exceeds £10 million.

Stock Amount	Final Date	Current Price	Net Price	Flat Yield
Midi 4% £3,068,000...	1975	104	94	4.255
Orleans 4% £1,990,000	1975	104	94	4.255
Nord 6% £3,206,000...	1950	121½	106½	5.629
Seine 4½% £1,818,900.	1952	107	95½	4.700

The three railway stocks are redeemable in whole in advance of the due date at 103. This right is not likely to be used in the case of Nord, and for Midi and Orleans

it runs until 1960 after which redemption may be effected at par. Until the net amount of stock after wartime drawings and those of the current year is known, it is difficult to calculate even a theoretical redemption yield. But it is evident that the current returns make considerable allowance for political risks. In the case of the Seine loan, the right of prior redemption has been waived. The yield in this case appears low as compared with Nord, which has a life only two years less to final repayment.

French investors will also be pleased to learn that any "rights" accruing to them to take up shares have been preserved by a special Act. When arrangements for making francs available have been completed, the newly issued shares and dividends upon them can be obtained on payment of the original issue price plus interest at 6 per cent.

Harland and Wolff Distribution

The preliminary statement of Harland and Wolff for last year shows a rise in profit for the current period of some £130,000 to £1,365,018, but a fall of almost £104,000 in profits from earlier periods brought into account at £276,158. With other revenue virtually unchanged, the total is £1,657,111, against £1,630,878, and almost the whole of the increase is absorbed by raising the tax provision from £696,715 to £715,580. All major appropriations are unchanged at a total of £700,000, and the amount available for dividends is £228,521, against £221,224.

In September last a scheme was put forward, and subsequently adopted, to split the £5,200,000 "A" ordinary capital into equal parts of 4½ per cent cumulative preference and new ordinary shares, while the "B" ordinary were converted into new ordinary, share for share. It was part of the scheme that the dividend on the new preference should run only from July 1st. After paying that dividend, the directors recommend a distribution of 7 per cent on the new ordinary, against 6 per cent last year on both classes of capital. It results from this that the old "B" holders receive an increase in distribution, while the old "A" holders have only half of 2½ plus 7—that is, 4½ per cent. Next year they will receive the full preference dividend, but even then the ordinary distribution must be raised to 7½ per cent if they are to receive the 6 per cent distributed to them in each of the five years 1939-44. Largely owing to the non-payment of six months' preference dividend, which calls for £29,250 net, there is an addition to the carry forward of £41,158. The preference shares stand at 18s. 4½d. ex dividend and the ordinary at 17s. 10½d., to yield £4 17s. 6d. and £8 2s. 4d. respectively.

Training for the Cotton Industry

In common with coalmining and agriculture, the cotton industry faces a very serious recruitment problem, and unless the measures now being planned to increase the intake of juvenile labour are rapidly extended the industry may well be faced with a prolonged manpower shortage. Quite apart from the depressed state of cotton during the interwar period and the relatively low wage level and unsatisfactory working conditions prevailing in many Lancashire mills, the main factor which deterred recruitment was the lack of prospects and in particular the absence of any systematic training for new entrants.

The problem of training is being remedied to some extent by the Cotton Board's special recruitment and training department, which has initiated training schools at a number of the more enterprising mills. The department has just issued an attractive booklet, on "Juvenile training in the cotton weaving industry," describing the courses provided by a number of different firms. These courses consist in part of theoretical and in part of practical instruction, and aim at training a juvenile as a fully skilled weaver within 6-9 months. There is a minimum wage for age scale, starting at 20s.—22s. and rising to about 40s. weekly on the completion of the training period.

It is indeed to be hoped that young workers will take the opportunity of attending these training courses and that similar schemes will be adopted by other firms in the industry. Quite clearly, if the cotton industry is to be modernised and reorganised as recommended by the Platt report, it will need a skilled and adaptable labour force. Hitherto, juveniles have had to pick up the technique as best they could from the older workers, with unsatisfactory results. As Mr Andrew Naesmith, the General Secretary of the

Amalgamated Weavers' Association, points out in an introduction to the pamphlet, the lack of systematic training in the past has resulted in "low operative efficiency and discontent. We can no longer disregard what is, after all, the fundamental basis of successful industrial activity... human skill and efforts."

Dock Labour

The annual meeting of the National Dock Labour Corporation this week provides an occasion for a review of the wartime schemes for decasualisation and a consideration of their future. It will be generally agreed that, on balance, the schemes have been beneficial to the dockers. They have gained by continuity of employment and the guaranteed week, even if, as was shown in the recent London strike, they have resented the degree of control over their movements and what they regard as interference with their personal freedom.

From the point of view of the public, it is no exaggeration to say that the shipment of food and war supplies to and from this country could not have been maintained without the emergency organisation of the Corporation. Its main object throughout has been to maintain the minimum labour force required to secure a quick turn round of ships, and to provide a readily available and mobile supply of labour. It should further be recorded, as Lord Ammon, the chairman of the Corporation pointed out, that the dockers have worked in great physical danger through air-raids, and if they have earned high wages (the average in Corporation ports from April 1944 to April 1945 was £8 1s. 11d. a week, less an average income tax deduction of 25s. per head per week) they have merited them.

It is, therefore, not surprising that proposals for the continuation and extension of these schemes into the post-war period should be under consideration, though nothing has yet been decided. Mr Bevin, who was responsible for their initiation in 1940, said at the annual meeting on Tuesday that he hoped there would be a national scheme for pooling dock labour, which would be necessary in the interests of national defence. At present, the Corporation organises the supply of 44,500 workers and operates in most British ports, except for Merseyside and Clydeside, which have their own schemes for the 29,000 workers they employ.

In any post-war scheme for the organisation of dock labour, however, it is important that the existing machinery for dealing with disputes should be overhauled. One of the recommendations put forward in the recent report of the Committee of Enquiry into the London strike was that there should be more decentralisation, more joint consultation and suitable appeals machinery. Indeed, unless the more severe disciplinary features of the scheme which were criticised by the Committee, as they applied in the Port of London, are modified, it is doubtful whether it would be acceptable to the dockers, who are a traditionally individualistic body of workers.

End-June in Lombard Street

The incidence of the calendar this half-year-end, as in December last, has not been kind to the money market. On both occasions the banks' half-yearly balance sheet date has fallen on a Saturday, so that it has been impossible for the market to prepare itself for "window-dressing" pressure for funds by postponing payments for part of the week's issue of Treasury bills until early July. A situation such as this, however, has long since ceased to hold any terrors for the discount houses, thanks to the liberal facilities afforded by the authorities. Not since June, 1943, has there been any offer of TDRs in the last week of a half-year, so that in the past three half-years the final week has been bare of maturities as well as issues. This week, however, there was again a net increase of £20 millions in the volume of "tender" bills, and although the authorities may have participated at the tender, the discount market syndicate secured a large allotment. In consequence, the market's sales of bills to the official buyer for the week as a whole are likely to prove abnormally heavy—some guesses put the figure as high as £100 million.

These operations began on Monday and have continued daily. Their extent up to Wednesday is shown in the Bank return by a jump in Government securities by no less than £52 million to £301 million, which is only £4 million short of the peak figure reached last December. In addition, "other" securities have risen by £10 million, which roughly offsets a further sharp rise in the note circulation.

Bankers' balances have, therefore, leapt by £52 million

to £262 million, which just surpasses the previous record figure reached at end-1944. Even this expansion does not, however, fully reflect the preparatory arrangements that have been made, for market payments for Treasury bills were concentrated in the early part of the week. Two years ago, when the Bank return was made up on June 30, bankers' balances stood at £238 million. Since then bank deposits have expanded by some £1,100 million, and, as till money holdings have been virtually stationary, that portion of the banks' cash which is held at the Bank of England will need to rise by the end of this week to between £340 and £350 million. That figure will not, of course, be shown in the Bank return, but it is probable that next week's return will reveal a further substantial rise—unless it should happen that the special buyer acts "in reverse" early next week.

Autumn Savings Drive

It has now been definitely announced that this year's savings drive—twice-postponed, first to await VE-day and then because of the election—will be launched in the autumn. There was a suggestion at one time that the organisers might depart from their customary practice, and would open the campaign in the provinces, but it has now been decided that London will again set the ball rolling with its "week" beginning on September 15th. The theme this year will be "Thanksgiving," which it is hoped will produce a record response. Certainly, the six months' delay will cause an abnormal accumulation of cash in the hands of the public—an accumulation which has its counterpart in the accelerating rise in bank deposits and in the note circulation, to which attention was drawn last week. But whether the increased money holdings produce correspondingly larger subscriptions to savings securities in the autumn will mainly depend upon the summer's counter-attraction of holidays, pleasure motoring and other widening opportunities for spending.

Distillers Higher Dividends

During the past year there has been a very general assumption that the increase in profits shown by the Distillers Company during 1943-44 would be continued for the year to May 31, 1945. On the basis of the preliminary figures, this estimate has proved correct, for the profit is up by some £71,000 against a rise of £91,000 odd a year ago, and the total distribution, raised from 16½ per cent to 18½ per cent at that time, is now increased to 20 per cent. The rise in retainable profit is probably a better index of funds engaged in the business than of actual gross earnings or of turnover even of the parent company. Distillers is one of those concerns which publish no consolidated accounts and disclosed profits are largely a matter of policy. It is to be hoped that the report of the Cohen Committee, whose appearance ought not now to be delayed for more than a matter of weeks, will remedy this state of affairs. Meanwhile, the shareholder must exercise what patience he can. The price of the stock was quoted ex dividend at about 100s. 6d. a year ago. At the time of this year's dividend announcement it had been run up to 118s., but has since fallen back to 114s. 9d. ex dividend, at which it yields 33.9s. 4d. per cent against a return of 33.14s. 6d. in mid-July of last year. Since the yield on both general industrial equities and on breweries and distilleries is higher now than it was at that time, shareholders in this company have done very well in the way of capital appreciation, even after the recent decline. The excellent experience of the company owes a great deal to its interests in non-potable products.

Tin Developments

Ever since Japan overran Malaya and the Dutch East Indies in 1942 much of the Allies' tin supplies have had to be obtained from Nigeria. The production of Amalgamated Tin Mines of Nigeria expanded to 9,110 tons of concentrates in 1943-44, an increase of more than 50 per cent over the company's pre-war quota under the International Tin Agreement, although output has fallen back slightly for the past year to 8,665 tons. In order to expand output quickly, richer grades of ground have been worked, and in consideration of this fact the company is to receive gross compensation payments of £76,000 for 1942-43 and £225,000 for 1943-44. Nevertheless, Nigerian tin producers have not

received the large wartime price increases conceded to Bolivian producers, and they must face a future in which both working costs and wages will be higher than before the war.

With much of the more easily accessible supplies worked out, Amalgamated Tin Mines is prospecting for new sources. Among other activities, the company acquired in 1943 the Keffi Tin Company, which yields at present some 250-300 tons a year; and it is now proposing to subscribe a majority of the share capital for a new concern, which is to investigate and develop a new area in which indications of lode development have been found. Dredging should also enable much low-grade ground in existing concessions to be worked at a profit.

There are indications that Nigerian producers hope to maintain production in competition with the Eastern tin-producing areas when they are liberated. In default of special subsidies, the economic prospects for Cornish tin mining are less favourable. The East Pool and Agar mine has already ceased operations on termination of its contract for black tin, but the Ministry of Fuel and Power has appointed a Technical Committee to investigate the case for subsidising underground exploration at this mine. The Committee will take into account postwar economic circumstances, and it is clear that its appointment comes too late for military needs to bear much weight. But its findings should help to determine whether there is any case for setting up in this country the Metalliferous Mines Commission, with power to make grants in approved cases, whose formation was urged over a year ago.

Electricity Supply in South Wales

In a report by a sub-committee of the National Industrial Development Council of South Wales and Monmouthshire on electricity for industry and agriculture in South Wales, some doubts are expressed about the expediency of proceeding with the Severn Barrage. The committee states that it may be right from the national point of view to proceed with the scheme if and when it would be possible to put electricity into the national Grid more cheaply than can be done by the coalfields stations and without seriously hampering the latter, but it emphatically expresses the opinion that, "in the absence of a complete change in the legislative position, the erection of the barrage could not lower the cost of electricity in South Wales by one iota."

It is pointed out that only 25 per cent of the energy generated under the proposed scheme would be allocated to the whole of South Wales and South West England, that such supply would be both variable and intermittent, and that generation costs in South Wales are already substantially below the Grid tariff.

On the general question of the supply of electricity for industrial purposes, the committee admits disparities in the prices charged during the war period, but contends that these were inherent in the disadvantages of short-term compared with long-term agreements, and recommends development on the lines of long-term supply contracts and planned compact industrial areas. So far as the electro-chemical industries are concerned, the committee expresses the opinion that this country is unlikely ever to be able to generate electricity from coal or water-power as cheaply as by the large hydro-electric schemes in operation in Canada, the United States and Scandinavia. It states that "the best promise of competing with Canadian and Norwegian water-power figures probably lies in integrating the manufacturing processes with waste heat utilised for generating a portion of the power required." The committee considers the development of an export trade from South Wales in coal-derived electricity "as a natural and inevitable future line of evolution," recommends a reconsideration by the Great Western Railway Company of railway electrification in South Wales, and suggests pressure on the Ministry of Agriculture to evolve a scheme for facilitating agricultural land improvements, in which electricity would be an integral part.

The Development of Tourist Traffic

It is interesting to learn, from the reports of the annual meeting of the Travel Association last week, that the schemes for developing Britain's tourist industry after the war are progressing satisfactorily, if slowly. The Association, which has been asked by the Government to undertake preparatory work and to investigate the possibilities of

post-war tourist traffic, has now set up a board of management, representing all the interests concerned.

The Travel Association will, presumably, work in close co-operation with the Catering Wages Commission, which is the statutory body responsible for promoting tourist trade in England and Wales, and with the body which has equivalent responsibilities for Scotland. It has not yet been decided—and this will be a matter to which whatever Government is returned will have to pay early attention—whether or not a public corporation will be established, as suggested in the Catering Commission's preliminary report. But it is obviously desirable that the Travel Association, with its previous experience of organising the trade and arranging national publicity, should be closely associated with every stage of development.

Tourist traffic, as Sir Douglas Hacking pointed out, is an important invisible export, which should confer considerable direct and indirect benefits to trade. But his estimate that the traffic might be developed to yield £100 million each year would take a long time to reach. The expenditure of visitors between 1926 and 1938 fluctuated between £24 and £33 million each year, reaching its peak of £33.3 million in 1937. The expenditure of visitors in the Coronation year will have to be trebled if this target is to be reached.

It cannot be too strongly emphasised that no drive to encourage tourists to visit Britain will succeed unless real efforts are made to welcome them once they have arrived. The British tend to adopt an attitude of amused tolerance rather than of welcome to foreigners, and in wartime hoteliers and bar-tenders have had more experience of driving away custom than of attracting it, while their profession has always tended to be looked down on. Now that the Catering Commission is there to regulate wages and working conditions, there should be no reason why it should not be regarded as an honourable and nationally important occupation.

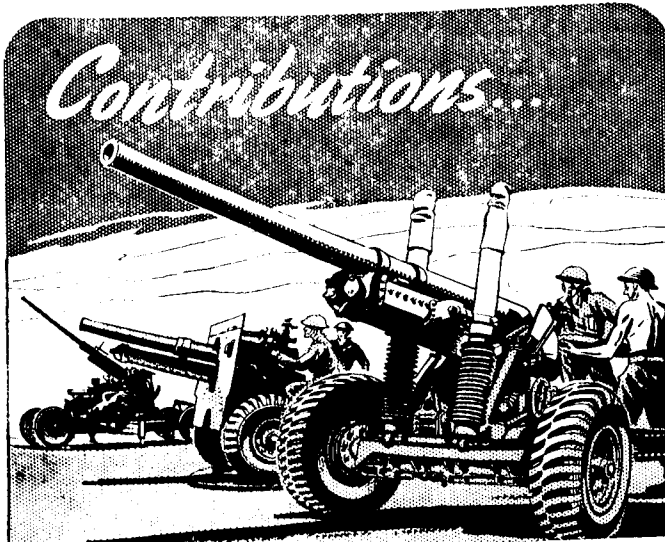
Company Result

Cable and Wireless :—

	1942	1943	1944
OPERATING COMPANY :—			
Message receipts, etc.	9,766,526	9,924,844	9,252,298
Less Tax payments	495,068	503,935	458,883
Net message receipts	9,271,458	9,420,909	8,793,415
Investment revenue	377,653	587,858	643,475
Ship charters, etc.	258,419	192,608	211,524
Revenue	9,907,530	10,201,375	9,648,414
Working expenses	3,482,276	3,654,903	3,721,410
Maintenance	1,059,716	1,221,239	1,226,244
Cable renewals	129,803	129,786	129,797
Administrative and miscellaneous	985,814	890,250	1,016,927
Foreign taxes	541,741	518,705	422,279
E.P.T., etc.	2,100,000	2,240,000	1,775,000
Written off joint purse	329,462	317,600	119,000
Earned for dividend	1,278,718	1,228,892	1,237,757
Paid in dividend	1,200,000	1,200,000	1,200,000
HOLDING COMPANY :—			
Dividends of subsidiaries	1,263,874	1,263,965	1,263,968
Other income	106,469	92,873	93,702
Totals, all gross	1,370,343	1,356,838	1,357,670
Administration and general	39,845	36,290	31,777
Fees	17,134	12,949	15,517
Income tax	30,109	21,573	30,820
Income, Stock Int.	42,857	42,706	40,471
"Sinking fund"	18,696	22,344	40,006
Preference dividend	922,162	922,163	922,163
Ordinary Stock :—			
Earned	299,540	298,837	276,916
Paid (gross)	275,325	275,325	275,325
Earned %	4.7	4.7	4.0
Paid %	4	4	4
Carry forward	279,120	3312,608	314,199
Consolidated Balance Sheet :—			
Net fixed assets	17,426,224	17,312,513	17,300,737
Net inter-company items	4,422,202	3,944,002	3,885,738
Net liquid assets	16,748,362	17,572,324	17,945,447
Cost of joint purse agreement less amounts written off	451,439	401,439	351,439
Gross liquid assets	32,025,588	36,007,211	39,163,718
Investments†	18,071,405	19,729,017	18,313,888
Tax reserve certificates	14,350,000	5,750,000	8,600,000
Par value of capital of subsidiaries held outside group, plus sinking fund	8,258,598	7,892,093	7,602,043
General reserve	4,181,792	4,176,856	4,412,572

* E.P.T., Income Tax and transfers under Treasury agreement.
† Valuation at 31st March, 1928: Market value £17,158,834 in 1942, £19,565,260 in 1943, and £18,597,618 in 1944.
‡ Deposited on account of taxes.
§ After crediting £10,000 balance of E.P.T. account. In 1944 £140,000 from this account was added to Funded Income Sinking Fund.

The ordinary stock of Cable and Wireless (Holding) stands at 85½ ex dividend yielding £4 13s. 4d. per cent.



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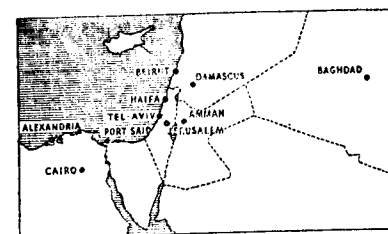
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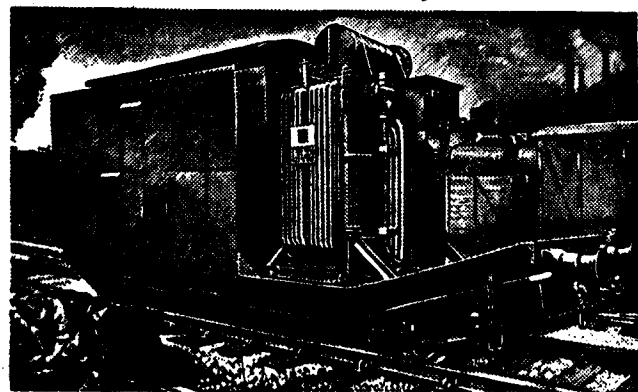
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COMPANY MEETINGS

UNION CORPORATION, LIMITED

MR P. M. ANDERSON'S ADDRESS

The ordinary general meeting of shareholders of the Union Corporation, Limited, was held in Johannesburg on the 29th ultimo, Mr P. M. Anderson presiding.

The Chairman, in the course of his speech, said: The net profit for 1944 amounted to £701,344, after providing for all outgoings, including contingencies, as well as taxes. Two dividends for the year, totalling 8s. per share, absorbed £616,000 and exploration reserve account was credited with £75,000, leaving £10,344 to the credit of profit and loss account, which now stands at £126,306.

Our income from investments was less than for 1943, but profit on realisation of certain of our holdings was greater.

Our cash assets show a satisfactory surplus over liabilities. It is proper to point out that arising from wartime restrictions such assets and liabilities are both equally swollen by an abnormal accumulation of unpaid dividends as yet unclaimed by holders of Bearer shares of the corporation and of associated companies whose surplus funds are on deposit with the corporation.

The question of adequate relief from the burdens of double taxation is being taken up by the United Kingdom Government. In his Budget Speech in the House of Commons on April 24th last, Sir John Anderson recognised the ill-effects of double taxation on the trade and prosperity of the countries concerned, and was able to announce a treaty with the United States of America under which, through reciprocal concessions, double taxation is practically eliminated. Sir John Anderson added: "First and foremost, we desire to come to an arrangement with the Dominions which in place of the existing partial relief will give complete relief from double taxation within the Empire." If and when that comes about, it will be a great step forward and one most helpful to the Union of South Africa, which will require much overseas capital for expansion in its mining and industrial fields.

TAXATION

Mr J. H. Hofmeyr in his Budget speech in the Union House of Assembly on February 28th last announced the intention to appoint an interdepartmental committee to investigate the system of gold mining taxation. War-time taxation, coupled with the many indirect charges which the gold mining industry has been called upon to bear, has reached such a level that the industry is in danger of losing its attraction to that class of investor who acquires shareholdings to lock up with the object of receiving regular dividend income. In the long run, it is on this class of investor that the industry is mainly dependent for capital.

So far, these investors have been content to bear this heavy tax burden as a contribution to the war effort, but when that consideration ceases to apply, they will expect some relief. In addition, overseas investors are particularly apprehensive over the imposition in the Union of the non-resident shareholders' tax, Mr Hofmeyr has explained that this tax is not intended to discriminate against overseas shareholders, but to impose an equivalent of supertax on them. This overlooks the fact that there is a majority of overseas shareholders who, for one reason or another, would not be subject to Union supertax, even if they were resident in the Union. It is to be hoped that ways and means will be found to eliminate this tax altogether in the near future.

WITWATERSRAND

In his review of the Witwatersrand gold mining industry, the Chairman said: Now that the European war has ended, it may be appropriate to review the effect it has

so far had on the industry, which can count itself very fortunate that the effect was not much more severe. There was an appreciable time lag, so that it was only after 1941 that contraction became apparent.

The figures of contraction between 1944 and 1941 give a good indication of the extent of the contraction that has taken place, but which was inevitable in wartime. The output was reduced about 14 per cent., but owing to increased costs dividends to shareholders fell 30 per cent. and direct Government revenue 33 per cent. A return to more normal conditions may take some time, and progressive improvement in the industry's scale of operations may therefore be a gradual process. The ore that it is profitable to mine at the present level of working costs is becoming exhausted in a number of the older mines, and if there is to be expansion in the industry new areas will have to be brought into commission. The opening up of such new areas will, however, have to wait until war considerations permit of the existing restrictions on capital funds and equipment from overseas being modified or removed. The industry is awaiting the return from active service of nearly 9,000 of its European employees, and in addition it can play an important indirect part in increasing the scope for employment in the Union in the post-war period. It need hardly be stressed that the sooner it can increase the scale of its activities the greater will be the benefits accruing to the country as a whole.

OTHER INTERESTS

The Chairman, having reviewed the operating results of gold mining companies on the Witwatersrand under the administration of the corporation, continued:

Bay Hall Trust increased its net profit from £84,725 in 1943 to £89,454 in 1944, and the dividend was raised from 7 per cent. to 7½ per cent. The trust's holdings at the end of 1944 had an aggregate value of £2,675,596, which exceeds book value by £701,497.

At San Francisco Mines of Mexico operations continued at full capacity to supply metals needed for war purposes, but a workmen's strike, some flooding and increased taxation resulted in last year's profits being substantially reduced. After providing for a taxation liability of £200,696 and again placing £50,000 to exploration reserve, net profits were only £36,404. The dividend was limited to 6d. against 3s. per share in the previous year.

The South African Pulp and Paper Industries, Limited, made a net profit of £100,352 and declared a dividend of 7½ per cent. The capacity of the mill for producing printing and writing papers was fully employed, and sales of chemicals, such as hydrochloric acid, bleaching powder and liquid chlorine showed a substantial increase.

Last year I mentioned that the number of directors serving on your board had dwindled. The position has now been strengthened by the appointments to the board of Mr E. Fraenkel, Colonel C. E. Temperley, OBE, MC, and Lord Harlech, PC, GCMG.

Mr H. R. Hill, one of the managers of the corporation in Johannesburg, retired at the end of last year. The following appointments have been made: Messrs S. T. Amner and C. D. Pott as managers in London, and Messrs C. B. Anderson, T. P. Stratten and J. S. Walker as managers in Johannesburg. Mr A. R. Mullins succeeds Mr Stratten as consulting mechanical and electrical engineer.

A copy of the full report of the above proceedings is available for inspection at the London office.

LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

INCOME EXCEEDS £5,500,000

The seventy-sixth ordinary general meeting of the London and Manchester Assurance Company, Limited, was held, on the 20th instant, in London.

Mr A. H. Dawes, the chairman, said that although last year was a very difficult one for their business, he was able to report good progress. The total income exceeded £5,500,000, while the total assets had reached £29,500,000. The new business in the ordinary branch was £2,781,655, being slightly more than that issued in the previous year. The premium income had advanced by £102,158 to £1,832,543. Claims by death, including war claims, amounted to £284,956 and compared with £248,666. Expenses and commission had absorbed 12.47 per cent. of the premium income, as compared with 12.77 per cent. The ordinary branch fund had increased by £845,423 to £16,265,930.

INDUSTRIAL BRANCH

The premium income in the industrial branch amounted to £2,410,946, an increase of £81,353. Claims by death, including war claims, amounted to £784,119, exceeding the previous year's figure by £15,274. The expense ratio had fallen below 30 per cent. of the premiums for the first time, being 28.6 per cent. The continuing fall in the expense ratio was indicative of the conduct of the business under modern conditions. The fund at the end of the year amounted to £11,822,168, an increase of £1,084,081.

The valuation of assurances had again been made on a basis of 2½ per cent. interest throughout coupled with the most modern tables of mortality. The surpluses disclosed, apart from the interim bonuses allowed during the year, were in the ordinary branch £1,523,986 and in the industrial branch £668,502. The consideration of a vesting bonus in the ordinary branch had again been postponed, and for another year interim bonuses would continue to be granted on participating policies which became claims by death—except policies less than one year in force at date of death—or survival at the rate of £1 per cent. on the sum assured in respect of each year's premium paid due between March 24, 1939, and March 24, 1945. It was hoped that by 1946 the financial outlook would be sufficiently clear to enable them to deal with the relatively large surplus carried forward in the ordinary branch.

FIRE AND GENERAL

With regard to the fire and general branch, the premium income had advanced from £86,713 to £98,721. A profit of £5,445 had been carried to profit and loss account. The balance standing to the credit of profit and loss account was £88,253, out of which a dividend of 6s. 6d. per share, free of tax, was recommended.

In regard to the company's activities in connection with the National Health Insurance, he had to report that during the year 1944 the company's representatives, in the course of their ordinary insurance duties, had paid out on behalf of the National Amalgamated Approved Society to "London and Manchester" members in sickness, disablement, and maternity benefits the sum of £293,435. As shareholders probably knew, the Government wished to abolish the approved society system and substitute a network of local offices working under the new National Insurance Department. What would be the cost of that had not been disclosed. The existing system had always worked smoothly; it was economical and efficient; and, in the directors' opinion, would be of the utmost assistance in the launching and successful administration of the new National Insurance scheme.

The report and accounts were adopted.

WHITEHALL ELECTRIC INVESTMENTS, LIMITED

The twenty-third ordinary general meeting of Whitehall Electric Investments, Limited, was held, on the 27th instant, at Winchester House, E.C. 2.

The following is a summary of the report for the year to March 31, 1945:—
The consolidated gross income amounts to £263,815.

After charging expenses £16,958, loss on realisations £65,756, and transferring £32,284 to reserve account, there is a balance of	148,817
U.K. and Canadian income-tax and the preference dividend absorb	123,119
And the undistributed balance at £420,104 shows an increase in the year of	25,698
The valuation of the assets is as follows:—	

Quoted investments: ..	£
\$6 preferred stock of American and Foreign Power...	2,377,451
Other investments	1,155,198
	3,532,649
Add:	
West of England, at cost...	865,000
Unquoted investments and net floating assets	154,779
	4,552,428
The valuation attributable to the ordinary stock of the company, excluding Athens and taking West of England at cost is	3,177,216

Greece, occupied by the enemy and severed from this country for three and a half years, was liberated in October, 1944. The Athens electricity and transport companies immediately reappointed Mr L. C. Kemp as managing director, who found the organisation to have survived with nearly all the senior Greek staff still at their duties. The companies had suffered financial losses during the war from reduced activities, increased costs, and the ruin of the currency; and the installations had sustained some serious damage from inadequate maintenance. Yet the main items of equipment, other than rolling stock, remained intact.

The disturbances of December and January caused more destruction than the years of war, but energetic action has gone far to re-establish the services. Electricity supply has grown in recent months on an encouraging scale and amounts to approximately 60 per cent. of the pre-war figure. There are about 160 transport vehicles in operation, compared to about twice that number in pre-war days, and the demand for transport considerably exceeds the capacity of the vehicles available.

The social and economic recovery of Greece calls for generous help and understanding, and all the wisdom and energy of the Greek people. The future depends upon how world conditions may develop; and ultimately upon the balance of trade. In regard to the company's investment in the Athens electricity and transport undertakings, it is too soon to form an opinion of the financial prospect.

The West of England undertakings in the ten years to 1939 had raised the number of units sold from 5 million annually to 26 million and in 1944 units sold reached 57 million.

A post-war programme of extensions involving a large expenditure has been prepared, and work will begin as soon as conditions permit. The programme is designed so that all, except the most remote and isolated districts, will be served.

The directors record with profound regret the death on April 17th of their colleague, Sir Gerald E. Talbot.

DERBYSHIRE STONE, LIMITED

IMPROVED OUTLOOK

The ninth ordinary general meeting of Derbyshire Stone, Limited, was held, on the 21st instant, at 58, Victoria Street, S.W.

Mr John Hadfield, M.Sc., A.R.I.C. (chairman and managing director), in the course of his speech, said: The combined profits of the Derbyshire Stone group of companies, including £27,555 excess profits tax recoverable, amounted to £87,805. Your directors recommend that there should be paid a dividend at the rate of 10 per cent. on the Ordinary shares, absorbing £21,300, leaving a balance to carry forward of £75,051.

In 1943 the sum of £2,000 was appropriated for staff benevolent purposes. This has been followed in 1944 by the institution of a staff pension scheme, to which the company and the staff contribute approximately in equal proportions.

LABOUR AND TRANSPORT DIFFICULTIES

1944 was a year which was not without its problems, for although we were busily engaged in supplying raw materials for chemical, metallurgical and agricultural purposes, the demand for tarmacadam and roadstone fell off very appreciably as compared with earlier years, and our tarmacadam output in particular was greatly below our annual pre-war level. This was principally due to the movement of those Government activities which demanded a supply of road materials from the area in which the company was able to operate to areas further afield which could not be reached by our transport system, shackled as it was, and is, by war-time controls. Labour problems, transport difficulties and great periodic fluctuations of demand were features of the year.

The shortage of man-power compelled us to reduce output considerably in the section of the quarries operated by Hopton-Wood Stone Firms, Limited, which produces building, decorative and monumental stone, and during the latter part of the year our basalt quarry at Taddington, near Buxton, was closed with a view to the reconstruction of the plant, so that the unit might be adequately equipped to meet the post-war demand which we anticipate, will be placed upon it. In due course the unit will undoubtedly meet those demands in a satisfactory and profitable manner.

CURRENT YEAR'S PROSPECTS

In so far as our prospects for 1945 are concerned, the directors cannot find any reasons for assuming that the position will be better than it was in 1944. The course of war-time trading, however, is dictated by such abnormal factors that it is difficult to regard such trading as a reasonable indication of the prospects which lie in peacetime trading, and although your directors do not wish to appear unduly optimistic about the company's 1945 activities, they believe that the not-distant future and long-term prospects are excellent.

The post-war period will probably be one in which competition, and very keen competition, will play an important part. Nevertheless, your directors anticipate that your company will be able to take its fair share of business in connection with the road-building and house-building programmes of the country, and Hopton-Wood stone and Hopton-Wood marble will, doubtless, be in great demand for the highest types of internal decorative work and architectural work.

As your company has been a weapon in the hands of the Government during the waging of the war in Europe, so we believe that it will be equally useful as an instrument in national affairs during the reconstruction programme which lies ahead.

The report and accounts were unanimously adopted.

EAGLE STAR INSURANCE COMPANY, LIMITED

FAVOURABLE RESULTS

The annual general meeting of the Eagle Star Insurance Company, Limited, was held on the 26th instant, in London.

The following is an extract from the statement of the chairman, Sir Edward M. Mountain, Bt., circulated with the report and accounts:—The net new life sums assured at £16,631,021, compared with £14,309,817 in 1943, show a substantial increase. The net rate of interest earned on our combined life and annuity funds was £3 12s. 6d. per cent.

Our home fire loss experience was favourable compared with the estimated increased fire loss of Great Britain. In the United States of America the general trend of results showed no prospect of improvement; therefore we decided to cease operating in respect of fire and allied insurances, and reinsured all our outstanding liabilities with a leading company in America.

The marine fund at the end of the year is £816,321, which equals 106 per cent. of our premium income.

From the life department, in addition to the transfer of £26,342 arising from the current life series, there is a transfer of £7,803, representing the shareholders' proportion of the profits of the Sceptre Fund. The transfer from the fire department at £31,000 is less than that in the previous year, owing to the cost of reinsuring our business in America. Transfers from the accident and motor departments total £212,000 and £150,000 has been transferred from the marine account.

In view of the all-round improvement in Stock Exchange values we have decided that certain reserves held against investments to the extent of £350,000 are no longer required for this purpose, and their release has enabled us to increase our general reserve by £500,000. The carry forward in the profit and loss account is increased by £23,637 to £727,217.

FORSTER'S GLASS COMPANY, LIMITED

INCREASED PROFIT AND TURNOVER

The twenty-sixth annual general meeting of Forster's Glass Company, Limited, was held, on the 26th instant, in London. Major A. C. Bonsor presided in the unavoidable absence of the chairman, Col. Charles E. Ponsonby, T.D., D.L.

The following is an extract from the statement circulated with the accounts:—Last year I opened my remarks by explaining the decline in trading profits. During the past year this falling off has been retrieved, and we show an increased profit which is the result of an increased turnover. By reason of course of the incidence of taxation, the effect on the net profit is not considerable. In the opinion of your directors, however, the result of the year's working is satisfactory, especially in view of the difficult trading conditions which have prevailed. The profit for the year, before providing for income-tax, amounts to £64,338 which compares with £37,095 last year. The net profit is £36,513 as against £33,970. Your directors propose paying a dividend on the ordinary shares of 10 per cent. and a cash bonus of 5 per cent., making a total of 15 per cent. for the year. The balance sheet as a whole reveals a very satisfactory liquid position.

As in the last war, we started off by the manufacture of H.E. shells. Several hundred thousands of these were made, of various kinds. From H.E. shells we went on to various kinds of armour-piercing shot, including the famous 17-pounder.

In our ordinary line of business, we are engaged in the manufacture of containers for food, and the quantity produced during the past year has been very large. Practically the whole of this output is prior work for the various Ministries, and it leaves us with a very small margin to distribute between our ordinary customers. The report was adopted.

MARKS AND SPENCER, LIMITED

LARGER TURNOVER

The nineteenth ordinary general meeting of Marks and Spencer, Limited, was held on the 19th instant, at Michael House, 82 Baker Street, London, W.

Sir Simon Marks, D.Sc. (chairman and managing director), presided.

The following are extracts from the chairman's statement circulated with the report:—The net profits for the year are £1,916,487, compared with £1,574,029 last year. This increase has arisen from a larger turnover, particularly in the catering department. Supplies have not kept pace with sales, and this is reflected in an appreciable fall in our stock, £861,879, against £1,139,436 a year ago. The replacement of stock has been restricted by the continued heavy curtailment of supplies for civilian needs. Provision for taxation, including excess profits tax, amounts to £1,100,000, which compares with £790,000 last year.

Our profits are determined after making allowances for depreciation for properties and fixtures at our usual rates, and after the allocation of £100,000 to deferred repairs reserve, which now stands at £350,000. The total available for distribution is £1,831,339, including £1,024,852 brought forward. The directors propose that this year our final dividend on the ordinary and "A" ordinary share capital should be 25 per cent., making 40 per cent., compared with 35 per cent. for last year, leaving £1,314,391 to be carried forward. Our reserves and surplus total £1,042,291, compared with £3,636,152 last year.

SHORTAGE OF SUPPLIES

All the material requirements of our civilisation—housing, foodstuffs, clothing, amenities—are short in supply and heavy in demand. The nation is hungry for them, not only in quantity and quality but, above all, at a price it can afford to pay. But if the needs of the people are to be satisfied in the necessary quantities quickly and at reasonable prices the methods and techniques learned in the war will have to be applied and even improved. Producers must continue that partnership with science and technology so widely applied and developed during the stress of these fateful years.

The vital war needs of this country called for speed, quality and quantity, a revolution in production and production methods. It was achieved by devoted co-operation between scientists, manufacturers and workers. New, difficult, and urgent problems were solved in months instead of years by this partnership of minds and experience, pooling their knowledge in the fullest measure. Such teamwork and co-operation have set a pattern of practical collaboration rich in promise for the future and can continue to give to industry splendid opportunities.

NEW MATERIALS

Science is producing new raw materials and new processes as well as improving existing materials. In our own field new synthetic fibres and plastic substances are being created which will generate additional demands and wants by the public. Some of these inventions are not mere substitutes but original products which open up new fields of application and manufacture. We are closely watching the developments of such research in order to widen the range and improve the quality of the goods we sell.

The progress of our business amply demonstrates that there is a vast market which can be reached only by the creation of the maximum value in goods to fit the purse of the great majority of the public. We have maintained, and in some cases expanded, our welfare service. It is the policy of the board to continue the upward review of wages, to develop further the Marks and Spencer pension scheme, and to build up steadily the Marks and Spencer benevolent fund.

The report was adopted.

SCAMMELL LORRIES, LIMITED

ALL PREVIOUS RECORDS SURPASSED

The twenty-second ordinary general meeting of Scammell Lorries, Limited, was held on the 21st instant, at Watford. Mr Albert I. Belisha presided in the absence of Mr R. P. Brousson, O.B.E., who was unable to attend owing to illness.

The following is an extract from the chairman's statement, which was circulated with the annual report and accounts:—

Shareholders will have seen from the reports of the directors that last year we surpassed all previous records of output. Reports which we have received from every active theatre of operations confirm that our vehicles and auxiliary equipment have proved invaluable in service under the most arduous and varying conditions and as a result the company's reputation for sound design and high quality has been still further enhanced both at home and abroad.

HANDICAP OF TAXATION

Despite a considerable increase in gross profit (of £31,988) and in net profit prior to taxation (of £23,592), almost the whole of the increase in profit has been absorbed by additional taxation (£233,500 against £211,750), so that the final net profit at £24,025 is £1,842 higher than last year. As has been pointed out in previous statements by the board, Excess Profits Tax on the existing basis represents an extremely heavy handicap, though in view of the latest assurances of the Chancellor of the Exchequer, we shall, in due course, be enabled to utilise the credits arising therefrom in meeting the capital expenditure of the post-war period.

With regard to the future, in addition to giving full attention to H.M. Government's continued requirements, your company is now able to fulfil civilian and export demands to an increasing extent, and your directors feel that with the return to more normal trading conditions, the prospects for the company appear to be by no means unfavourable.

It is with much regret that the directors record the resignation through illness of Mr R. P. Brousson, who has been chairman of the company since 1942.

MANAGING DIRECTOR'S REMARKS

Mr A. P. Fox (managing director) said: The designing, development and supply of special war-type vehicles and equipment by the company for the specific use of H.M. Services made very heavy demands upon our organisation. This task was undertaken with enthusiasm by our employees and also by our suppliers, to all of whom I am glad to have this opportunity to express our gratitude.

During the period of actual hostilities in Europe, the output of the company in finished vehicles and equipment, excluding spares, amounted to over 63,000 tons, equivalent to 37 tons per working day. 53,000 tons of this output, which included vehicles and equipment ranging from tank transporters weighing 21 tons to portable fire engines weighing one hundredweight, was delivered direct to the Services, and the remaining 10,000 tons was supplied to the railway companies, Petroleum Board and to road transport companies and industries of high priority.

The working area of our factories, stores and offices has been increased during the war by only 40 per cent., whilst the output by weight has expanded by 320 per cent. since the first year of war. I am pleased to say that the performance of our vehicles and equipment has proved highly satisfactory and has done credit to the company and to all the employees who participated in the success which has been attained.

The company can face the future with confidence, and we do not anticipate any great difficulty in turning from war production to a full peace programme, as circumstances permit.

The report and accounts were unanimously adopted.

CABLE AND WIRELESS, LIMITED

(The Operating Company)

WAR ACTIVITIES

The following is an extract from the speech by Sir Edward Wilshaw, chairman of Cable and Wireless, Limited, at the annual general meeting of the company in London on the 28th instant.

The profit for 1944 shows a small increase of £8,865 at £1,237,757.

In the following brief review I can, I hope, show you some part of the contribution which your company has made to the common victory. In May, 1941, our Central Telegraph Station in Moorgate, with much valuable equipment, was destroyed by fire caused by enemy action. Due to forethought and careful planning, it was possible to transfer our activities to our present headquarters in Electra House, Victoria Embankment, and the flow of traffic was never seriously dislocated. Throughout all the periods of air-raids messengers, in cars and on bicycles, continued to deliver messages, and I know no case where a message failed to be delivered owing to an air-raid.

Abroad, on Italy's entry into the war, all the cables west of Malta were cut by the Italians. In the Far East the Japanese, on their entry into the war, over-ran all our cable and wireless stations in that area, depriving the company of the best and fastest route to Australia and New Zealand. Despite the heavy losses of equipment and the necessity for expanding our services to meet war-time demands, we have had the utmost difficulty in obtaining supplies and transporting them to distant stations.

Nevertheless, the services have been maintained; 47 new wireless circuits have been opened since September, 1939; the total traffic carried in 1938 comprised 231 million words against no fewer than 705 million words in 1944; whilst we have expanded our phototelegraph services until we are now handling as many as 2,000 pictures a month compared with 100 before the war.

Recovery of the Far Eastern circuits will throw a great strain on the company, which can be met only if we have the men and the equipment.

We have emerged from the war strengthened by the thought that by drive, initiative and foresight we have surmounted great dangers and formidable difficulties. We have shown that private enterprise in the right hands can achieve much. Experience has shown that the present system offers the merits of Government control without its disabilities. If left to our own resources and given reasonable encouragement and goodwill by the Governments, we and our associated companies overseas can continue to keep abreast of developments and to offer cheaper and extended telegraph services without adding to the taxpayer's burden.

RIO DE JANEIRO CITY IMPROVEMENTS COMPANY, LIMITED

The eighty-third ordinary general meeting of this company was held, on the 27th instant, in London.

The following is an extract from the chairman's circulated statement:—

Once again we were able to make satisfactory remittances from Rio, as may be deduced from our increased investments and our strong cash balance in London.

Regarding the termination of the company's concession in April, 1947, the Government has so far given no indication of its policy as to the future of the Drainage Services, and it is thought unlikely that any pronouncement will be made until after the Brazilian elections.

We recommend a dividend of 3½ per cent. free of income tax.

The report was adopted.

BRITISH ELECTRIC TRACTION, LIMITED

WAR-TIME ACTIVITIES

The forty-ninth annual general meeting of this company was held, on the 22nd instant, in London.

Mr Richard J. Howley, C.B.E., the chairman, said that they were largely interested in the provision of road passenger transport and in the supply of electricity. Both those public utility services had been of major importance during the war, and in the aggregate their associated companies had played a not unimportant part in the successful prosecution of the war. The omnibus undertakings now operated just over 9,000 public service vehicles, which during 1944 had run approximately 240 million miles and carried 1,500 million passengers, the gross receipts amounting to £21,500,000. The figures had been much the same during the other war years and illustrated the magnitude of the transport services which they had been able to provide for the general public and, in particular to meet the needs of the large number of workers engaged in vital war-time production.

Throughout the war their associated electricity supply companies had provided electricity for many essential war-time purposes and during 1944 had sold a total of close on 330 million units.

While he was able to give a good report of their various activities during the war, he was not unmindful that they were about to

face a difficult and anxious time in settling down to peace conditions. The industry had to find new levels of receipts and expenses which would be reasonable for those engaged in it and for the public. Those changes could not be accomplished without close co-operation between employers and employees. They could not be carried through merely by changing a Government and, least of all, by turning our social and economic life topsy turvy.

The report was adopted.

VENEZUELAN OIL CONCESSIONS, LIMITED

INCREASED PRODUCTION

The twenty-ninth ordinary general meeting of this company was held, on the 25th instant, in London, Sir Andrew Agnew, C.B.E. (the chairman), presiding.

The following is an extract from the chairman's statement circulated with the accounts:—

After making provision for certain reserves the profit for 1944 at £688,000 is higher by £196,000 than the profit for 1943. There has been some increase in production and in the revenue therefrom and these factors have served to offset the substantially increased production and surface taxes. Our plans for developing our new concessions envisage a heavy exploration programme in the near future and, as a contribution towards this, £250,000 has been added to the exploration and general

reserve, which now stands at £1,400,000.

As regards general operations, the company has, since the outbreak of war, directed its maximum efforts towards fulfilling the important part it has been called upon to play in supplying the oil requirements of the Allied Nations. In recent years the increasing demand for aviation gasoline and other light products has required the company to concentrate on the production of all available grades of better quality crude oil and our drilling activities have been governed accordingly. This has necessitated exploration on an increased scale, involving slow drilling and a higher proportion of deep wells. The reduced totals of completed wells and footage drilled in 1943 and 1944 are due primarily to this, although it was also necessary during those years to reduce the total number of drilling strings operating, pending discovery of additional reserves of the required type of crude oil. Now that this objective has to a considerable extent been achieved by the discovery of the Pueblo Viejo field and the deep production at La Paz—two additional sources of production—we are able to increase our exploitation drilling programme to an appreciable degree.

The scale of our operations in recent years has also been influenced by the supply of equipment and materials. Despite the assistance afforded by the authorities, both here and in the U.S.A., it was only to be expected that this would constitute an important limiting factor.

The report was adopted.

RECORDS and STATISTICS

INVESTMENT.

Stock Exchange : London

"FINANCIAL NEWS" INDICES

1945	Total Bargains in S.E. List	Corres. Day 1944	Security Indices		Yield	
			30 Ord. shares*	20 Fixed Int.†	Old Consols	Ord. Shares
June 21...	4,669	5,371	113.5	136.5	3.01	3.77
" 22...	5,292	5,159	113.6	136.5	3.01	3.76
" 23...	6,963	5,220	113.6	136.5	3.00	3.76
" 24...	5,106	4,828	113.7	136.5	3.00	3.76
" 27...	4,939	4,817	113.7	136.5	3.00	3.76

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1945: highest, 118.5 (April 20); lowest, 110.4 (May 24). 20 Fixed Int., 1945: highest, 137.9 (April 26); lowest, 130.3 (Jan. 1).

New York

(WEEKLY INDICES) (1035-39=100)

	1945		June 6, 1945	June 13, 1945	June 20, 1945
	Low Jan. 24	High June 20			
30 Industrial	108.6	122.1s	121.2	121.1	121.9
30 Rail	116.1	146.9	138.9	140.5	146.9
30 Utilities	93.2	106.5	104.0	105.0	106.5
30 Stocks	106.7	121.0	119.6	119.8	121.0
Av. stock %†	4.63	4.10	4.13	4.14	4.10

† 50 Industrial Com. Stocks. (s) May 29, 1945.

STANDARD AND POOR'S CORPORATION INDICES

DAILY INDEX OF 50 COMMON STOCKS

(1925=100)

1945	Average	Transactions	1945	Average	Transactions
June 24...	145.0	1,850,000	June 18...	145.1	1,320,000
" 25...	145.0	1,900,000	" 19...	145.4	1,560,000
" 26...	145.6	1,100,000*	" 20...	146.0	1,680,000

* 1945: High, 146.0 (June 20). Low, 129.2 (Jan. 23). * 2-hour Session.

Capital Issues

Week ending June 30, 1945	Nominal Capital	Con- versions	New Money
£1,300,000	1,300,000	1,287,000	4,172,429
£3,997,194	3,997,194		
Particulars of Government issues appear on page 909.			
		Including	Excluding
		Conversions	Conversions
		737,756,085	645,910,503
		861,822,488	880,224,007

FINANCE AND BANKING

THE MONEY MARKET.

The market this week has naturally been dominated by preparations for the half-year-end, which are discussed in a Note on page 901. No fresh TDRs were issued, and none matured, but the volume of tender Treasury bills was again increased by a net £20 million. Some part of this addition appears, however, to have been taken by special quarters, for although total applications declined, the average allotment rate dipped fractionally below 1 per cent. The discount market, nonetheless, secured only a slightly smaller quota than in the previous week—36 per cent, or nearly £47 million.

Apart from the movements discussed on page 901, the principal change shown by the Bank Return is a further large increase in the note circulation, which has risen by £7.7 million, compared with an increase of only £2.2 million in the similar week last year. A further increase in the fiduciary issue seems almost certain before the August holiday.

MONEY RATES, LONDON.—The following rates remained unchanged between June 20th and June 27th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 5 months, 1½-1¾%; Treasury Bills: 2 months, 1½%; 3 months, 1½-1¾%. Day-to-day money, 1-1¼%. Short Loans, 1-1¼%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, 1%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between June 20th and June 27th. (Figures in brackets are per of exchange).

United States, \$ (4-88½) 4-02½-03½; mail transfers 4-02½-03½. Canada \$ (4-88½) 4-43-47; mail transfers 4-43-47. Switzerland, Francs (25-22½) 17-30-40. French Empire, Francs 1936-2004, Syria, p. 8-81-85. Sweden, Krona (18-189) T.T. 16-85-95. Dutch West Indies, Florin (18-11) 7-58-02. Portugal, Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama, 100-00-00; mail transfers 4-02-04. Brazil, 84-56½ cr. (buying). Uruguay, 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain, Pesetas 44-00. Turkey, Piastres 520. Italy, 71-25 lire.

Market Rates.—The following rates remained unchanged between June 20th and June 27th.

Egypt, Piastres (97½) 97½-1. India, Rupee (18d per rupee) 17½-18½. Belgian Congo, Francs 176½-2. China, National 35-3½. Iran, R.L. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

GOVERNMENT RETURNS

For the week ended June 23, 1945, total ordinary revenue was £40,960,000, against ordinary expenditure of £117,402,000 and issues to sinking funds of £160,000. Thus, including sinking fund allocations of £2,136,993, the deficit accrued since April 1st is £679,047,000 against £800,709,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1945-46	Receipts into the Exchequer (£ thousands)			
		April 1 to June 24, 1944	April 1 to June 23, 1945	Week ended June 24, 1944	Week ended June 23, 1945
ORDINARY REVENUE					
Income Tax	135,000	150,557	169,559	16,508	9,708
Sur-tax	80,000	6,656	7,185	220	375
Estate, etc.	115,000	26,830	26,135	1,340	3,365
Duties	19,000	2,302	4,126	1,250	1,680
N.D.C.	500,000	5,850	7,350	627	455
E.P.T.	1,000	97,345	81,035	8,587	7,249
Other Inld. Rev.		80	96		40
Total Inld. Rev.	206,500	289,620	295,486	28,532	22,872
Customs	589,000	129,050	130,483	9,016	14,588
Excise	541,000	104,800	104,200	10,500	5,300
Total Customs & Excise	1,130,000	233,850	234,683	19,516	19,888
Motor Duties	30,000	2,079	4,550		
Post Office (Net Receipts)				Dr	Dr
Wireless Licences	4,850	640	660	1,550	2,900
Crown Lands	1,000	270	230	60	
Receipts from Sundry Loans	11,500	1,278	2,694	130	3
Miscell. Receipts	23,000	12,168	3,121	1,609	497
Total Ord. Rev.	326,500	539,905	541,424	48,297	40,960
SELF-BALANCING P.O. & Broadcast	114,100	26,650	26,000	3,550	3,800
Total	337,900	566,555	567,424	51,847	44,760

ISSUES OUT OF THE EXCHEQUER TO MEET PAYMENTS (£ thousands)

Expenditure	Estimate, 1945-46	Receipts into the Exchequer (£ thousands)			
		April 1 to June 24, 1944	April 1 to June 23, 1945	Week ended June 24, 1944	Week ended June 23, 1945
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	465,000	102,253	98,820	1,990	2,142
Payments to N. Ireland	11,000	1,660	1,426	332	
Other Cons. Fund Services	8,000	356	274		
Total	484,000	104,269	100,520	2,322	2,142
Supply Services	508,128	120,761	109,184	88,250	115,260
Total	556,528	131,139	119,234	90,572	117,402
SELF-BALANCING P.O. & Broadcast	114,100	26,650	26,000	3,550	3,800
Total	567,938	133,889	121,834	94,122	121,202

A change has been made in the method of showing an excess of Post Office Expenditure over the Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24, 1943, inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £985,658 to £3,691,850, the other operations for the week (no longer shown separately) increased the gross National Debt by £77,545,207 to £23,061 million.

NET RECEIPTS (£ thousands)		
Overseas Trade Guarantees	92	
North Atlantic Shipping Act, 1934	100	
	192	

NET ISSUES (£ thousands)		
P.O. and Telegraph	150	

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Ten- der	Tap	Public Depts.	Bank of England
1944				
June 24	1360.0		Not available	
June 24	1430.0		Not available	
Mar. 24	3680.7		575.7 [0.7] 1859.0	6116.1
April 7	1430.0		Not available	
" 14	1430.0		"	
" 21	1430.0		"	
" 28	1430.0	2203.7	971.4 [8.5] 1995.5	6209.0
May 5	1440.0		Not available	
" 12	1460.0		"	
" 19	1480.0		"	
" 26	1500.0	2173.4	558.2 [10.2] 2063.0	6304.9
June 2	1520.0		Not available	
" 9	1540.0		"	
" 16	1560.0		"	
" 23	1580.0		"	

TREASURY BILLS

(£ millions)

Date of Tender	Amount		Average Rate of Allotment	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1944				
June 23	110.0	199.5	110.0	19 11-93
Mar. 23	110.0	225.3	110.0	19 11-85
" 29	110.0	225.6	110.0	19 10-06
April 6	110.0	238.1	110.0	20 1-86
" 13	110.0	244.4	110.0	20 2-28
" 20	110.0	244.3	110.0	20 2-24
" 27	120.0	227.3	120.0	20 0-17
May 4	130.0	228.2	130.0	20 0-13
" 11	130.0	218.0	130.0	20 0-24
" 18	130.0	222.7	130.0	20 0-37
" 25	130.0	244.4	130.0	20 0-12
June 1	130.0	238.7	130.0	20 0-04
" 8	130.0	232.2	130.0	20 0-39
" 15	130.0	222.7	130.0	19 11-68
" 22	130.0	222.7	130.0	19 11-68

On June 22, applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of the following week, were accepted as to and above 36 per cent. of the amount applied for, and applications at higher prices were accepted in full. Applications at £99 15s. for bills to be paid for on Saturday and Sunday were accepted in full. £130 million of Treasury Bills were being offered for June 29. For the week ended June 30 the banks will be asked for no Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTION

Week ended	N.S.C.		3% Savings Bonds		2½% War Bonds (1954-6)	
	£ thousands	%	£ thousands	%	£ thousands	%
1945						
Apr. 17	3,891	2,145	10,666	...		
" 24	4,093	1,803	7,137	...		
May 1	4,571	1,858	8,372	...		
" 8	2,677	1,326	8,426	...		
" 15	5,007	1,616	3,118	...		
" 22	3,085	1,600	3,393	...		
" 29	3,816	1,814	3,395	...		
June 5	3,888	1,693	7,939	...		
" 12	3,694	1,889	5,259	16,561		
" 19	4,348	1,698	4,046	5,755		
" 26						
Totals to date	1,392,516*	820,984*	1,995,312†	22,316‡		

* 291 weeks. † 234 weeks. ‡ 2 weeks. † Including all Series.

Interest free loans received by the Treasury up to June 26th amounted to a total value of £71,331,324. The total amount raised by the issue of 1½% Exchequer Bonds stands at £326,843,086. Up to May 26 principal of Savings Certificates to the amount £229,470,000 has been repaid.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. In the London silver market prices per fine ounce have been 25½d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Bombay bullion prices were as follows:—

1945	Gold		Silver	
------	------	--	--------	--

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE
Million \$'s

	June 22, 1944	June 7, 1944	June 14, 1944	June 21, 1944
12 U.S.F.R. BANKS	22, 18,646	22, 18,357	22, 18,109	22, 18,108
RESOURCES				
Gold certifs. on hand and due from Treasury	18,646	17,412	17,421	17,411
Total reserves	19,312	18,357	18,109	18,108
Total cash reserves	278	247	249	249
Total U.S. Govt. secs.	15,180	20,896	21,103	21,507
Total loans and secs.	15,362	21,812	21,959	21,817
Total resources	36,958	42,105	42,563	42,719
LIABILITIES				
F.R. notes in circ.	18,716	22,860	22,865	22,873
Excess mr. bank res.	1,406	1,180	1,380	1,400
Mr. bank res. dep.	13,758	15,452	15,771	15,354
Govt. deposits	334	352	170	347
Total deposits	16,092	17,350	17,491	17,411
Total liabilities	36,958	42,105	42,563	42,719
Reserve ratio	55.5%	45.7%	44.9%	45.0%
BANK AND TREASURY RESOURCES				
Monetary gold stock	21,201	20,268	20,268	20,265
Treasury & bank currency	4,107	4,145	4,146	4,145
LIABILITIES				
Money in circulation	22,293	26,513	26,533	26,536
Treasury cash and dep.	2,673	2,666	2,462	2,444

CENTRAL BANK OF IRELAND
Million £'s

	June 17, 1944	June 2, 1944	June 9, 1944	June 16, 1944
ASSETS				
Gold	2.65	2.65	2.65	2.65
British Govt. secs.	24.13	28.79	28.77	28.77
Sterling balances	1.17	1.21	1.22	1.35
LIABILITIES				
Notes in circulation	28.17	32.78	32.77	32.93

CENTRAL BANK OF ARGENTINA

Million paper pesos

	April 30, 1944	Mar. 31, 1945	April 1945	April 1945
ASSETS				
Gold at home	1,157	1,242	1,242	1,242
Other gold and for. exch.	2,311	2,737	2,768	2,821
Non-Int. Govt. bonds	99	88	88	125
Treasury bonds	780	763	757	757
LIABILITIES				
Notes in circulation	2,008	2,391	2,410	2,455
Deposits: Government	628	638	606	445
Banks	1,281	1,351	1,415	1,652
Certs. of participation	221	139	138	138
Reserve ratio	83.4%	84.2%	84.5%	84.6%

RESERVE BANK OF INDIA

Million rupees

	June 9, 1944	May 18, 1945	May 25, 1945	June 1, 1945
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	126	159	160	148
Balances abroad	1,738	3,861	3,924	3,887
Sterling securities	8,228	10,195	10,193	10,293
Ind. Govt. rup. secs.	583	578	578	578
Investments	108	214	216	217
LIABILITIES				
Notes in circulation	9,277	11,254	11,210	11,366
Deposits: Govt.	704	2,883	2,895	2,712
Banks	997	840	914	909
Reserve ratio	92.5%	93.5%	93.5%	93.7%

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SWISS NATIONAL BANK

Million Swiss Frs.

	June 30, 1944	May 15, 1945	May 23, 1945	May 31, 1945
ASSETS				
Gold	4,376	3,476	3,476	2,470
Foreign exchange	96	106	113	103
Advances, etc.	46	321	317	330
Securities	64	63	63	63
LIABILITIES				
Notes in circulation	2,905	3,472	3,460	3,532
Other sight liab.	1,497	8,162	1,543	1,493

BANK OF BELGIUM

Million Belgian Frs.

	May 1945	May 31, 1945	June 7, 1945	June 14, 1945
ASSETS				
Gold	51,285	51,285	51,285	51,285
Foreign exchange	3,653	4,061	4,094	4,16
Private loans and discounts	503	517	494	46
Loans to State	39,771	39,687	41,087	41,69
LIABILITIES				
Current accounts:				
(a) Govt. accounts	54,895	55,951	57,126	57,60
(b) Private accounts	4,871	4,336	4,213	4,94

BANK OF CANADA

Million Can. \$'s

	June 7, 1944	May 23, 1945	May 30, 1945	June 6, 1945
ASSETS				
Reserve: Gold	13.76	187.27	176.27	175.0
LIABILITIES				
Notes in circulation	1,391	20,163	20,163	16,12
Deposits: Govt.	913	72,105	80,155	95,105
Deposits: Priv. Govt.	68.69	70.59	45.09	68.5
Chartered banks	398.86	444.84	443.09	450.4

UNITED STATES: MONTHLY STATISTICS

Unit of Measurement	Monthly Average											
	1929	1932	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
Population June, 1940: 131,954,000	Area: 3,026,789 sq. miles; 7,839,432 sq. kms.											
1. Indust. production, adj. F.R.B. 1935-39=100	110	58	109	125	162	199	239	235	239	240	240	235
2. Manufactures, dir. adj. F.R.B.	132	41	109	139	201	279	360	335	369	369	367	335
3. "non-dur. adj. F.R.B.	93	70	109	115	142	158	176	171	174	176	177	175
4. Minerals, adj. F.R.B.	107	67	106	117	125	129	132	140	143	145	143	140
Building contracts awarded:												
6. Total, adj. F.R.B.	117	28	72	81	122	166	68	41	61	55	45	40
7. Residential, adj. F.R.B.	87	13	60	72	89	82	40	16	35	29	21	17
8. Other, adj. F.R.B.	142	40	81	89	149	235	92	61	81	76	64	59
9. Freight-car loadings, adj. F.R.B.	152	78	101	109	130	138	137	140	143	145	143	140
10. Dept. store sales, adj. F.R.B.	117	75	106	114	133	149	168	186	165	175	173	185
Employment:												
11. Non-agricultural, adj. F.R.B. '000	...	...	30,353	31,784	35,668	38,447	39,728	38,690	39,479	39,454	39,352	39,123
12. "unadj. B.L.S.	...	...	...	...	...	...	...	...	...	...	...	...
13. "adj. F.R.B.	...	...	...	...	...	...	...	...	...	...	...	...
14. Factory, adj. F.R.B.	106-0	77-6	100-0	104-7	117-5	126-7	130-9	127-5	130-1	130-0	129-6	128-9
15. "unadj. F.R.B.	106-1	66-4	100-0	107-5	132-1	154-0	175-7	166-6	177-7	175-0	174-0	172-1
16. "payroll, unadj. F.R.B.	119-8	50-7	100-0	110-5	167-5	245-2	330-4	334-2	345-6	345-1	344-7	341-3
17. Average hours, B.L.S.	...	...	...	...	...	...	...	...	...	...	...	...
18. "hourly earnings, B.L.S.	...	...	...	...	...	...	...	...	...	...	...	...
19. Cost of living, F.R.B.	122-5	97-6	99-4	100-2	105-2	116-5	123-6	125-5	124-4	124-2	123-8	123-6
Wholesale prices:												
20. Farm products, B.L.S.	104-9	48-2	65-3	67-7	82-4	105-9	122-6	123-3	121-8	121-8	122-5	123-6
21. Foods, B.L.S.	99-9	61-0	70-4	71-3	82-7	99-6	106-6	104-9	105-6	104-9	104-5	104-6
22. Other commodities, B.L.S.	91-6	70-2	81-3	83-0	89-7	95-5	96-9	98-5	97-6	97-8	98-0	98-1
23. Wholesale commodity prices, unadj. F.R.B.	95-3	64-8	77-1	78-6	87-3	98-8	103-1	104-0	103-2	103-3	103-6	103-8
Bank Debts:												
24. Total, all reporting centres.	81,878	...	35,328	37,155	44,783	53,481	66,078	74,326	76,499	71,874	70,688	76,060
25. New York City.	50,257	...	14,265	14,299	14,810	18,905	24,697	28,768	26,336	27,031	27,592	29,644
26. Gold stock.	3,996	3,952	17,644	21,995	22,737	22,726	21,938	20,619	21,938	21,918	21,712	21,600
27. Money in circulation	4,476	5,528	7,598	8,732	11,160	15,410	20,449	25,307	20,449	20,529	20,824	21,115
28. Member Bank Res. Balances	2,358	2,114	10,466	13,331	...	...	...	...	12,886	12,917	12,311	11,889
29. Excess Reserves	43	256	4,469	6,376	...	...	...	...	1,336	1,112	1,162	1,179
30. Capital issues, C.F. Chronicle	595	99	186	163	238	89	51	...	33	103	73	58
31. 354 Indus. secs., Stand. Statistics	1939=100	...	...	...	...	...	...	...	101	104	104	106
32. Yield on Govt. bonds	3.60	3.66	2.36	2.35	2.77	2.09	1.98	1.92	1.95	1.95	1.93	1.90
33. Income payments, adj.	122-9	70-6	105-4	113-5	138-0	174-6	213-0	233-3	224-7	227-2	232-4	231-9
34. Treasury receipts	4,032	2,076	5,595	7,606	8,269	13,668	23,385	45,408	5,737	2,779	2,754	6,576
35. "expend., nat. defence	...	...	...	...	...	...	...	...	6,718	7,138	7,518	7,726
36. "total	3,852	4,320	9,528	12,774	12,711	32,397	78,179	93,744	7,452	7,570	7,862	8,525

(Continued from page 908)

NEW YORK EXCHANGE RATES

New York on	June 20	June 21	June 22	June 23	June 25	June 26	June 27
Cables:—							
London	402½	402½	402½	402½	402½	402½	402½
Montreal	90-87½	90-87½	90-87½	90-87½	90-87½	90-87½	90-87½
Zurich	23-50	23-50	23-50	23-50	23-50	23-50	23-50
Buenos Aires	24-86*	24-86*	24-86*	24-86*	24-86*	24-86*	24-86*
Rio de Janeiro	5-25	5-25	5-25	5-25	5-25	5-25	5-25
Lyons	4-07	4-07	4-07	4-07	4-07	4-07	4-07
Barcelona	9-25	9-25	9-25	9-25	9-25	9-25	9-25
Stockholm	23-80	23-80	23-80	23-80	23-80	23-80	23-80

* Official Buying Rate 25-78.

† Free Rate.

‡ Basic.

INDUSTRY AND TRADE

The "Economist" Sensitive Price Index.—There was no change in the index (1935 = 100) during the week ended June

26th. The crops component was 140.0, raw materials 200.6, and the complete index 167.6.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	June 20, 1944	June 9, 1945	June 19, 1945
Cereals and Meat	93-0	66-9	108-6	108-5	108-4
Other Foods	70-4	61-1	107-3	107-3	107-3
Textiles	74-2	54-3	104-0	103-9	105-1
Minerals	113-2	95-4	139-7	150-2	154-3
Miscellaneous	87-0	77-6	129-0	129-8	129-8
Complete Index	87-2	70-3	117-6	118-9	120-1
1913=100	119-9	90-8	161-3	163-5	165-3

* Highest level reached during 1932-37 recovery.

THE ECONOMIST, June 30, 1945

LONDON ACTIVE SECURITY PRICES AND YIELDS

LONDON MARKET												
Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks												
Prices, Jan. 1 to June 26, 1945		Name of Security		Price, June 19, 1945	Yield, June 26, 1945	Last two Dividends		Name of Security		Price, June 19, 1945	Yield, June 26, 1945	
High	Low	High	Low	Price, June 19, 1945	Yield, June 26, 1945	(a)	(b)	Price, June 19, 1945	Yield, June 26, 1945	Price, June 19, 1945	Yield, June 26, 1945	
British Funds												
82½	78½	84½	81½	83½	57/3	51/9	4 a	5 a	Iron, Coal and Steel	56/9	56/9	
111½	108½	111½	109½	110½	54/3	48½	3 a	11½ b	Bolcock & Wilcox (L) 11	51/-	50/6	
102½	101½	102½	101½	102	29 9/6	30/-	16½ b	11½ b	Bolover Colliery Ord. (L) 11	27/3	27/3	
103½	102½	103½	102½	103	2 6 c	200/7½	91/9	5 15 c	Brown (John) Ord. 10/-	93/9	93/9	
106½	105½	107½	106½	106	3 6 c	108/7½	26/6	8 b	Cory (Wm.) (L) 10/-	27/3	27/6	
100½	100½	100½	99½	99½	1 15 c	30/-	45/9	6 b	Dorman Long Ord. (L) 11	37/6	37/6	
98½	96½	99½	97½	98½	2 12 c	34/-	35/3	12½ b	Guest Keen & Co. Ord. (L) 11	29/4½	29/4½	
101½	100½	102½	101½	101½	2 11 c	40/-	26/6	12½ c	Hadfields Ord. 10/-	49/-	48/6	
101½	99½	101½	100½	100½	2 18 c	56/6	52/6	12½ c	Staveley Coal Ord. (L) 11	55/9	55/9	
112½	111½	113½	112½	113½	2 17 c	51/3	41/9	4 a	Stewarts and Lloyds (L) 11	12½	12½	
102½	100½	103½	101½	102½	2 14 c	13/6½	11/-	10 c	Swan, Hunter Ord. (L) 11	25/-	25/-	
102½	101½	103½	102½	101½	2 9 c	27/3	24/3	5½ b	Thomas and Bald Ord. 6/8	19/-	19/-	
101½	100½	101½	100½	101½	2 9 c	20/6	17/10½	4 a	United Steel Ord. (L) 11	19/-	19/-	
101½	97½	102½	100½	101½	2 16 c	15/4	12/-	Nil c	Vickers Ord. 10/-	13/3	1/3	
100½	99½	101½	99½	100½	2 19 c	27/6	23/3	4 a	Talbot Association (L) 11	23/6	24/-	
101½	100½	101½	100½	101½	2 19 c	37/1½	30/4½	Nil c	Bradford Dyers Ord. (L) 11	33/6	33/6	
113½	111½	114½	112½	113½	2 12 c	53/3	49/3	15 b	Bleach Celanese Ord. 10/-	51/-	53/-	
102½	100½	103½	102½	102½	3 7 4½	52/3	51/3	3½ a	Coats, J. & P. Ord. (L) 11	55/-	55/-	
104½	102½	105½	103½	104½	3 2 10	57/3	52/3	3½ a	Courtaulds Ord. (L) 11	22/9	23/9	
94½	93½	96½	94½	95½	3 2 10	57/3	52/3	3½ a	Fine Cotton Spinners (L) 11	4/6	4/6	
Local Loans 3%												
Dom. & Col. Govts.												
105½	101½	103½	100½	101½	4 19 0	89/3	80/-	17½ c	Hoyle (Joshua) 2/-	35/9	35/9	
112	109½	111½	109½	111	2 17 6	130/-	114/6	15 b	Patons & Baldwins (L) 11	86/3	88/9	
Nigeria 5% 1950-60												
Corporation Stocks												
108½	104½	106½	104½	104½	4 15 8½	34/9	31/6	17½ c	Callenders Cable, & Co. (L) 11	128/9	128/9	
94½	93½	96½	94½	95½	3 2 10	100/6	93/9	17½ c	Crompton Park 'A' 6/-	32/-	32/-	
100½	99½	101½	99½	100½	3 0 0	45/9	41/-	3 a	General Electric Ord. (L) 11	96/-	96/-	
108½	104½	106½	104½	104½	2 18 0	24/1½	22½	2½ a	Gas and Electricity	42/-	42/-	
108½	104½	106½	104½	106	2 18 0	37/3	34½	2½ a	County of London (L) 11	22/6	22/6	
108½	104½	106½	104½	106	2 18 0	41/9	39/-	3 a	Gas Light & Coke Ord. (L) 11	35/6	35/6	
Foreign Governments												
88	84	94½	91½	94	3 17 2	84/3	81/-	2½ a	North-East Electric (L) 11	40/-	40/-	
12½	51	75	66	71	4 15 0	37/-	29/9	10 a	Scottish Power Ord. (L) 11	34/-	35/-	
20½	25	21	21	24½	4 12 0	27/6	23/10½	7½ c	Austin 'A' Ord. 5/-	25/-	25/-	
44	47½	47	47	55	Nil	15/3	13/6	4 a	Birmingham S.A. (L) 11	13/7½	13/7½	
89½	86	90	90	95½	5 5 10	18/3	16/3	6 c	Bristol Aeroplane 10/-	41/9	43/6	
78½	63½	77	65½	76	5 2 5	84/3	81/-	15 a	Ford Motors Ord. (L) 11	17/-	17/-	
Spanish 4%												
Shipping												
46½	35	Nil	Nil	43½	26/1½	21/9	2½ a	5 b	Cunard Shipping Ord. (L) 11	23/3	23/3	
130½	101½	Nil	Nil	112	Nil	23/9	6 c	6 c	Furness Withy Ord. (L) 11	24/3	24/3	
80½	80	2½ a	2½ a	52	3 16 11	25/3	22/6	6 c	P. & O. Del. (L) 11	41/9	41/9	
222½	213½	2½ a	2½ a	204	5 11 0	23/-	19/9	2 c	Royal Mail Lines Ord. (L) 11	24/9	24/9	
80½	80	2½ a	2½ a	504	7 19 3	46/9	39/6	6 b	United Castle Ord. (L) 11	23/6	23/6	
124½	117	2½ a	2½ a	117½	4 5 5	3/3	2/7½	2½ a	Tea and Rubber	21/-	21/-	
62½	51	2½ a	2½ a	53½	7 4 6	26/9	24/-	Nil c	Jokai (Assam) Tea (L) 11	41/3	43/-	
31½	25	2½ a	2½ a	26½	8 15 5	39/3	35/6	Nil c	London Asiatic Rub. 2/-	3/-	3/-	
70	64	2½ a	2½ a	54	7 2 10	117/6	100/-	15 b	Rubber Pltns. Trust (L) 11	25/-	25/-	
70	64	2½ a	2½ a	67½	4 8 11	93/1½	81/10½	2½ a	United Sui Betong (L) 11	37/-	37/-	
70½	69½	2½ a	2½ a	72½	8 10 3	90/7½	80/12½	12½ a	Anglo-Iranian Ord. (L) 11	106/3	105/-	
Oil												
89½	84½	7½ a	10 b	67½	4 0 0	24/6	19/9	10 c	Burmah Oil Ord. (L) 11	85/7½	85/7½	
79½	6½	2½ a	3½ b	62	4 10 6	64/-	59/-	10 c	Shell Transport Ord. (L) 11	83/9	83/9	
388½	382	6 c	6 c	385½	2 19 0	77/-	70/-	30 c	Trinidad Leaseholds (L) 11	95/-	95/7½	
44½	44	6 c	6 c	44	7 6 4	67/9	52/6	3 a	Miscellaneous	20/7½	20/7½	
33	20½	6 c	6 c	32	2 0 4	46/9	41/6	110½ c	Assoc. Brit. Picture 5/-	58/6	58/6	
37½	32½	4 b	3 a	36½	3 11 9	131/10½	111/10½	110½ c	Assoc. P. Cement Ord. (L) 11	73/-	73/-	
62½	76½	7 a	7 b	66½	1 18 9	90/6	83	4 a	Barker (John) Ord. (L) 11	58/-	58/-	
62½	59½	3½ b	3 a	114	2 2 0	100/9	85	4 a	Boots Pure Drug Ord. 6/-	46/-	46/-	
12½	10½	2½ a	2½ a	63½	3 15 0	53/-	45/9	8 c	British Aluminium (L) 11	56/-	56/-	
89½	80½	6 c	6 c	85½	3 8 9	37/3	32/-	8 c	Brit.-Amer. Tobacco (L) 11	120/-	120/-	
90½	83½	7½ a	7½ a	93½	3 14 0	22/6	18/9	6 c	British Oxygen Ord. (L) 11	87/-	88/-	
97½	90½	8 c	8 c	178	3 16 6	39/6	36/-	12½ a	Cable & W. Hdg. Stk. 8/-	145/-	145/-	
79½	76½	7½ a	7½ a	78½	3 10 6	96/3	90/3	7½ a	Carreras 'A' Ord. (L) 11	50/6	50/6	
18½	18	9 b	9 b	63½	4 0 9	40/9	38/3	10 b	Dunlop Rubber Ord. (L) 11	35/-	34/-	
65½	60½	3½ a	3½ a	94½	3 3 0	8½	7½	11½ a	Elec. & Mus. Ind. (L) 11	19/6	19/6	
97½	92½	9 a	9 a	94½	3 15 9	44½	43½	11½ a	Gaumont Ltd. 5/-	39/-	39/-	
Insurance												
29½	27½	40 a	50 b	28½	3 3 0	67/6	66/-	15 a	Gestetner & Co. Ord. (L) 11	92/6	91/3	
14½	13½	6½ b	4½ a	14	3 15 9	105/-	92/6	7½ a	Imperial Chemical Ord. (L) 11	39/-	39/-	
104	9½	15 a	17½ b	105½	3 3 0	46/3	36/3	15 c	Imperial Tobacco Ord. (L) 11	7½	7½	
131½	115½	16 a	16 b	125½	3 2 0	42/3	38/-	2½ a	International Nickel n.p.	44½	44½	
35	30	10½ a	10½ b	32	3 2 0	45/3	38/-	10 b	Lever & Unilever Ord. (L) 11	48/-	48/-	
17½	14½	10½ a	10½ b	15½	3 10 6	45/9	38/6	10 b	London Brick Ord. (L) 11	50/-	50/-	
29½	25½	8½ a	8½ b	28	2 8 6	114/4½	103/9	12½ b	Marks & Spencer 'A' 5/-	72/9	73/9	
10½	9½	11 a	11 b	10½	3 0 0	87/1½	77/6	8½ a	Murex (L) Ord. (L) 11	97/6	97/6	
Investment Trusts												
242	233	8 b	4 a	240½	4 2 9	65/7½	60/-	32 a	Odeon Theatres 5/-	38/9	38/9	
240	249	8 b	4 a	255½	4 5 9	77/6	68/-	12½ c	Pinchin Johnson Ord. 10/-	71/9	71/9	
239	225	7 b	3 a	237½	4 4 2	16½	30/3½	15 c	Tate and Lyle Ord. (L) 11	39/-	39/-	
Brokers, &c.												
80/-	173/-	115 b	115 a	179/6	2 4 6½	34/4½	30/3½	15 b	Triplex Safety Glass 10/-	43/-	43/-	
120/-	106/3	6½ a	13½ b	116/9	3 9 9	6	11/3	10 c	Tube Investments Ord. (L) 11	110/-	108/9	
108/-	135/6	18 b	11 a	145/6	3 18 6	11/3	10/1½	5½ a	Turner & Newall Ord. 6/8	81/3	82/-	
108/-	101/3	7 a	15½ b	102/-	4 7 9	11	9½	2½ a	United Milk Ord. (L) 11	43/-	43/-	
Bass Ratchford Ord. (L) 11												
Distillers Co. Ord. (L) 11												
Guinness (Arthur) Ord. (L) 11												
Ind. Coops. & Butchers (L) 11												
Bass Ratchford Ord. (L) 11												
Distillers Co. Ord. (L) 11												
Guinness (Arthur) Ord. (L) 11												
Ind. Coops. & Butchers (L) 11												

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THE ECONOMIST

Commercial History & Review of 1944

The Eighty-Second of the Series which began in 1863

Vol. CXLVIII

SATURDAY, APRIL 7, 1945

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United Kingdom

Industry and Trade

DURING the year 1944 the fully-mobilised British war economy continued to go "all out": some 5,000,000 persons were engaged in the Services; even more laboured to keep them supplied with munitions and stores, and a mere "garrison" was occupied in meeting the minimum needs of civilians.

The war production programme was adjusted to meet the changes in the military campaigns; civilian production remained low and the stocks of durable consumers' goods continued to run down; the output of food, in contrast, was maintained at a high level. The sore spot in production, as in the year before, was coal; in spite of all efforts output continued to shrink.

Overseas trade, inevitably, remained at a minimum; the volume of exports was again barely a third of the pre-war level. After the successful liberation of France the probability of the conclusion of large-scale military operations in Europe in 1945 underlined the pressing need for preparing for the change-over to a peace economy.

The Government issued plans for the partial demobilisation during the interim period between the defeat of Germany and the defeat of Japan. High priority will have to be given during this period to the expansion in exports as a means of paying for necessary imports of food and materials, and for the relief of the housing shortage, the acuteness of which will be revealed as soon as demobilisation gets under way.

Individual industries have also begun to look ahead and to prepare plans for re-conversion. Most of them have drawn up plans and submitted them to the Government departments concerned. Very little was done in 1944 towards the physical preparations for the switch-over, chiefly because the necessary designers, technicians and workers could not be spared for this purpose. Equally, very little could be done to carry out the repairs and replacements of plant and machinery made necessary after 5½ years of continuous running.

In the wide sphere of economic reconstruction the Government published a statement outlining a policy designed to ensure the maintenance of a high and stable level of employment; but, in general, Britain was still too much pre-occupied with the war to clarify in detail the problems of reconstruction.

Agriculture

THE publication of agricultural statistics was resumed in 1944, and a summary of those relating to the war years is given on page 11. In accordance with the "four-year-plan" announced in 1943, the total area under tillage and under corn crops was little altered between 1943 and 1944; this stable total was obtained by ploughing for crops some 370,000 acres of permanent grass, while the area of temporary grass increased by about 540,000 acres. Producers of milk, fat cattle, calves, sheep and lambs were guaranteed, from July, 1944, for four years, an assured market for their whole output of meat and milk at prices not less than those then current (excluding the temporary milk

bonus paid in 1943-4). Actual prices for fat stock for the year 1944-5 were to be considerably above these minima; a review of costs and prices would take place every February on the basis of which the actual prices to be paid for these and other products would be settled for the next season. At the end of the year, the Agricultural Wages Board recommended an increase from £3 5s. to £3 10s. in the minimum weekly wage for adult male workers in agriculture, with corresponding adjustments in their overtime rates; no increase was awarded in the rates of pay for women and juveniles.

Manpower and Labour Conditions

AN overall shortage of labour was the dominant feature of the manpower situation throughout 1944, and though industry continued to absorb men and women who could be spared from the Armed Forces, military requirements became increasingly pressing with the development of the Western offensive. The scale on which the national manpower was mobilised was disclosed in the White Paper on the War Effort, which gave the statistics up to mid-1944. Later figures were published subsequently by Sir Godfrey Ince, and the table below gives a complete record of the numbers engaged in the various sections of the war effort from 1939-1944. One of the most significant features of this table is the extent to which the less essential industries were progressively denuded of their labour force,

(000's omitted)

Mid-year	Armed Forces	Civil Defence	Industrial Groups			Unemployed	Total Population of Working Age
			I	II	III		
1939—Men	477	80	2,600	4,688	5,798	1,043	16,010
Women	...	...	506	852	3,479	302	16,040
1941—Men	3,271	324	3,140	4,264	4,116	158	15,977
Women	103	59	1,100	1,269	3,479	146	16,030
1942—Men	3,785	304	3,285	4,154	3,553	103	15,934
Women	307	80	1,705	1,496	3,301	59	16,030
1943—Men	4,284	253	3,305	4,040	3,093	76	15,921
Women	461	70	1,928	1,592	3,186	36	16,020
1944—Men	4,502	225	3,180	4,051	2,905	71	15,910
Women	467	56	1,831	1,635	3,103	31	16,020
1944: Dec.—Men	4,526	173	3,071	4,066	2,935	86	...
Women	457	40	1,687	1,619	3,139	44	...

which in fact suffered a decline of one-third since 1939. The last six months of 1944 showed a slight reversal of this trend. The manpower of the basic industries was well maintained, but the numbers engaged in munitions production actually declined from the peak of 1943, the decline being the most marked in aircraft production, which was no longer given the overriding

priority in labour it had enjoyed in the previous year. In view of the continuing strain on manpower resources, it is not surprising to find that unemployment in mid-1944 was the lowest of the war, though it rose slightly during the last six months of the year, as a result of temporary dislocation due to production changes and not to any shortage of employment.

There were more industrial disputes in 1944 than in any other year of the war, and the number of working days lost (3.7 millions) was nearly three times as great as in 1943 (1.8 millions). For this, the coal-mining industry was mainly responsible, with prolonged stoppages in the spring in South Wales and Yorkshire over the terms of the Porter wages award, which lost 550,000 and 1,000,000 working days respectively. The metal, engineering and shipbuilding industries accounted for about one quarter of the total number of working days lost. Many of these strikes were due rather to a cumulation of factors such as growing war-weariness, rather than to grievances about wages or conditions. There was considerable evidence of instigation, particularly in the engineers' strikes on Tyneside. In order to reduce the danger to the war effort the Minister of Labour in May introduced a new Defence Regulation (IAA) directed against fomenters of strikes.

Many wage claims were presented during the year and most unions succeeded in securing some advances, whether by negotiation or by reference to arbitration. By July, 1945, the Ministry of Labour calculated that wage rates in July, 1944, were 35.36 per cent higher than in October, 1938, though earnings increased during this period by as much as 82 per cent. The chief industries to benefit from wage increases were agriculture, coal mining, transport, engineering, textiles and building. The agricultural minimum was raised to 65s. a week at the beginning of the year, and in December the Central Wages Board recommended an increase of a further 5s. The Porter Tribunal in the mining industry awarded in January a weekly minimum of £5 for face workers and £4 10s. for surface workers. The new level of mining wages was stabilised until 1948 under an agreement concluded in April between owners and miners. Adult male engineers were awarded an increase of 4s. in their national bonus in April (the unions had asked for a 10s. weekly increase); this was followed by an increase in the wages of women engineers in July. Adult cotton textile workers were awarded a 4s. increase in January and various increases were granted to woollen textile workers later in the year. Railway workers, builders' craftsmen and labourers, distributive workers, clothing, food, drink and tobacco employees also received higher wage rates during the year.

On January 1, 1945, the cost-of-living index stood at 102 per cent above July, 1914, compared with 99 per cent in January, 1944. The Chancellor of the Exchequer stated in April that while the policy of subsidising essential foodstuffs would be continued, the index would be allowed to rise slightly. This decision led to renewed pressure, mainly from trade union organisations, for a revision of the basis of calculating the cost-of-living index.

The Government's policy of raising the standards of the lowest paid industrial workers and encouraging joint consultation throughout industry was developed throughout the year with marked success. The Catering Wages Commission, originally so vigorously opposed, made recommendations for the establishment of Wages Boards in many sections of the catering industry. A committee was appointed by the Ministry of Labour to investigate the conditions of domestic service and efforts were made to organise schemes for home helps under the local authorities. The number of joint Industrial Councils continued to increase. Most of the wartime advances were incorporated in the Wages Councils Bill which Mr. Bevin introduced in December, 1944, and which was designed to turn Trades Boards into Wages Councils, with a corresponding improvement in the status of Trade Board workers, and to encourage collective

bargaining. Part III of the Bill, designed to make bona fide agreements binding on employers, will run for four years and is intended to facilitate a smooth transition from war to peace.

As the end of the war approached, increasing attention was paid to the problems of resettlement and of achieving the orderly demobilisation of the highly mobilised manpower. The White Paper on demobilisation at the end of the German war, published in September, established the formula of release

WAGES AND COST OF LIVING

	Wages (a)*		Cost of Living (b)	
	1943	1944	1943	1944
January	1401	1481	199	199
February	1401	1481	199	200
March	1422	1481	199	200
April	1431	149	198	200
May	1441	1511	199	200
June	1441	152	198	200
July	1441	1521	200	201
August	1441	1521	199	202
September	1441	1521	198	202
October	145	1521	199	201
November	1451	1531	199	201
December	1461	1531	199	201
Average	144	151	199	200

Index (1924=100) compiled by Prof. Bowley, eliminating seasonal fluctuation Ministry of Labour Index for 1st of month (July 1, 1914=100).
* Revised Index.

according to age plus length of service, with a priority of release for a limited number of men (Class B) urgently required for building and key reconstruction work. This scheme was followed by a further White Paper on the reallocation of civilian manpower, which laid down the order of release for workers from munitions and their transfer to other forms of production. The adverse military situation in December, however, caused many of the reconversion activities which had already been set in train to be postponed.

Commodity Prices

PRICES continued to rise during 1944, but the rate of increase was smaller than during the preceding war years. During 1914-18, by contrast, the rise gained momentum from year to year. Broadly, the reasons for the slower rate of increase during the present war are the more efficient control at home and abroad (the latter slowed down the rise in import prices).

Wage rates, as is shown in the preceding survey, continued to advance, though slowly; the pressure for higher wages continued but, with a few exceptions, as in coal-mining, gains were smaller than in preceding years.

The Ministry of Labour's index of the cost of living again remained almost unchanged, though at the price of some increase in subsidy payments.

The *Economist's* index of wholesale prices, given in detail on page 16, again showed only a slight rise; coal prices, exceptionally, again rose sharply, for the increase in wage rates was not accompanied by a rise in productivity.

The rise in the average price of manufactured goods, as reflected in the export trade returns (publication of these was resumed in 1944), was comparatively slight; in 1943, average export prices were 75 per cent higher than in 1938; in 1944 they were 82 per cent higher.

Finance and Investment

The Stock Exchanges

THE year 1944 was again a period of rising prices for industrial equities, but again these closed the year below the best touched. Within the very narrow limits of their movement, fixed interest stocks also improved, and they recovered a substantial part of the fall which occurred in 1943. But the rise in the general body of these securities was caused by improvements in industrial debentures and preference stocks. Despite the figures of the accompanying table, the indices show a fall in the value of gilt-edged, although a very small one.

The improvement in fixed interest stocks was fairly steady, but there were the usual fluctuations in ordinary shares. A slightly rising trend until mid-March was accentuated thereafter and continued at the increased rate until mid-August, when there was a sharp reverse to approximately the end-May level. After that a rather tentative recovery set in, but at the end of the year prices, according to the index of *The Financial News*, had only regained about half the ground lost in the month mid-August to mid-September. At the end of the year the investor was still more uncertain as to the post-war plans of the Government than about the progress of the war. There were, however, beginning to be some indications as to the general outline of the reconstruction period.

Security	Year 1944						
	Jan. 6	April 15	May 19	Aug. 15	Sept. 21	Nov. 21	Dec. 29
2½% Consols	791	79	79	791	79	811	811
3½% War Loan	1031	1041	1031	1031	1041	1031	1041
L.M.S. 1923 4% Pref. Stk.	63	591	61	581	571	60	631
G.W.R. Ord. Stk.	621	591	61	581	571	591	591
Bass, Ratcliff & Gretton (L1)	167/-	168/6	176/6	177/-	173/6	175/6	174/6
Distillers (L1)	88/6	89/9	92/9	105/6	101/3	106/3	108/9
Confairlands (L1)	53/-	52/3	52/9	56/6	55/3	56/-	57/3
Imperial Chemical (L1)	39/-	38/71	39/71	40/6	37/9	39/6	39/-
Murex (L1)	100/-	103/11	105/71	102/6	96/3	101/3	101/3
Cunard Steamship Ord. (L1)	24/-	22/6	22/-	22/3	21/-	21/9	22/-
United Steel Co.'s Ord. (L1)	24/9	25/-	26/9	26/3	24/6	26/6	26/3
Rolls Royce Ord. (L1)	105/1	102/6	105/3	103/9	110/-	111/3	111/3
Marks & Spencer "A" (5/-)	54/-	56/3	58/3	67/9	66/-	67/6	67/3
Brit.-Amer. Tobacco Ord. (L1)	105/3	111/3	110/-	122/6	117/6	120/-	115/9
Imperial Tobacco Ord. (L1)	113/9	156/3	157/6	165/-	157/6	163/9	162/6
Anglo-Iranian Oil Ord. (L1)	81/3	114/41	118/9	125/71	118/9	113/9	108/1
Blyvoors (10/-)	76/3	90/-	86/3	120/-	130/-	127/6	125/3
Harrisons & Crosfield Defd. (L1)	18/6	16/9	82/6	92/6	91/3	92/6	91/3
Gaumont British Ord. (10/-)			20/-	23/-	22/3	21/3	21/6

* Ex-dividend.

New Capital Issues

THE see-saw movement in the total amount raised from the investing public, other than at short term, continued in 1944. The whole scene is, of course, dominated by Government borrowing and there was a recession of some £130 million from the 1943 peak figure of £1,586 million odd. It need hardly be said that total Government borrowing has not declined, but it has proved to be in line with general policy to raise more by the issue of Treasury bills and deposit receipts.

With the exception of Empire borrowing all operations involving new money show a further decline, there having been no operations to record in several categories. Conversions, however, show some increase. This must be due mainly to the accident of maturity dates, but it may owe something to the recovery in fixed interest prices.

TOTAL BORROWINGS BY OFFERS TO PUBLIC AND TO SHAREHOLDERS ONLY (Million £)

Calendar Years	British				Empire	Foreign	Total Issues	Index 1928=100
	Government	Home Corporations*	Others	Total Home				
1928	83.9	14.9	164.8	263.6	63.2	42.3	369.1	100
1936	60.2	79.5	90.6	230.3	24.8	0.7	255.8	69
1937	95.8	43.7	84.7	224.2	21.1	6.3	251.6	68
1938	75.9	24.9	62.2	163.0	24.3	2.8	180.1	49
1939	36.8	12.1	26.7	75.6	15.8	0.3	91.7	25
1940	1070.8	Nil	1.4	1072.2	0.2	Nil	1072.4	293
1941	1497.5	Nil	0.4	1497.9	2.9	Nil	1500.8	406
1942	1497.1	Nil	0.3	1497.4	0.4	Nil	1497.8	398
1943	1586.3	Nil	1.8	1588.1	1.5	0.1	1589.7	431
1944	1456.5	Nil	0.8	1457.3	2.5	Nil	1460.6	397

* Including County and Public Board Loans.

TOTAL BORROWING, INCLUDING STOCK EXCHANGE "Permission to Deal" (Million £)

Calendar Years	British				Empire	Foreign	Total Issues
	Government	Home Corporations*	Others	Total Home			
1939	36.8	12.1	66.2	115.1	25.5	2.2	142.8
1941	1,497.5	Nil	8.0	1,505.5	4.2	0.1	1,509.8
1942	1,457.1	Nil	9.2	1,466.3	0.8	0.1	1,467.2
1943	1,586.3	1.7	12.5	1,600.5	2.7	0.6	1,603.8
1944	1,456.5	Nil	5.3	1,461.8	2.7	Nil	1,475.3

* Including County and Public Board Loans.

CONVERSION ISSUES (Million £)

	1939	1940	1941	1942	1943	1944
British Govt.	Nil	352.8	Nil	Nil	Nil	Nil
Other	26.0	Nil	54.4	47.8	24.7	38.3
Total	26.0	352.8	54.4	47.8	24.7	38.3

Industrial Profits

THE very slight improvement which occurred in the published profits of companies during 1943 was somewhat accentuated during last year. The re-calculated gross profits fully confirm the showing of the published figures. There have been numerous increases in individual dividends, but it seems probable that at least as high a proportion of the amount earned for ordinary capital has been appropriated to free reserves as in recent years. The reasons for such increases in reserves as have occurred seem to be mainly two. In disclosed profits as have occurred of selling prices, a reduced cases where there is no tight control of selling prices, a reduced turnover in material terms has not uncommonly meant a larger cash profit. This accounts for one set of rises. The other is mainly not concerned with true earnings, but with adjustments in EPT or with reductions in other specific provisions which directors have felt it incumbent upon them to make, although they may not have disclosed them.

COMPANY REPORTS PUBLISHED IN CALENDAR YEARS 1933-43

	Net Profits*			"Chain" Index 1928=100
	No. of Companies	Current Year's Reports	Same Companies, Preceding Year	
1933	1,945	£ Mn. 141.4	£ Mn. 140.8	63.4
1934	1,975	168.8	144.8	73.9
1935	2,116	203.2	175.3	85.7
1936	2,186	239.1	212.2	96.5
1937	2,279	281.4	240.3	120.7
1938	2,389	302.7	284.4	110.8
1939	2,342	267.5	291.4	106.6
1940	2,260	208.1	216.3	94.3
1941	2,041	175.6	198.6	90.0
1942	2,002	167.7	176.7	93.1
1943	2,071	167.9	162.3	93.1

* After Debenture Interest.

† 1940 to 1943 figures are not strictly comparable with previous years.

QUARTERLY CHANGES IN PROFITS* 1934-44

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year
1934	547	+ 5.3	642	+ 18.2	318	+ 27.7	468	+ 32.9
1935	592	+ 14.6	694	+ 17.8	345	+ 12.2	485	+ 16.9
1936	569	+ 15.3	739	+ 10.6	382	+ 14.3	496	+ 15.2
1937	628	+ 11.9	765	+ 19.9	337	+ 19.2	549	+ 20.2
1938	646	+ 10.5	805	+ 12.9	374	+ 1.4	564	+ 4.4
1939	656	+ 9.0	793	+ 8.2	345	+ 7.9	548	+ 7.1
1940†	552	+ 4.1	722	+ 5.0	428	+ 16.8	558	+ 3.7
1941†	439	+ 9.0	497	+ 12.5	498	+ 17.5	607	+ 7.5
1942†	426	+ 10.5	426	+ 4.1	480	+ 0.2	569	+ 4.0
1943†	465	+ 1.0	535	+ 4.3	518	+ 8.6	553	+ 2.4
1944†	524	+ 1.6	629	+ 6.2	494	+ 7.9	...	...

* After Debenture Interest. † 1940 to 1944 figures are not strictly comparable with previous years.

DIVISION OF PROFITS (FOURTH QUARTER COMPANIES)

Reports Issued during Fourth Quarter	Proportion of Profits (after Deb. Interest)			Rate of Payment on each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or Carried Forward	Debenture	Preference	Earned for Ordinary	Paid on Ordinary
1934	19.6	59.9	20.5	4.85	3.7	9.9	6.8
1935	19.0	55.2	25.8	4.84	4.5	11.6	7.9
1936	17.5	53.5	29.0	4.75	4.9	14.2	9.2
1937	15.7	51.6	32.7	4.59	5.4	18.2	11.2
1938	13.9	48.8	37.3	4.47	5.0	18.7	10.6
1939	16.0	46.1	37.9	4.47	4.8	14.9	8.2
1940*	23.6	61.4	15.0	4.80	5.8	12.1	8.4
1941*	29.5	54.1	16.4	4.60	6.4	10.9	8.4
1942*	25.6	50.0	24.4	4.90	6.4	14.1	9.4
1942†	20.9	56.8	22.3	4.70	6.2	13.9	10.0
1943†	20.6	57.7	21.7	4.70	6.3	14.5	10.6
1944†	18.6	57.7	23.7	4.20	6.5	17.2	12.2

* 1940 to 1943 figures are not strictly comparable with previous years. † Whole year. ‡ New basis. § Third Quarter Companies.

The Money Market

BANK rate remained at 2 per cent during the year 1944, and the open market rate for three months' bills averaged £1 0s. 8d. for the fourth year running. The background for developments in the London money market, therefore, remained rigidly fixed. The year saw no new developments of open market technique. The turnover of funds was probably greater last year than in any previous comparable period, and the main task of the authorities was that of seeing that this turnover caused the smallest possible immobilisation of funds. This was achieved by further refinements of the open market technique which enables the market to have access to special assistance without having to be penalised by high rates. At the slightest evidence of stringency in the market the required help has been made available through official purchases of short-dated bills. When the necessary short maturities have not been available in the discount market, the authorities have acquired them from one or other of the clearing banks with the understanding that the selling institution would then help the market by buying from it longer dated paper. Reverse operations have also taken place on a considerable scale, and some of the bills bought from the market at times of stress have been resold when the pressure on credit has disappeared. Thanks to this technique of open market operations the seasonal pressures of the end of the year and half-year were passed without any borrowing at Bank rates from the Bank of England.

Clearing bank deposits in 1944 averaged £4,153 million, as compared with £3,677 million in 1943. Of the increase, £210 million was accounted for by current accounts and £166 million by fixed deposits. The bankers' clearing house handled an average of £204.7 million of cheques on each working day last year, as compared with £186 million in 1943 and £158.5 million in 1942. Provincial clearings added a further £3.68 million to the daily clearings last year as compared with £3.8 million in the previous year. The comparative and absolute decline in provincial clearings was due to the fact that an increasing number of cheques previously handled in these local centres were last year forwarded to the central bankers' clearing house.

Foreign Exchanges

THE control of the foreign exchange market underwent no important change during the year 1944. The only developments of note were connected with the liberation of various European countries, the negotiation of financial and payments agreements with them and the admission of their currencies to quotation in the London market. In February, 1944, a preliminary Anglo-French agreement provided for the unification of the rates of exchange of the de Gaulle and North African francs, the sterling value of which was fixed at 200 francs to the pound. With the liberation of France the rate of exchange of the metropolitan franc

was fixed at the same figure. Although in the initial stages of the invasion the Allied armies used military franc currency printed for this purpose in the United States without authorisation of the provisional French Government, they soon abandoned its use and began to utilise normal Bank of France notes. In October a monetary agreement was negotiated between the United Kingdom and Belgium. The rate of exchange was fixed at 176½ Belgian francs to the pound, this being the figure at which the Belgian Congo franc had previously been stabilised in terms of sterling. The Anglo-Belgian monetary agreement provided for clearing machinery to finance trade between the sterling area and the currency area comprised by Belgium, Luxemburg and the Belgian Congo.

One of the more interesting monetary experiments of the year was the arrest of galloping inflation in Greece following the liberation of that country and the introduction of a new and stable drachma. Unfortunately, the introduction of the new drachma was quickly followed by the opening of the civil war in Greece, and under these conditions the new currency was given a somewhat unpromising start. With the arrival of more abundant supplies of foodstuffs and other consumer goods this initial handicap was fairly rapidly overcome.

With the Allied invasion of Germany a rate of exchange had to be fixed for the reichsmark. After considerable and at times acrimonious debate between the principal Allies, the rate was fixed at the level desired by the Americans, namely, 40 marks to the pound and 10 marks to the dollar.

The Bullion Market

The gold market remained rigidly controlled throughout the year 1944. The sterling price was held at 168s. per fine ounce. The activity of the London gold market was largely confined to the liquidation of certain pre-war holdings of non-residents. These were made with the consent of the Custodian for Enemy Property, and the metal in question was, in accordance with the Defence Regulations, sold to the Bank of England. A few sovereigns and half-sovereigns also found their way to the market out of domestic hoards and were disposed of to the Bank. On the other side of the trading account, small amounts of gold required for approved industrial purposes were made available by the Bank of England during the year.

The most interesting and important open gold markets during the year were those that continued to function in India and

the Middle East. In all these countries the gold markets were fed by official sales designed to provide local currency to meet Allied military expenditure and to act as an anti-inflationary solvent. In India the sales, made through the Reserve Bank, are estimated to have amounted to 11,700,000 tolas, or 4,390,000 ounces over the whole year. The peak price of Rs. 79 per tola, or £15 16s. per ounce, was reached on March 29th, and the lowest quotation of the year was Rs. 61 per tola, or £12 4s. per ounce, reached on November 1st.

Throughout the year the London silver quotation remained unaltered at 23½d. per ounce standard for both cash and two months' delivery. On December 29th, however, it was announced that from the beginning of 1945 bar silver would be quoted on the London market in pence per ounce Troy .999 fine instead of per ounce standard, i.e., per ounce Troy .925 fine. The price of 23½d. per ounce standard is equal to 25.38d. per ounce .999 fine. In making the adjustment the new quotation was rounded off to 25½d. Normal silver imports into Great Britain were small, and most of the silver made available to the market for approved industrial purposes consisted of metal obtained on Lend-Lease terms from the United States and Canada.

As in the case of gold, the most interesting manifestation of a true market in silver was to be found in India. In March the India authorities obtained 16 million ounces of silver from the National Bank of Iran. With this and silver obtained on Lend-Lease from the United States, the Indian authorities began to make official sales of silver early in August, and by the end of the year had sold about 17 million ounces of the metal. The rupee silver quotations touched their high of Rs. 143 per 100 tolas on April 24th, the lowest price being Rs. 113/12 recorded on November 3rd. The sterling equivalents of these two quotations are 63½d. and 50½d. respectively per ounce standard, so that, as in the case of gold, silver in India has remained very appreciably above the parity indicated by the official prices quoted in Great Britain and the United States.

The world production of gold in 1944 is estimated by the Union Corporation to have amounted to 27,500,000 fine ounces, compared with 29,700,000 ounces in 1943 and the peak figure of 40,810,000 ounces for 1940. No complete estimates have yet been made for silver output, but the trend has been sharply downward in most producing countries. Mexico last year produced 63 million ounces against 87 million. In the US the drop was from 44,800,000 to 34,500,000 ounces and in Canada from 18,200,000 to 14,600,000 ounces.

Overseas Countries

United States

In 1944 economic activity in the United States continued at a high level under the stimulus of military demands. The gross national product, which includes all Government expenditures for goods and services as well as private expenditures, totalled about \$197 billion, compared with \$187 billion in 1943 and pre-war figures of less than \$100 billion. To a considerable extent the increase over 1943 represents larger expenditures for pay of the expanded armed forces and higher prices, but the physical volume of output of goods and services by American industry, commerce, and trade continued at a high level notwithstanding the reduction in the available labour force.

Prices continued firm during the year, with available indices showing little further rise. There were indications, however, of some deterioration in the goods and services available and of various types of higher costs which are not reflected in the indices. Towards the end of the year pressure for upward prices and wage adjustments became greater.

Government Expenditures.—Total outlays by the Federal Government in 1944 amounted to \$97 billions, of which expenditures for war purposes accounted for \$91 billion, compared with \$85 billion in the previous year. There were reductions in expenditures for some items in the course of the year, but increases in others, especially those for newly developed military weapons and supplies. These war expenditures by the Federal Government included Lend-Lease aid to Allied Nations, which continued at the high level reached in the previous year, amounting to \$11 billion, compared with \$10 billion.

Total expenditure, together with an increase of \$10 billion in the Treasury's cash balance, were financed to the extent of \$44 billion out of tax revenue, of \$40 billion by individual and corporate savings, and of \$23 billion by borrowing from banks.

Civilian Supplies.—Consumer expenditures increased throughout the year 1944. In the last quarter of the year they reached an annual rate of about \$100 billion, and for the year as a whole amounted to \$97 billion compared with \$91 billion in 1943. Notwithstanding the growing pressure of war demands and a highly successful war loan drive in November and December, the Christmas retail trade was the largest on record. It appears likely that a good part of the increase in the dollar amount of trade represents higher prices for poorer quality of goods. The larger volume of consumer expenditures, therefore,

represents to a considerable extent the spending of increased incomes upon anything available rather than an improvement in living standards.

Agriculture.—The physical volume of production of crops and livestock continued to increase to new high levels in 1944. The total was about 3 per cent higher than in the previous year and 33 per cent above the 1935-39 level. The number of farm workers has declined by about 6 per cent from the pre-war level, while the total land area in farms has changed very little. This achievement of increased production on the same land and with a decrease in the labour supply has been due to many factors, including good weather, but technological advances have been of major importance. Government policy has relied on three main methods to stimulate and direct agricultural production into the desired channels—prices of farm products have been allowed to rise, guaranteed price floors have been established, and the co-operation of farmers has been secured to meet the county allotments of national production goals determined for each year. The higher prices paid to farmers resulted in a rise in food costs to consumers, but the subsequent use of subsidies partly reduced this increase in the cost of living.

Foreign Trade and Balance of Payments.—Exports of goods from the United States, other than through Lend-Lease, increased to about \$3 billion in 1944 from \$2.6 billion in 1943. The 1944 figure is about the pre-war average value, but, in view of the increase in prices, is much less in physical volume. Imports increased to \$3.9 billion in 1944 from \$3.4 billion in 1943, reflecting in part higher prices and in part increased quantities. These imports compared with a pre-war average value of about \$2.5 billion a year. Most of the increase both in imports and in exports occurred in trade with Latin America and Canada.

Large US Government payments for expenses abroad not covered by reverse Lend-Lease, together with the excess of imports over non-Lend-Lease exports, has placed the United States in an unfavourable balance of payments position during the war. The balance on current transactions amounted to somewhat more than \$2 billion in 1944, compared with less than \$2 billion in 1943. In both years the balance was met largely by an increase in foreign assets in the United States and by loss of gold. The gold loss was a much larger factor in 1944, amounting to \$1.3 billion compared with \$700 million in the previous year, when the building up of foreign short-term balances in this country was a more important factor.

National Income and Savings.—Individual incomes, including the pay of the armed forces, increased to \$156 billion in 1944 from \$142 billion in 1943. Personal taxes, which had increased sharply in 1943 to the total of \$18 billion, rose further to \$23 billion in 1944. With consumer expenditures at a level of \$97 billion, individual savings continued in large volume, amounting to \$36 billion, compared with \$33 billion in the previous year. Nearly half of the savings of individuals was retained in cash forms—currency and bank deposits.

Corporate savings continued at a high level in 1944, but were not quite so large as in the previous year, largely because of the further increase in tax payments.

Banking and Credit.—Banking developments were largely determined by Treasury financing and a continued drain of currency into circulation. Commercial banks and the Federal Reserve Banks together added about \$23 billion to their portfolios of Government securities, and mutual savings banks obtained an additional \$2 billion. Bank deposits increased by about \$23 billion, currency in circulation increased by over \$5 billion, and the monetary gold stock declined by over \$1 billion.

The increase in total deposits and currency of \$28 billion was somewhat larger than that shown in 1943, but the 1944 growth included a \$10 billion increase in United States Government deposits, compared with \$2 billion in 1943. This difference reflects in large part the timing of the three war loan drives in 1944 as contrasted with the two drives in the previous year. Additions to demand deposits, other than those of the Federal Government and of banks, declined from \$12 billion in 1943 to \$6 billion in 1944; this difference reflects to a considerable extent the smaller accumulation of corporate cash balances, and is due in part to the timing of war loan drives. Demand deposits of individuals and currency, which is largely held by individuals, continued to increase by almost the same amount as in 1943, while the growth in savings deposits increased to \$7 billion in 1944 compared with \$4 billion in 1943 and smaller amounts in earlier years.

With the continued currency drains, the loss of gold, and the deposit expansion, the Federal Reserve System was called upon to supply additional reserve funds to banks in 1944, as in previous war years. To meet these demands its portfolio of Government securities was increased by \$7.3 billion in the course of the year compared with an expansion of \$5.4 billion in the previous year. The banks' reserve needs fluctuated widely in the course of the year because of the arrangement whereby the proceeds of purchases of Government securities made through banks are credited to the Treasury on war loan deposit accounts at banks, which accounts are exempt from reserve requirements. During war loan drives funds shift from deposits against which reserves are required to reserve exempt deposits and between drives there is a reverse flow.

Canada

The managers of Canadian war production programmes maintained the physical volume of output during 1944, with important changes in detail. They had to accept a postponement of plans for early conversion to civilian items. During 1944 curtailments occurred in the production of cargo ships, guns and small arms, but increases occurred in mechanical transport, instruments, signals equipment and, in view of winter developments in the war, a sharp resurgence of ammunition production in which many new American orders were placed in Canada. Virtually no additional construction of industrial facilities took place in 1944. Munitions and supplies ordered since 1939 reached a grand total of \$10.255 million. The Department of Munitions and Supply spent an average of \$8,000,000 a day in 1944, compared with \$9,000,000 in 1943. The difference was ascribed to completion of construction and increased efficiency in production. There was no sign of any substantial slackening.

Production.—If the Canadian economy is taken as a whole, in 1944 the volume of production exceeded all past records. On the basis of 1935-39 = 100, the Bureau of Statistics reported its index of physical volume of production at 228 at the end of October.

Man-power.—Canada's working population, including persons of 14 years of age and more, numbers 8,865,000. In this group, the Department of Labour reported, 5,016,000 persons were gainfully employed or in the armed services. This figure showed a slight increase over 1943 and, representing 56 per cent of the adult population, was taken as a maximum. The armed forces of Canada comprised 784,000 persons. Chief changes in distribution have been an increase of 650,000 persons in new industrial employment since 1939 and a decrease of 250,000 persons in agriculture.

Exports.—War production was the main source of exports in 1944, supplying about 75 per cent of an unprecedented value of \$3,500 million, excluding \$100 million in gold. The 1943 figure was \$2,971 million. In 1944 Canada was second only to the United States as an exporting nation, but the predominance of war items indicated the technical and temporary character of the resulting enormous favourable balance of trade. The export of agricultural products, including vegetable and animal products, accounted for \$1,100 million.

Agriculture.—Although the character of Canadian agricultural production has changed greatly during the war, the crop year

of 1944-45 brought wheat back to its traditional pre-eminence in production and export. Overall farm production has increased by 40 per cent in Canada during the war. With the 1944 wheat crop of 453 million bushels, Canada has a surplus of 648 million bushels for export.

Banking.—Canadian chartered bank figures at the end of October, 1944, were:

	Millions \$	Change from Previous Year
Canadian —		
Deposits—Demand	2,144	+317
Time	2,489	+528
Others	323	+ 4
Foreign deposits	4,966	+849
Assets—Securities	729	+128
Loans—Canada	3,622	+752
Abroad	1,048	— 28
	229	+ 62
	4,899	+786

National Income.—The national income of Canada, estimated at \$8,724 million by the Bureau of Statistics in 1943, rose by about 6 per cent in 1944, or to \$9,281 million. The most important gain took place in agriculture. The official cost of living index receded fractionally during the year, about half a point, leaving the war-time increase in the neighbourhood of 19 per cent. Inflationary pressures on the price ceiling were by no means less during the past year, as war expenditures remained at a high level and restrictions upon civilian goods and services were not relaxed. Mr. Ilsley reported that his Budget estimate of Federal expenditures of \$6,000 million for 1944-45 would be realised, and tax returns were slightly better than his estimate of \$2,617 million. Sales of Victory Bonds during 1944 amounted to nearly \$3,000 million, of which \$1,400 million were individual purchases. The seventh Victory Loan in November yielded \$1,517 million.

Raw Materials.—Though base metal production in Canada was well maintained in 1944, mineral production as a whole showed a slight recession, owing to the man-power shortage. Coal production, at 13,168,000 tons in nine months, declined a little. In 1944 Canada produced 4,700 million board feet of lumber, of which 43 per cent was exported. Steel production was 2,560,000 tons compared with 2,543,771 tons in 1943. Newsprint output increased slightly to 3,000,000 tons. Hydro-electric power installations in Canada now total 10,215,000 horse-power, with production in 1944 at the rate of 40,000 million kilowatt hours annually. Synthetic rubber production, a new item for Canada, has reached 85 million pounds. Despite the labour shortage, building construction contracts in 1944 totalled \$260 million, compared with \$180 million in 1943. Incomplete figures showed that railway passenger traffic has quadrupled since 1939, while the tonnage of freight carried increased by 122 per cent and the ton-mileage of freight hauled increased by 167 per cent.

Australia

(Currency figures expressed in Australian pounds unless otherwise indicated.)

Finance.—The total expenditure of the Commonwealth Government in the financial year 1943-44, amounted to £682 million, including £545 million for military and £142 million for non-military purposes; this compares with an original Budget estimate of £570 million military and £142 million non-military expenditure. The Budget for 1944-45 provides for a further reduction in military expenditure to £505 million (of which £53 million is overseas expenditure), with a slight increase in non-military expenditure, which is estimated at £145 million. Of the military expenditure of 1943-44, 20 per cent was accounted for by reciprocal lend-lease deliveries. The Commonwealth revenue (excluding certain self-balancing items) was £310 million last year (i.e. £2 million less than the estimate), and a revenue of £325 million is estimated for the current year. Deposits in Australian cheque-paying banks increased from £616.4 million in the second quarter of 1943 to £684.5 million in the second quarter of 1944; savings banks deposits rose from £392.1 million in 1943 to £500 million in September, 1944; and subscriptions to war savings certificates from £37.1 million in September, 1943, to £45.8 million in September, 1944.

Industry and Trade.—Australian industries started producing Beaufighter and Mosquito aircraft and torpedoes. The number of internal combustion engines produced in Australia is now 25,000 per year, compared with less than 6,000 before the war. Employment was kept on a very high level, though the number of employees in factories in August, 1944, had fallen to 728,200, compared with 746,400 twelve months previously. The strength of the Australian Army has had to be reduced during the year in order to procure the manpower wanted, particularly for primary production. The value of non-Government building operations in the six State capitals was £299 million in 1943-44. Post-war planning received much public discussion, but a Bill which should have given the necessary power for such planning to the Commonwealth Government was rejected in August after a referendum. It was announced that a Government-owned statutory authority is to take over, operate and maintain all inter-state airlines.

Price Policy.—The price stabilisation measures which were introduced during 1943 have proved an effective instrument in checking the upward trend, particularly in respect of prices on the home market. The following price indices are all based on the average of the three years ended June, 1939, which equals 1,000:—

	Export prices	Primary production prices	Wholesale prices	Retail prices
September (for retail prices July-September) 1943	1,152	1,199	1,402	1,278
September (for retail prices July-September) 1944	1,214	1,221	1,402	1,273

An index for "real" weekly wage rates of male workers (based on the average for the three years ended June, 1939=1,000), rose from 1,016 in the second quarter of 1943 to 1,046 in the second quarter of 1944.

Foreign Trade.—Australian imports have been smaller in recent months, both in value and in volume, than at any other time since the beginning of the Pacific War, apparently because the Commonwealth industries are now in a position to provide a larger proportion of the country's needs. The adverse balance of trade, which has been a wartime phenomenon, has therefore been greatly diminished, especially since Australia has kept her export of primary goods on a comparatively high level, largely because of the agreement with the United Kingdom. The Trade figures for 1943-44, so far as they are available, were as follows:

In million £ sterling	Imports	Exports
January to August 1943	153.5	68.3
January to August 1944	126.3	74.9

Agriculture.—A long drought has had a disastrous effect on the wheat harvest, which will probably be the smallest since 1919, and on other branches of agriculture. Compensation schemes for the farmers affected have been worked out, and all wheat exports, except to the United Kingdom, will probably be cancelled.

New Zealand

(Currency figures expressed in New Zealand pounds unless otherwise indicated.)

External Trade.—Recent variations in trade returns appear to be due rather to war conditions than to changes in production or markets. Prices of both exports and imports have risen since 1939, exports by 27 per cent and imports by 66 per cent, according to local index numbers. A moderate decline in the volume of exports of farm products, partly resulting from shortages of labour, materials and fertilisers, has been largely offset by special wartime exports of manufactured goods. Normal consumer imports have been in short supply, but have increased during the past year, and large quantities of defence and Lend-Lease materials are included in the import figures. This inclusion of items not paid for at present probably accounts for the wide disparity between the trade returns and the movements of exchange funds held abroad. The trade figures show an excess of imports of £18,900,000 for the past year, when exchange funds increased by £11,700,000. The recorded trade figures for the past six years are as follows:—

EXTERNAL TRADE
(£ millions)

Year ended Sept. 30	In New Zealand Currency		In Sterling	
	Exports	Imports	Exports	Imports
1939	57.7	53.9	46.2	43.2
1940	68.0	47.6	54.4	36.1
1941	68.6	46.3	54.9	37.1
1942	82.5	51.8	66.0	41.4
1943	66.3	90.3	53.0	72.2
1944	75.1	93.9	60.1	75.1

Banking.—Mainly owing to an active balance of payments, the expansion of money continued during the year ended September, 1944, though at a much reduced rate. During the year, bank credits to the Government increased by only £1,400,000, while private advances increased by £4,900,000 and net overseas funds held by the banks by £11,700,000. Total notes and deposits expanded by £18,100,000 to a little more than double the pre-war level. But in October Government advances from the Reserve Bank were reduced by £11,700,000, mainly from the proceeds of a war loan, and there appears to be an attempt to check the inflation that has marked recent years.

Though the stock of money is large, the active circulation, as indicated by bank debits, has increased much less. Large amounts of money are obviously held out of circulation, and the price-stabilisation policy applied as from the end of 1942 remains reasonably effective, with wholesale prices about 45 per cent above the 1939 level. Both import and export prices continue to rise, but local prices of exportable goods are controlled, as are wages and most of the cost-of-living index items, while a limited amount of rationing assists in fairly equitable distribution.

Recent changes in the major bank figures are as follows:—

COMBINED BANK RETURNS

(£ millions)

	End of September	1939	1943	1944	War Increases or Decreases
Liabilities:					
Note circulation	13.4	29.1	34.6	21.2	
Total deposits	68.9	119.6	132.2	163.3	
	82.3	148.7	166.8	184.5	
Assets:					
Investments, Advances to Government and Securities	35.2	54.1	85.5	150.5	
Other Advances	53.6	42.1	47.0	6.6	
Net Overseas Funds	8.6	35.1	46.8	38.2	
	97.4	161.3	179.3	181.9	

Finance.—Public finance shows little change. For the financial year ended March, 1944, total Government receipts, including taxation £100,800,000, loans £66,500,000, Lend-Lease £32,500,000, and other items, amounted to £213 million, while expenditure totalled £211,500,000, of which £152,900,000 was from the war expenses account. For 1944-45 the estimates of taxation and loans are similar to last year's receipts, while Lend-Lease receipts are expected to decline, making total receipts £204 million. War expenditure is expected to be £20 million lower at £133 million, but ordinary expenditure is estimated to be somewhat higher, making total expenditure £205 million.

South Africa

Trade.—The volume of overseas trade continued to be limited by war conditions and the availability of shipping. War requirements, mainly minerals, received preference over other commodities such as fruit, wool and wine. The shipments of citrus fruit remained, in consequence, at the same low level as the previous year, but on the other hand shipments of preserved fruit in the form of jam and marmalade were more than doubled. Other produce shipped in fair quantity included sugar, wattle-bark and wattle-extract, and mohair. Wool continued to be sold under the British-South African Wool Agreement, but shipments were limited.

There was a great expansion in imports from the United Kingdom, the United States and India and a sharp decline in imports from Argentina and Brazil. Imports from the United Kingdom increased in value from £19 million in 1943 to £24 million in 1944, from the United States from £12 million in 1943 to £18 million in 1944, and from India from £8,000,000 in 1943 to £11 million in 1944. Import values from Argentina, on the contrary, declined from £9,000,000 to £4,000,000 and from Brazil from £6,000,000 to £4,000,000.

Imports for 1944 reached the value of £85 million, an increase of £7,000,000 on the previous year's figure. Exports, other than gold and wool, amounted to £39 million, an increase of £1,000,000. Gold sales are estimated at £68 million and wool sales at £16 million. Total exports, therefore, were £123 million.

Agriculture.—Production again suffered from one of the Union's recurrent droughts, in consequence of which a smaller wheat harvest was gathered and maize plantings for the season 1944-45 were hard hit. Production has also been affected by diminished supplies of imported fertilisers and machinery, but in the course of 1944 some improvement became noticeable. Imports were increased, and home production has been encouraged to produce about 10,000 tons of agricultural implements, or 38 per cent of total requirements.

Industry.—Secondary industry has continued to make progress, although the emphasis has naturally been on the production of war material. In this field pride of place belongs to the Union's steel industry, more particularly to the South African Iron and Steel Industrial Corporation briefly known as Iscor. This organisation's annual output has shown a steady increase, from 316,991 tons in 1941 to 466,216 tons in 1944.

In general, industry was handicapped by a scarcity of materials and fluctuating shortages of skilled labour. Nevertheless, industry had a busy year and its labour supplies increased as the year progressed. Thus in January, 1944, the labour index (basis July, 1935 = 1000) was 1796, compared with the average of 1806 for the year 1943, but it gradually rose to 1846 for the ten-month period ending October 31, 1944, as compared with 1831 for the corresponding period of 1943.

An interesting Government decision was announced by the Prime Minister towards the close of the year. Under the auspices of the Industrial Development Corporation, a woollen textile factory is to be erected at the cost of £650,000. Another important decision is to permit the manufacture of margarine. Three special factories are expected to produce 15,000,000 lb. of margarine per year. The margarine will be produced for supply to the lower income groups under Government control, and dairy farmers have been given assurances that their industry will not be permitted to suffer from the competition.

Finance.—The Government's Budget for 1945-6 contained only minor changes in the structure of the Union's finance. After a series of big jumps in the past five years, national expenditure is now estimated to take a downward turn, from £180 million

estimated for 1944-5 to £123,881,680 for the coming year. Of this, only £82,500,000, instead of £102,500,000, is to go for defence. With this decline in Government spending, Mr Hofmeyr expects to be able to provide 55 per cent from revenue, instead of 50 per cent. A 3 per cent Victory Loan, announced in the Budget speech, is expected to provide the Government with long-term credit for housing, demobilisation and public works.

India

Foreign Trade.—For the first half of 1944-5, both imports and exports show an appreciable rise, imports at Rs. 93.90 crores (1 crore = 10 million), being Rs. 41.68 crores greater than in the same period of 1943-44. A great part (Rs. 27.00 crores) of this increase is attributable to increased imports of raw materials, chiefly oil and raw cotton. At Rs. 28.21 crores, imports of manufactures were greater by Rs. 8.69 crores; higher imports of chemicals, drugs and medicines accounted for almost Rs. 3 crores. Total exports for the first half of 1944-45 amounted to Rs. 114.32 crores, against Rs. 96.74 crores in the corresponding period of 1943-44, an increase of Rs. 17.58 crores, in which exports of manufactured goods were prominent. For the half-year exports of manufactured goods amounted to Rs. 62.68 crores, an increase of Rs. 11.38 crores, to which large exports of jute and cotton manufactures made the chief contribution. While imports from non-Empire countries have increased, exports to them have not risen correspondingly. The total visible balance of trade in private merchandise in favour of India declined in the first half of 1944-45. It amounted to Rs. 44.52 crores in the first half of 1943-44 and to only Rs. 20.42 crores in the corresponding period of the current year.

Finance.—Notes in circulation on December 29, 1944, amounted to Rs. 1,009.60 crores against Rs. 840.16 crores at the beginning of the year, while sterling securities held by the Reserve Bank of India at the end of 1944 amounted to Rs. 904.32 crores against Rs. 734.83 crores on January 1st. Regular sales of gold throughout the twelve months, as one of the chief anti-inflationary measures, produced very little change in the price of the metal, which stood at Rs. 74 per fine tola at the end of the year against Rs. 73 at the beginning. It is a tribute to the efficient technique of the Reserve Bank authorities that gold sales have been maintained at rates which have achieved the bank's purpose and given so little scope to the speculator. In pursuance of its anti-inflationary policy, the Government of India has continued throughout the year to enforce both physical controls and direct monetary regulations as well as to popularise the idea of "save and lend." Government loans have been well supported, and the small savings movement has been more successful in the fifth year of the war than at any previous time. Between January and October, 1944, *Capital's* index of Indian industrial activity (base 1935) rose from 111.7 to 126.6. Jute, steel, iron and paper production showed the chief gains, while coal output declined, and this had the effect of detracting from industrial output as a whole. Post-war planning and the development of Indian industry received a great impetus during 1944 by the setting up of a special department of the Government of India for the purpose. The situation in respect of consumer goods improved during the second half of 1944, but there is still much leeway to be made up and ample scope for imports of all kinds.

Eire

Agriculture.—The area under crops increased from 2,459,909 acres in 1943 to 2,567,143 acres in 1944. The area under wheat increased by 26.2 per cent to 642,487 acres. Livestock increased in numbers, except pigs, which decreased by 12.3 per cent. Horses increased by 1.1 per cent, cattle by 2.6 per cent, sheep by 4 per cent, and poultry by 7.2 per cent. The value of the gross agricultural output in 1943-44 was estimated at £95,496,000, compared with £86,203,000 in 1942-43 and £53,481,000 in 1938-39. The changes in the volume of production have been distorted by the rise in agricultural prices. The index number of the volume of the gross agricultural output (1929-30 = 100) was 97 in 1938-39, 89.3 in 1942-43 and 87.1 in 1943-44.

Trade and Industry.—The index number of the volume of production of industries producing transportable goods (1936 = 100) was 84.6 for the September quarter 1944, compared with 81.2 for the same quarter in 1943. Imports increased from £26,087,107 in 1943 to £28,243,714 in 1944 and exports from £27,479,796 to £29,610,274. The balance of trade was favourable to the amount of £1,366,560. The balance of payments was very active owing to the growth of remittances from Great Britain.

Finance.—The note circulation and bank deposits continued to advance during the year owing to the growing accumulation of net sterling assets, which increased from £114,491,084 in the December quarter of 1943 to £130,856,277 in the same quarter of 1944. The total monetary circulation was £39,593,839 in December. Both expenditure and revenue continued their upward trend. In the first nine months of the financial year 1944-45, expenditure rose by £1,546,937 to £33,407,867 and revenue by £1,171,642 to £29,401,428. Excise duties increased by £686,000 and income tax by £394,000, but customs decreased by £227,000. The

Transport Act creates a new company with a capital of £20 million to take over the Great Southern Railways and the Dublin Transport Company. The cost of living index number (July, 1944, = 100) rose from 294 in November, 1943, to 296 in November, 1944.

South America

As in 1943, features of the major republics' foreign trade were their growing export surpluses (revealed by the accompanying table) and the predominance of their inter-American trade, principally with the United States, whose imports from and exports to Latin America for the first half of 1944 were respectively, at US \$823,300,000 and US \$503,500,000, 36 per cent and 29 per cent more than for the first half of 1943. Total South American imports from the United Kingdom shrank from £21,300,000 in 1943 to £10,100,000 in 1944. The margin between import and export values reflects the persistence of import shortages and increasing export of manufactures and semi-manufactures. Inflation has been an important factor in higher trade values. In fact, in Brazil's case, 1943 volumes of both imports and exports were barely two-thirds of 1939 volumes. Its industrial production for 1943 was valued at US \$1,565,000,000 (56 per cent more than in 1938).

(000 omitted)

	Imports		Exports		Export Surplus	
	Jan.-Nov., 1943	Jan.-Nov., 1944	Jan.-Nov., 1943	Jan.-Nov., 1944	Jan.-Nov., 1943	Jan.-Nov., 1944
*Argentina: Pesos	942,048	1,007,154	2,192,264	2,352,881	1,250,216	1,345,727
Brazil: Cruzeiros	5,465,000	6,932,000	7,800,000	9,530,000	2,335,000	2,598,000
Chile: Pesos	557,000	624,000	818,000	879,000	261,000	255,000
Colombia: Pesos	66,537	76,482	102,721	122,585	36,184	46,103
Peru: Soles	385,412	441,396	421,257	496,830	35,845	55,434
Uruguay: Pesos	57,867	65,326	93,317	86,848	35,450	21,522
US \$						

* Jan.-Dec.

† Jan.-June.

These trends are general and continue. Import shortages, stimulating local industries and adding to dollar and sterling balances, have forced up prices in spite of anti-inflation measures. Argentina and Brazil introduced excess profits taxes and price control has become general. Increased freedom of the Caribbean and sustained quota shipments from the United States have alleviated food problems in Venezuela and Columbia, where need was greatest. Argentina has suffered most from fuel shortage. Its 1944 fuel imports were a million tons (including 400,000 tons of petroleum) against 5 million tons (2 million of petroleum) in 1938. Its fuel rationing is necessarily strict.

Most republics rely on new industries to offset the effect on their economies of reduced strategic exports and lower export prices after the war. Industry rather than agriculture has benefited from United States financing. By June 1944, Lend-lease disbursements throughout Latin America totalled US \$172,000,000 and Export-Import Bank disbursements over US \$200,000,000 (loaned for periods up to 16 years). The Metals Reserve Company and the Rubber Reserve Corporation have also undertaken substantial commitments.

ARGENTINA

The above trends marked an economically prosperous year. On October 31st disposable grain surpluses were: wheat (after earmarking 156,958 tons for war relief and 873,969 tons for Spain) 4,334,090 tons; linseed 83,845 tons (1,500,000 tons earmarked for linseed oil as fuel substitute) and maize 3,364,045 tons. Coming crops are estimated (in tons) at:

	1943-4 harvest	1944-5 harvest
Wheat	6,800,000	4,537,000
Linseed	1,573,000	841,500

Foreign Trade.—The United Kingdom has dropped from first place in 1943 (21 per cent) to third in 1944 (7.6 per cent) as Argentina's supplier, following Brazil (34.1 per cent) and the United States (14.8 per cent). Post-war imports for replacement of industrial equipment are estimated to require about 4 million pesos.

BRAZIL

Drought and frost account for an estimated 1944-5 coffee crop of 4,500,000 bags, against twice that amount in recent years. In 1944 coffee still represented 36 per cent in value and 30 per cent in volume of Brazil's total exports. Rubber yield rises very slowly. Manaos entries for 1944 were 18,043 tons, against 16,067 tons for 1943. Iron and steel production in the first half of 1944 was: pig-iron, 129,469 tons; steel ingots, 99,379 tons; rolled steel, 78,894 tons; respectively 67, 81 and 66 per cent more than in the first half of 1939. In Sao Paulo, whose cotton piece-goods output for 1943 equalled Lancashire's, electrical and rubber industries have also developed. In October President Vargas set up an Economic Planning Committee to coordinate industrialization.

USSR

LITTLE news about the economic situation in Russia was released in 1944. The dominating feature was the liberation of all Russian lands from German occupation. Industry and agriculture in the liberated areas were found to be utterly devastated, and much effort was devoted to their reconstruction; but priority was still given to war production in the areas that had not been overrun by the enemy. Out of the budgetary allocations for capital construction 29,000 million roubles were set aside for construction in those areas and only 16,000 million roubles for the rehabilitation of the liberated territories.

Industry.—Industrial output in the "safety zones" on the Volga, in the Urals and in Soviet Asia was maintained at a high level. Industries previously evacuated from the western provinces were, on the whole, not re-transferred to their old sites. They continued to operate in the east, though some difficulties seem to have arisen because the evacuated workers tended to rush back to their homes after the expulsion of the Germans. In the liberated areas, the economic departments were chiefly occupied in restoring the flooded coal-pits of the Donetz basin and the metal industries of the Ukraine. No over-all indices of output were published, but such fragmentary data as are available suggest that the output of coal and iron and steel in 1944 was only about 10 per cent of the total production before the invasion. Most of the towns in the freed areas were destroyed and depopulated.

Agriculture.—The state of agriculture in the liberated areas was relatively better. The All-Union plan for sowing in 1944 provided for an increase in acreage of 7.5 million hectares compared with 1943. The planned increase amounted to about one-third of the normally cultivated area in the provinces concerned. The plan seems to have been carried out. Simultaneously, some of the emergency measures that had been adopted in Soviet Asia after the loss of the agricultural areas in the west were wound up in 1944. The cultivation of cotton was resumed on cotton land that had been turned into rice-producing areas in 1942 and 1943. The emergency switch-over from spring wheat to winter wheat in Siberia was stopped, and farms reverted to more traditional methods of cultivation. However, the whole of Soviet farming continued to labour under the severe wartime losses of machinery and cattle. The shortages of agricultural implements and spare parts to which some sections of munition factories were converted. A redistribution of cattle also took place which provided farms in the liberated areas with small numbers of animals. A full replenishment of agricultural stock will require enormous imports after the war.

Finance.—The table below gives the Budget estimates for 1943 and 1944. No data about the actual revenues and expenditures were published.

(In milliard roubles)

	1943	1944
Revenue	210.0	245.6
Turnover tax	71.0	80.2
Expenditure	210.0	245.6
Defence	124.7	128.4
National economy	31.1	44.7
Social and cultural development	37.2	51.4

Lend-Lease deliveries (especially from the USA) reached their peak in the past year. Some additions to Russia's war reserves accrued from the capitulation of the satellite countries. Rumania, Finland and Hungary undertook to pay reparations to Russia (£75 million each) in the course of five years.

Switzerland

THE liberation of Western Europe from German occupation brought no relief to Switzerland's economy. The mobilisation of an additional number of civilians for the army and the virtual standstill of trade with overseas countries imposed new burdens. At the end of the year, Switzerland was still isolated because of transport difficulties in France.

Agriculture.—During the 1943-44 agricultural season the acreage under cultivation increased by 100 per cent compared with 1934. Potato and vegetable crops showed the greatest expansion, and in 1944 a considerable effort was made to increase the acreage under oilseeds. A record crop of sugar beet was lifted in 1944. The milk and butter production remained satisfactory and has become more valuable than ever before.

Industry.—The most characteristic feature of industrial activity, particularly during the second half of the year, was the growing shortage of raw materials, particularly coal, iron and steel and chemicals. Some of the big towns, such as Zürich, received their last coal supplies from Germany in November, and during the cold spell considerable economies in the use of fuel and gas were necessary. Switzerland's export industries were forced to put current production into stock, awaiting facilities for export.

Foreign Trade.—The impact of the war is shown in the following figures:

(In thousand metric tons and million francs)

	Volume		Value	
	Imports	Exports	Imports	Exports
1938	7,379	611	1,607	1,317
1943	3,970	366	1,727	1,629
1944	2,623	305	1,366	1,132

In other words, imports in 1944 compared with 1938 had decreased by two-thirds in volume, but by only 15 per cent in value. Over the same period, exports fell by 50 per cent in volume and by 13.3 per cent in value. The volume of imports during December 1944 reached its lowest level for the whole war at only 10 per cent of the average monthly imports in 1938.

Finance.—The ordinary budget estimates have been as follows:

(In million francs)

	Revenue	Expenditure	Deficit
1943	364.4	508.0	143.6
1944	389.3	512.6	123.3
1945	407.5	582.5	143.6

The main financial costs of the war were carried in an extraordinary budget for 1945. This estimated revenue of 385 million francs and expenditure of 1,825 millions. The total deficit for the financial year 1945 will therefore amount to 1,614 million francs. The total national debt will thus have increased to roughly 6,500 million francs. In spite of stable wages and slightly rising prices, and in spite of increased taxes, savings accounts showed a further rise. Notes in circulation increased from 3,006 million francs at the end of 1943 to 3,550 millions on December 31, 1944.

Palestine

(All currency figures expressed in Palestinian pounds unless otherwise indicated.)

PALESTINE continued during 1944 to enjoy prosperity, and at the same time to suffer from an abnormal economy and a rising cost of living. The industries fostered by the war were still in full operation, although the tide of war receded from the Middle East. An estimate of the national income, made in 1943, showed that it had trebled since 1939, from £30 million to £90 million. The income per head had increased in that period from £21 to £56. That was not due simply to increased costs; there was an increase of one-third in the volume of production of goods and services. The cost of living and wholesale and retail prices reached a level slightly higher than those of the previous year. At the same time, the amount of currency in circulation and of bank deposits also reached a fresh peak: at the end of November the currency amounted to £41 million, and the total deposits held by banks and credit cooperative societies reached £71½ million.

Finance.—The finances of Government were complicated by the policy of granting large subsidies in order to keep down the price of the essential foodstuffs, particularly flour, bread and meat, with a view to checking a further rise in the cost of living. The subsidies amounted to about £5,000,000 during 1944. Another £1,500,000 was paid by Government as cost of living allowances to its officers. The expenditure for the financial year 1943/44 showed a deficit of over £3,000,000, mainly on account of this extraordinary subsidy, and the estimates for the current financial year 1944/45 showed a deficit of £3,500,000. The Government has, indeed, raised taxes substantially, particularly the income tax; and the tax revenue is expected to be £6,750,000, against £5,000,000 in the previous year. The yield of income tax in 1943/44 was £2,117,000 against £900,000 in 1942-43.

Population.—The population has now reached 1,750,000. The increase during the year was mainly due to the higher birth-rate, particularly among the Arab population. Among the Moslems, the rate is over 50 per 1,000. Immigration is still restricted, but was on a rather higher level than in 1943. The figure for the first ten months of 1944 was 12,500, against the total of 10,000 for 1943.

Foreign Trade.—The foreign trade figures are not published, but exports are in the neighbourhood of £11 million, and imports are about £28 million. The export of citrus fruit, which before the war was by far the most important item, is still very restricted. The principal items are diamonds, of which the value is nearly £3,000,000, and potash and other minerals from the Dead Sea, to an amount of about £1,500,000. Textiles and other manufactures are mainly consumed in the home market. In food production there was a notable increase in the quantity of fish caught both in the sea and the lakes.

Sweden

Foreign Trade.—Foreign trade relations with Germany were suspended and the first results can be seen in the following figures:

(Million Kronor)

	Imports	Exports
1938	2,068	1,839
1942	1,770	1,313
1943	1,818	1,151
1944	1,664	830

The volume of imports and exports decreased more sharply in October and November 1944. Imports were only two-thirds of the volume for the same months of 1943, and exports dropped by 12 per cent.

Industry.—The typical export industries were to some extent forced to put manufactures into stock, especially in the wood pulp mills. From January to September 1944, the official index of production remained slightly below the figures for the same months of 1943. In October 1944, it rose to 110 (1935=100) against 108 in October 1943. Unemployment, expressed as a percentage of the total membership of the trade unions, stood at 3.3 per cent in October 1944 against 4.5 in October 1943. Production and employment thus showed hardly any change during the year.

Finance.—Budget expenditure during the five years from July 1939 to June 30, 1944, amounted to Kr. 19,615 million. This is an annual average expenditure of Kr. 3,923 million. Total revenue during the same five years amounted to Kr. 11,964 million. Borrowing on a large scale was needed to cover the deficit, and the national debt rose from Kr. 2,634 million on June 30 1938 to Kr. 10,495 million at the end of 1944. If capital expenditure is excluded, revenue and expenditure were as follows during the last two financial years:

(In Million Kronor)

	Revenue	Expenditure	Deficit
1942/43	2,704	4,037	1,333
1943/44	3,106	4,072	966

Capital expenditure amounted to Kr. 375 million in 1942/43 and Kr. 461 million in 1943/44.

The wholesale price index advanced over the whole war period by roughly 79 per cent and the cost of living index by 44 per cent. Bank deposits increased during the period from January 1939 to November 1944 by roughly Kr. 4,000 million to Kr. 6,112 million. Notes in circulation advanced correspondingly from Kr. 1,061 million at the end of 1938 to Kr. 2,375 million at the end of 1944.

Belgium

ON September 1, 1944, Allied spearheads crossed the Belgian frontier and by the end of the month the country was virtually liberated from German occupation. The port of Antwerp was opened for traffic some two months later. In December, however, the German counter offensive again turned the Ardennes into a theatre of war. Fighting on Belgian soil was still in progress at the end of the year.

The last months and weeks before the liberation saw an acute shortage of foodstuffs and a general decline in economic activity, particularly because of the big evacuation from coastal districts and the continued deportation of civilians to Germany. Roughly 700,000 Belgians, among them 62,000 prisoners of war, were employed in Germany at the time of the liberation. In spite of a considerable increase in the acreage under cultivation, the food situation deteriorated again during the spring and summer of 1944. Nominal food rations in July, 1944, and at the beginning of 1945 were as follows:

(In Grammes)

	July, 1944.	Beginning of 1945
Bread per day	250	350
Margarine per month	50	150
Dried vegetable per month	none	500
Potatoes per month	9,000	12,000
Sugar per month	1,000	1,000
Coffee substitute per month	100	150

Total imports of all materials into Belgium amounted to 4,000 tons in November and 12,000 tons in December, 1944. Before the war, the monthly average of imports amounted to 2½ million tons. According to *Populaire* the monthly average during the occupation amounted to 350,000 tons.

Finance.—At the end of 1943, German debts, that is, the costs of occupation and the clearing debts, carried by the *Banque d'Emission* had increased to 48,744 million francs. At the end of the occupation, the notes in circulation had reached the record figure of roughly 100,000 million francs. The Budget estimates prepared under German occupation for 1944 set against a revenue of 16,737 million francs expenditure of 20,573 millions. By its deflationary policy the Belgian Government made a clean break with this financial result of the German occupation. The notes in circulation were withdrawn and replaced by new ones, and the first return of the National Bank of Belgium relating to January 11, 1945, reveals that the notes in circulation stood at 42,713 million francs against 29,776 millions on May 9, 1940, the day before the German attack. A difficult problem which could not be settled immediately is the taxation of war profits made under German occupation. The new exchange control system requires all Belgian nationals to declare their foreign assets, but there is no compulsion to sell them to the Government. Monetary agreements were signed with Great Britain, France and Holland.

France

ECONOMIC conditions during the past year were chiefly determined by the resumption of hostilities on French soil after the Allied landings in Normandy in June. The immediate effect of the hostilities was to aggravate the economic plight into which France had been plunged during the German occupation. In spite of the quick liberation of the country, such improvement as took place did so slowly, and in many respects the situation deteriorated gravely towards the end of the year. Disruption of transport and shortages of coal and of raw materials were responsible for an acute paralysis of production and distribution. In addition, 1,200,000 houses had been destroyed in France from the beginning of the war to the end of 1944.

Transport.—In September, only 2,000 locomotives were in service, compared with 16,000 in normal times. Towards the end of the year the number of locomotives in use rose to 6,000, but a very high proportion of these were used for military purposes. The total number of civilian lorries decreased from 520,000 before the war to 192,000 in 1944; and most of these were worn out or not used because of the lack of tyres. The tonnage of the French merchant fleet dropped from 2,900,000 before the war to 850,000. Destroyed railway lines, bridges and roads completed the picture of transport disruption.

Industry.—It is estimated that about 75 per cent of French industrial capacity was left intact, though even "intact" industrial equipment was naturally worn out. But actual output was, on the whole, only a small fraction of the pre-war totals. Coal was output, extremely low immediately after the liberation, was stepped up to about 25 million tons in December, but about one-third of this was used for military purposes. The motor-car third of this was used for military purposes. The motor-car industry worked at very low pressure, producing less than 2,000 cars in December, though a rapid expansion of output was being planned for 1945. The production of armaments was resumed on a very limited scale. The output of steel in December was about 8 per cent of normal. The situation in the light industries was illustrated by the fact that the total textile output in 1944 was 27,000 tons, compared with 270,000 before the war; there was a complete lack of raw materials and the textile industry used substitutes almost exclusively.

Agriculture.—Farming suffered less than industry, though the cattle population decreased and agricultural machinery was worn out. There was also an acute shortage of fertilisers. Even so, the wheat crop in 1944—6.5 million tons—was higher than in previous years, although it was still about 25 per cent below the pre-war average. Food stocks were almost completely exhausted. The serious food situation which prevailed in some parts of France was caused not by any real food deficit in the country as a whole, but by the insuperable distribution difficulties and by the disappearance of large quantities of food into the black market.

Finance.—The rate of exchange was fixed at 200 francs to the pound and at 15 francs to 1 Reichsmark (in Alsace-Lorraine). The currency in circulation increased from 572 milliard francs in the beginning of the year to 640 milliards in October. By the end of the year it fell back to 572 milliard francs. It was estimated that nearly one-third of the banknotes was hoarded, chiefly by peasants. The Government undertook no drastic deflationary measures. The one large financial operation that was undertaken—the 3 per cent Liberation Loan—was over-subscribed and brought in 162 milliard francs. No total figures about the Budget for 1944 were published.

Wages and Prices.—Prices continued to show a sharp inflationary trend, but no precise indices were available. The wages of manual workers were increased by 40 per cent soon after the liberation. The salaries of civil servants were increased by 30 per cent. Compared with 1939, wages were nearly doubled, but the rise in wages was much smaller than the rise in prices.

Germany

By the end of 1944, southern Italy, France, Belgium, southern Holland, the north-eastern tip of Norway, Greece, Bulgaria, Rumania, the greater part of Hungary, the western Russian provinces, eastern Poland and Finland were lost to the German war economy. Sweden suspended exports to Germany and activity over Germany, particularly near the western frontier, grew in intensity. The successive territorial losses and the fact that virtually the whole of Germany had come into the effective bombing zone enforced radical restrictions in Germany's war economy. After the abortive conspiracy of generals and officers of the Wehrmacht and the attempted assassination of Hitler on July 20, 1944, a comprehensive political purge was carried out. Dr. Goebbels was appointed Reich Commissioner for total mobilisation for war. At short intervals the civil and military administration of Germany was severely reduced. Compulsory labour service was extended to the older groups of women and men; and under a new service decree the auxiliary services in the Wehrmacht employed girls. Civilian life came virtually to a standstill, and the proclamation of the *Volkssturm* put the entire male population under military discipline. There were long periods of chaotic conditions behind the various fronts and

The rubber prices, both in this country and in the United States, remained unchanged throughout the year. The international rubber regulation agreement, which terminated at the end of April, 1944 (after a temporary extension for four months from the end of 1943), was not renewed. In the autumn a Rubber Study Group was formed by the Governments of the United States, Great Britain and Holland. It held its first full meeting in Washington in January, 1945, when it arrived at the conclusion that within three to four years after the liberation of the Eastern producing areas, production of crude rubber would be raised to 1,500,000 tons per annum. Synthetic rubber capacity after the war is expected by the Group to be 1,333,000 tons per year, while its estimate of potential maximum consumption of crude and synthetic combined in the early post-war years does not exceed 1,500,000 tons. Some preparations for the early restarting of production in liberated Eastern producing areas—including the accumulation of materials for rubber planters—were made in 1944.

The export trade in metal goods showed some expansion during the past year:—

	Exports of Metal Goods			Index of volume (1938 = 100)	
	1938	1943	1944	1943	1944
	Value £'000	Value £'000	Value £'000		
Iron and steel ..	41,556	6,054	8,503	10	14
Non-ferrous metals ..	12,339	6,552	4,704	38	22
Machinery ..	57,868	28,013	40,960	29	42
Vehicles (including ships and aircraft) ..	44,627	8,691	11,677	10	13

Cotton Textiles

By the end of 1944 cotton spinners' and manufacturers' order lists were larger than at any period since the beginning of the war. The industry continued to operate under a strict measure of control. To a greater extent than ever it was necessary to establish priority claims upon production for all consumption related to the war effort.

The price of raw cotton to spinners was raised by 4½d. per lb. in April to bring values in Lancashire more in relation to world prices. Prescribed prices for yarn and cloth were advanced, but arrangements were made to keep prices of Utility fabrics stable.

The year was notable for the attention given to post-war problems. The report of the Cotton Board Committee on Post-War Problems was published. It dealt with the future size of the industry and made recommendations with regard to price management, elimination of redundant plant, re-equipment and modification of trades unions practices. Later in the year the President of the Board of Trade put forward the following five points for the industry's consideration: (1) amalgamations, particularly in the spinning section, (2) re-equipment, (3) overhaul of the merchandising organisation, (4) modernisation and simplification of the wage structure, and (5) extension of double shift working. Sir Raymond Streat, Chairman of the Cotton Board, countered with these five points of his own, namely: (1) the trade must be allowed to make profits and taxation relief must leave the industry enough to invest in modern equipment; (2) the Government must make suitable agreements for foreign and Empire trade and give early allocations to start the flow of business; (3) the Government must clear the way for the return of munition workers and members of the Services to vital post-war industries like cotton; (4) machinery makers must be given materials and labour to start work on Lancashire's needs; (5) licences for repairs and extensions and new buildings must be granted where necessary.

The report of the textile mission to the United States, led by Sir Frank Platt, the Cotton Controller, caused widespread discussion and controversy. The report contained information on American conditions, and the conclusion was reached that the British cotton industry was less efficient than that of the United States.

A special committee on deconcentration in the spinning branch of the industry, under the Chairmanship of Sir Raymond Streat, recommended that at the earliest opportunity made possible by the labour situation a date, to be called the appointed date, should be fixed by the Board of Trade, after which all spinning mills should be allowed to reopen.

An unfavourable factor was a tendency for the labour situation in Lancashire to become worse. A few more juveniles entered the mills, but more of the older operatives left. Numerous millowners took measures to make mill life more attractive by better welfare, providing canteens and other amenities.

The workpeople in both spinning and weaving branches of the industry put forward a claim for a flat rate increase in wages of 11s. a week for adult occupations and 5s. a week for juvenile occupations. Negotiations between the employers and the trades union officials are now proceeding.

Trading results of Lancashire cotton firms in 1944 showed that the average profit of 63 spinning companies was £8,490 as compared with an average of £7,959 for 62 companies in 1943. The average dividend of 101 spinning mills was 11 per cent, compared with 10.28 per cent in 1943. It was the highest figure since 1920.

Exports of piece goods in 1944 were 434,135,000 square yards, the value being £24,159,993, compared with 374,273,000 square yards at a value of £20,279,765 in 1943. Shipments of yarn in 1944 were 19,618,400 lb., the value being £3,286,395 compared with 19,216,800 lb., at a value of £3,342,329 in 1943. In 1939 the United Kingdom shipped 1,393,375,000 square yards of cloth, the value being £31,982,988, and the exports of yarn in the same year were 113,661,700 lb., at a value of £8,946,246.

Wool Textiles

DURING 1944 production on Government account, although irregular in volume, again took first place. There was pressure for additional khaki towards the close of the year, as optimism declined about the end of the war in Europe, so that in addition to considerable weights of jungle blankets and other tropical war textiles, mills had to revive production of greatcoating and khaki serge.

Export trade in both fabrics and yarns fell below that of

1943, though small shipments—taken weights—were allowed to a few countries, including the United States and South America, for which export licences had not been available through 1943 and the first half of 1944. A raw material ration so small as to be negligible has been issued for making patterns of goods for post-war export trade.

Pressure for output of utility fabrics for home trade increased and no rations of raw materials were granted in the West Riding during 1944 for home-trade non-utility fabrics. The worsted spinning section still seems to be the bottle-neck and is quoted as a reason for the short supply of knitted wool goods. The extra emphasis on utility goods is further shown by the Wool Control's veto, announced in November, on the consumption of power and labour by wool machinery in the processing of unrationed non-wool fibres. On the other hand raw material rations have been increased to those mills that can put them into additional yardages of utility cloth, thereby removing one of the incentives for using unrationed material—to fill up machinery for which wool fibre was unavailable and to avoid compulsory payment to workpeople for doing nothing.

The industry has lost no more labour to the forces and munition factories—in fact in some areas there are more operatives owing to the closing down of munition factories. The industry is estimated to have 140,000 employees—half the number in 1938. Much of the labour is inefficient and much is ageing.

At the close of 1944 the carpet industry again received rations of wool and a small ration of jute. It works under Board of Trade production permits and price scale for finished goods. Its activity is now estimated to be 25 per cent of capacity compared with 10 per cent or less for the years 1942, 1943 and most of 1944.

During the wool year ending June 30, 1944, the Australian clip was 3,708,212 bales compared with 3,591,457 for the previous season, whilst the New Zealand clip was 943,283 bales compared with 962,359 bales. It is not known whether shipments to this country were greater than in 1943, but stocks must be reasonably good and prospects of improved supplies at the close of hostilities must be considered better in view of the Wool Control's permission to the industry to take up a part of its shoddy ration in crossbred wool. Furthermore, substantial supplies from Britain's stocks were allocated to France and Belgium. States. While the British strategic reserve stock of Colonial wool in the United States is still large, the United States Government sold its own holding of Colonial wool to its mills and dealers during 1944.

The wool combing industry continues to operate on a commission basis for the Wool Control at fixed processing charges per lb. Late in the year conversion costs for all sections of the industry were published as fixed and permitted by the Wool Yarn and Wool Cloth Maximum Prices and Charges Order. During the year yarn prices in crossbred qualities were unchanged to a penny higher but in botanics the rise was 2d. to 3d. in the finer counts, which counts spinners generally were reluctant to sell because of the irregularity in the standards of tops available from the Wool Control and the very large amount of additional labour required for fine spinning.

Rayon

PRICES of rayon filament yarn remained stable throughout the year, a remarkable achievement in view of increased costs, and of great assistance in keeping down clothing and living costs. In the case of staple fibre there was actually a decrease of 3d. per lb.

During the year demand was in excess of supply, but the close control exercised averted any serious difficulty. The allocation for utility cloths was increased because of the serious shortage of cotton goods and Government demands were increased, particularly for the high tenacity yarns now used in place of cotton in the tyre cord fabrics. The future will probably bring a greatly increased use of rayon in peacetime tyre fabrics and for other industrial purposes, especially where high insulating properties are required, and in conjunction with plastics. More latitude was allowed to manufacturers to produce non-utility fabrics for post-war development, but the facilities granted were little used because of labour shortage.

Home claims on the industry reacted on the export trade, but even so returns for 1944 show a larger export business than before the War. It was lower than in 1942, but well up on 1943.

The industry protested against the Cotton Board Post-War Committee's suggestion that rayon should, over a large section of its work, be statutorily connected with cotton. The British Rayon Federation and Courtaulds, Ltd., both emphasised that rayon would be seriously prejudiced by any such action. No final decision has been arrived at.

Machinery re-equipment is a problem of major importance even in this new industry. Of several developments perhaps the most interesting is the introduction by a subsidiary of Courtaulds, Ltd., of a new warp knitting machine with twice the speed of the best of the present machines. Instructions regarding the use of nylon have been issued to the trade but it will be some time before the product is ready for peacetime use.

Retail Trade

AVERAGE DAILY VALUE OF RETAIL SALES AND STOCKS IN GREAT BRITAIN IN 1944, COMPARED WITH 1943

PERCENTAGE CHANGES

(a) By Commodities

	Sales Year ended January, 1945	Stocks (at Cost) End of January, 1945
Non-food merchandise:—		
Piece goods ..	+10.2	-13.7
Women's wear ..	+16.5	-12.4
Men's and boys' wear ..	+27.8	-27.1
Footwear ..	+4.7	-14.7
Furnishing departments ..	+0.2	-18.8
Hardware ..	+3.7	-1.2
Fancy departments ..	+13.4	-9.6
Sports and travel requisites ..	+5.5	-17.9
Miscellaneous ..		
Total ..	+9.1	-12.9
Food and perishables ..	+5.4	-13.4
All departments ..	+6.9	-13.4

(b) By Districts

Scotland ..	+7.5	-15.6
North-east ..	+8.8	-16.7
North-west ..	+8.7	-16.3
Midlands and South Wales ..	+8.1	-15.9
South of England ..	+8.7	-15.5
Central and West-end London ..	+1.1	-22.6
Suburban London ..	+2.4	-0.2

The retail year was perhaps most notable for the steady decline in stocks which took place. Turnover was at a higher level than in 1943, but new production did not keep pace with it. A drop in production was only to be expected in the year of the European invasion, and it was intelligent, as mobilisation for war reached its peak, to take advantage of the cushion of consumer goods stocks. Nonetheless, the deflation of the cushion proceeded at a rate which was, by the end of the year, felt to be verging on the unsafe. In apparel it was particularly true, although the clothes ration has been maintained at the rate of four coupons a month since 1942. Whether this rate can be continued into the autumn of 1945 is a matter of doubt.

In October it was announced that the making-up trades would have restored to them the cuts in their approved labour force (that is, the number employed at June, 1942) made at the beginning of the year. In addition, a month later, it was decided to increase the approved labour force from 100 per cent to 110 per cent in infants' wear and from 75 to 95 per cent in tailoring firms. It was not until March, 1945, that special measures were announced by the Minister of Labour as being "in preparation" to increase the number of operatives in cotton spinning, where the low output threatened a severe shortage of yarn for clothing textiles and household fabrics.

The index numbers of apparel stocks (1942 = 100) were as follows (both 1943 and 1944 are given for comparison):

	Dress Materials	Women's Wear	Men's and Boys' Wear	Boots and Shoes
1943 ..	99	107	110	79
1944 ..	75	86	93	75

The drop in stocks in all departments can be seen in the comparative table of sales and stocks on this page.

An interesting indication on the drop in supplies of goods for civilian consumption is given in the "White Paper on the War Effort (Cmd. 6564). Some of the figures are worth repeating here. Although 1944 figures are not available, in a good many cases they are likely to be roughly the same order as in 1943. The most notable exception will probably prove to be apparel, for which, judging by the retail trade index, the index below is likely to rise to the 1941 or 1942 level.

PERSONAL EXPENDITURE ON CERTAIN CLASSES OF CONSUMERS' GOODS AT 1938 PRICES

(1938 = 100)

(Contd.)

	Clothing and Dress Materials	Boots and Shoes	Furniture and Furnishings	Hardware	Private Cars, Bicycles, etc.	Other Goods (excluding Food, Drink and Tobacco)
Actual expenditure in 1938 ..	574	73	147	82	62	306
1938 ..	100	100	100	100	100	100
1939 ..	99	104	94	91	82	100
1940 ..	82	95	69	74	24	82
1941 ..	59	79	47	52	16	64
1942 ..	58	77	32	35	10	54
1943 ..	55	75	23	35	11	52

* Furniture, furnishings, household textiles, floor coverings, musical instruments, wireless sets, gramophones and accessories.
† Pottery and glassware, ironmongers' goods, electrical goods, heating and cooking appliances and perambulators.
‡ Chemists' wares, stationery, books and newspapers, fancy goods, jewellery, etc., travel goods, toys and sports goods, petrol and oil, soap, polishes, candles and matches.

During the year ending January, 1945, compared with the year before, retail turnover as a whole rose by 6.9 per cent, as can be seen from the table. This made the index number of retail trade (1942 = 100) 105, compared with 98 in 1943. The rise in turnover was most marked in the apparel section, where the index rose from 88 (its lowest wartime level) in 1943 to 102 in 1944. The household goods categories fell slightly from 99 to 87, their lowest level so far. The index for non-food merchandise as a whole rose from 93 to 101, and the food index rose from 102 to 105. It should be here recorded that the base of retail trade index, compiled by the Bank of England and published monthly in the *Board of Trade Journal*, was changed in April from 1937 to 1942. The opportunity was taken to introduce some improvements.

The flying-bomb campaign, which began in June, had a depressing effect on retail sales in Southern England, and particularly in London. At its height, in July, central London sales dropped by 30 per cent compared with the same month the year before. Other regions gained to some extent from the shifts in population caused by evacuation.

Another factor during the year was the exceptionally large Christmas trade. Daily sales during December were 9.0 per cent above those of December, 1943. For non-food merchandise the rise was 13.6 per cent and for food 6.0 per cent. Changes in price during the period had been in the main negligible, so that the rise represented almost entirely the purchase of a larger volume of goods.

Furniture continued to be dominated by utility production and the rationing system for its disposal. From August 1st the allowance, which had been cut in 1943, was restored to 60 units, and the larger ration applied to those who had previously had to make do with the smaller one. Although the output was increased, it was still far from being adequate to satisfy potential demand, even among the priority classes. Consequently there was an increased demand for second-hand furniture. Prices had been rising to phenomenal heights, and on August 28th an Order came into force prescribing ceiling prices. The scheduling of a class of goods in which the variety is almost limitless was no mean achievement; the Board of Trade had the assistance of the trade in working out the scheme. Furniture (except antiques) is classified according to type of wood and measurement. For example, no fewer than fifty-four classifications are laid down for wardrobes, with a price range from £6 10s. to £58 10s. Although a substantial reduction in current prices was achieved, the object of the Order was to arrest the continuing rise in prices while in no way drying up the supply of second-hand furniture.

During the year the Board of Trade promised that a census of distribution would be taken after the war. Meanwhile, the institution of clothing coupon banking accounts in 1942 provided material for the compilation of statistics dealing with retail outlets for rationed clothing, footwear and textiles. These were given in the *Board of Trade Journal* of June 3rd. At the middle of 1942 there were 86,150 retail shops with coupon accounts, of which 81,000 were primarily engaged in selling rationed goods and the rest only as a side-line. It was estimated that about 10 per cent of shops mainly or wholly selling rationed goods did not, because of their smallness, open coupon banking accounts. The following table, compiled from the *Journal's* article, classifies shops according to money and coupon turnover:

Turnover per annum	Approx. Weekly Coupon Turnover	Percentage of Total Shops	Approx. Percentage of Total Sales
Under £2,500	Up to 300	48	Under 10
£2,500 to £12,000	300 to 1,500	43	About 25
Over £12,000	Over 1,500	9	66½

A classification of shops by economic type revealed that multiple shops (firms with five or more branches) accounted for 8,250, or 10 per cent of the total; co-operative stores, 2,460, or 3 per cent; independent shops dealing mainly or wholly in rationed clothing, 70,440, or 81 per cent; other independent shops selling rationed goods as a sideline, 5,000, or 6 per cent of the total. A breakdown of shops according to their general description was compiled from a sample analysis. The margin of error is given in parenthesis. Drapery, 35,800 (± 1,800); outfitting (men's and/or women's), 15,900 (± 1,400); footwear, 11,700 (± 1,200); tailoring (men's and/or women's), 5,500 (± 900); wool, 2,500 (± 600); costumiers and gown shops, 1,900 (± 500); variety chain stores, 1,500 (± 500); department stores, 300 (± 200); co-operative stores, 2,300 (± 600); other: wholly or mainly clothing, 3,600 (± 700); other: not wholly or mainly clothing, 5,200 (± 800). Despite the width of the margin of error in some cases, on the whole the figures are reasonably accurate. For example, the number of footwear shops and co-operatives compares well with the known actual figures, which were 11,950 and 2,460 respectively.

THE ECONOMIST INDEX NUMBER OF WHOLESALE PRICES

[illegible]

BRITISH WHOLESALE PRICES

[illegible]

* Pre-war, No. 2, N. Manitoba. † Pre-war, Argentine. ‡ Pre-war, New Zealand frozen wethers
 * Pre-war, Danish only. (a) Pre-war, Queensland, scoured super-combing. (b) 1929 = Native first marks.
 (c) Price at which Ministry of Supply supplied consumers, delivered works from 1941 onwards. § Pre-war, Danish only. ¶ Pre-war, Canadian only
 (f) Sheffield in 1929 and 1939. (g) Standard cash.

AMERICAN WHOLESALE PRICES

Commodity	Unit of Measurement	End of Year				1944 (End of Month)											
		1931	1941	1942	1943	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Wheat, Chicago, nearest future	cents per bush.	124	126	137	166	171	170	171	173	161	157	157	154	160	164	165	167
Winnipeg, " "	"	142	177	90	166	...	...	...	...	...	...	...	...	...	...	...	...
Maize, Chicago, " "	"	84	84	95	101	...	...	...	...	...	...	...	...	...	...	...	...
Copper, Connecticut, " "	cents per lb.	38	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Tin, N.Y., Straits, " "	"	39	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Lead, N.Y., spot, " "	"	35	52	50	52	52	52	52	52	52	52	52	52	52	52	52	52
Spelter, East St. Louis, spot, " "	"	35	55	65	50	65	60	65	60	65	60	65	60	65	60	65	60
Miscellaneous	"	35	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85
Cocoa, N.Y., Accra, nearest future	"	9	8	5	8	8	8	8	8	8	8	8	8	8	8	8	8
Coffee, N.Y., cash, Rio, No. 1	"	9	9	9	8	8	8	8	8	8	8	8	8	8	8	8	8
Cotton, N.Y., Am. mid., spot	"	17	13	18	20	20	20	20	20	20	20	20	20	20	20	20	20
Cotton Oil, N.Y., nearest future	"	8	13	15	10	13	13	13	13	13	13	13	13	13	13	13	13
Lard, Chicago, " "	"	10	10	14	15	14	14	14	14	14	14	14	14	14	14	14	14
Petroleum, Mid-cont. crude	cents per bushel	300	117	13	15	13	13	13	13	13	13	13	13	13	13	13	13
Rubber, N.Y., smok. sheet, spot	cents per lb.	16	23	17	117	117	117	117	117	117	117	117	117	117	117	117	117
Sugar, N.Y., Cuban Cent., 99, spot	"	3	7	3	7	3	7	3	7	3	7	3	7	3	7	3	7
Moody's Index of Staple Commodities	"	...	217	239	246	247	248	250	249	250	250	250	250	250	250	250	250

* Dec. 9, 1941.

† Trading figures.